Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or reliance upon the whole or any part of the contents of this announcement.

HUSCOKE HOLDINGS LIMITED
和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "**Board**") of Huscoke Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**811,470**	744,128
Cost of sales		**(695,010)**	(619,183)
Gross profit		**116,460**	124,945
Other income and gains, net	*4*	**24,641**	23,213
Selling and distribution costs		**(60,923)**	(71,089)
Administrative expenses		**(34,629)**	(39,146)
Finance costs	*5*	**(496)**	(586)
Profit before tax	*6*	**45,053**	37,337
Income tax expense	*7*	**–**	–
Profit for the period		**45,053**	37,337

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,144)**	(117)
Other comprehensive (loss)/income for the period, net of tax		**(1,144)**	(117)
Total comprehensive income for the period		**43,909**	37,220
Profit for the period attributable to:			
Owners of the Company		**39,683**	30,230
Non-controlling interests		**5,370**	7,107
		45,053	37,337
Total comprehensive income attributable to:			
Owners of the Company		**38,145**	30,124
Non-controlling interests		**5,764**	7,096
		43,909	37,220
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
– For profit for the period	9	**HK1.45 cents**	HK1.16 cents
Diluted			
– For profit for the period		**HK1.42 cents**	HK1.12 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**555,375**	570,644
Interest in an associate	*11*	**–**	101,804
Financial assets at fair value through profit or loss		**1,508**	1,508
Total non-current assets		**556,883**	673,956
CURRENT ASSETS			
Inventories		**46,732**	85,377
Trade receivables	*12*	**411,627**	367,083
Prepayments, deposits and other receivables		**591,536**	365,808
Cash and bank balances		**16,501**	18,894
Total current assets		**1,066,396**	837,162
CURRENT LIABILITIES			
Trade payables	*14*	**269,192**	237,326
Other payables, accruals and deposits received	*15*	**670,788**	625,982
Convertible bonds		**25,526**	43,526
Tax payable		**–**	5,150
Total current liabilities		**965,506**	911,984
NET CURRENT ASSETS/(LIABILITIES)		**100,890**	(74,822)
TOTAL ASSETS LESS CURRENT LIABILITIES		**657,773**	599,134

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019

	As at 30 June 2019 (Unaudited) *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
NON-CURRENT LIABILITIES		
Other payables and deferred income	**5,024**	8,205
Other borrowings	**18,188**	18,188
Deferred tax liability	**11,165**	11,253
Total non-current liabilities	**34,377**	37,646
NET ASSETS	**623,396**	561,488
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**27,864**	27,264
Reserves	**541,281**	485,737
	569,145	513,001
Non-controlling interests	**54,251**	48,487
TOTAL EQUITY	**623,396**	561,488

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIC OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 (the "**Interim Financial Statements**") have been prepared in accordance with the Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Interim Financial Statements do not include all of the information required for annual financial statements and thereby should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018 (the "**2018 Annual Report**").

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company and were approved for issue on 30 August 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the Interim Financial Statements are consistent with those used in the Group's 2018 Annual Report, except for the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations (collectively "**new and revised HKFRSs**") issued by HKICPA which have become effective in this Reporting Period as detailed in note 2 of the 2018 Annual Report.

Application of new and revised to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and revised to HKFRSs issued by the HKICPA that are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

Annual Improvements to HKFRS	Annual Improvements 2015–2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

The adoption of these new/revised HKFRSs has no significant impact on the Group's unaudited interim condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Revenue represents the net amounts received and receivables for goods sold by the Group to outside customers, less returns and allowance for the Reporting Period.

Business segments

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

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

(b) the coal-related ancillary segment – washing of raw coal into refined coal for sale and for further processing, and sale of electricity and heat which are generated as the by-products during the washing of raw coal; and

(c) the coke production segment – processing of refined coal into coke for sales, and sale of coke by-products that are generated during coke production.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income and sundry income, corporate administrative expenses, unallocated other operating income, unallocated finance costs and income tax expense are excluded from such measurement.

Intersegment sales and transfers are transacted at cost plus a certain percentage of mark-up.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

For the six months ended 30 June 2019

	Coke Trading (Unaudited) *HK$'000*	Coal-related Ancillary (Unaudited) *HK$'000*	Coke Production (Unaudited) *HK$'000*	Eliminations (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue					
– external sales	**79,089**	**33,895**	**698,486**	**–**	**811,470**
– intersegment sales	**–**	**68,128**	**–**	**(68,128)**	**–**
Other income	**–**	**18,113**	**–**	**–**	**18,113**
Total	**79,089**	**120,136**	**698,486**	**(68,128)**	**829,583**
Segment results	**9,620**	**7,194**	**57,142**	**(306)**	**73,650**
Interest income and sundry income					**6,528**
Corporate administrative expenses					**(34,629)**
Unallocated other operating income					**–**
Unallocated finance costs					**(496)**
Profit before tax					**45,053**
Income tax expense					**–**
Profit for the period					**45,053**

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the six months ended 30 June 2018

	Coke Trading (Unaudited) *HK$'000*	Coal-related Ancillary (Unaudited) *HK$'000*	Coke Production (Unaudited) *HK$'000*	Eliminations (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue					
– external sales	13,507	92,107	638,514	–	744,128
– intersegment sales	–	156,808	–	(156,808)	–
Other income	–	22,763	–	–	22,763
Total	13,507	271,678	638,514	(156,808)	766,891
Segment results	175	17,171	59,978	(706)	76,618
Interest income and sundry income					7
Corporate administrative expenses					(39,146)
Unallocated other operating income					444
Unallocated finance costs					(586)
Profit before tax					37,337
Income tax expense					–
Profit for the period					37,337

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**461**	5
Accrued interest income	**1,487**	–
Government grant	**18,113**	22,763
Write back of provision	**3,972**	–
Sundry income	**608**	445
	24,641	23,213

5. FINANCE COSTS

An analysis of finance cost is as follows:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on other borrowings	**11**	49
Interest expenses on convertible bonds	**485**	537
	496	586

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**695,010**	619,183
Depreciation	**16,003**	25,232
Operating lease payments in respect of leasehold interests in land and rented properties	**1,652**	1,648
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**24,854**	38,803
Pension scheme contributions	**179**	235

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – PRC	**–**	–
	–	–

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2018 and 2019 as there is no assessable profit for the Reporting 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.

8. DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Reporting Period.

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**39,683**	30,230
Weighted average number of ordinary shares in issue	**2,737,727,239**	2,596,625,258
Basic earnings per share	**HK1.45 cents**	HK1.16 cents

9. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised of convertible bonds.

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**39,683**	30,230
Add: Interest expense on convertible bonds *(HK$'000)*	**485**	537
Profit attributable to equity holders of the Company for diluted earnings per share *(HK$'000)*	**40,168**	30,367
Weighted average number of ordinary shares in issue	**2,737,727,239**	2,596,625,258
Adjustments for convertible bonds	**84,256,976**	144,256,976
Weighted average number of ordinary shares for diluted earnings per share	**2,821,984,215**	2,740,882,234
Diluted earnings per share	**HK1.42 cents**	HK1.12 cents

10. PROPERTY, PLANT AND EQUIPMENT

	Land and building *HK$'000*	Leasehold improvements *HK$'000*	Furnaces and infrastructure *HK$'000*	Plant and machinery *HK$'000*	Computer equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
COST									
At 1 January 2019	352,007	1,653	465,221	548,604	71,089	375	49,810	30,289	1,519,048
Additions	–	–	–	471	266	15	150	–	902
Exchange realignment	(2,722)	–	(5,906)	(4,192)	(506)	–	(356)	6,242	(7,440)
At 30 June 2019	349,285	1,653	459,315	544,883	70,849	390	49,604	36,531	1,512,510
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 January 2019	241,206	1,004	123,016	468,889	66,216	132	42,741	5,200	948,404
Provided for the period	4,591	275	9,134	1,028	187	38	750	–	16,003
Exchange realignment	(1,865)	–	(951)	(3,624)	(468)	–	(324)	(40)	(7,272)
At 30 June 2019	243,932	1,279	131,199	466,293	65,935	170	43,167	5,160	957,135
NET CARRYING AMOUNTS									
At 30 June 2019	105,353	374	328,116	78,590	4,914	220	6,437	31,371	555,375
At 31 December 2018	110,801	649	342,205	79,715	4,873	243	7,069	25,089	570,644

11. INTEREST IN AN ASSOCIATE

	As at 30 June 2019 (Unaudited) ***HK$'000***	As at 31 December 2018 (Audited) *HK$'000*
Unlisted shares, at cost	–	101,804

Note:

*As disclosed in the announcement of the Group dated 27 June 2019, the Group had issued written notifications to both parties in relation to its investment in EDB Holding Limited ("**EDB**") to exercise its repurchase right. As a result, EDB ceased to be an associate of the Group with effect from 27 June 2019.*

12. TRADE RECEIVABLES

	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Trade receivables:		
– Third parties	**210,446**	159,262
– Related companies	**81,939**	86,683
– Non-controlling Shareholder	**171,685**	170,076
	464,070	416,021
Bill receivables	**433**	3,938
Loss allowance	**(52,876)**	(52,876)
	411,627	367,083

Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. Each customer has a maximum credit limit. Advances are required for certain customers. The Directors consider that these arrangements enable the Group to limit its credit risk exposure. As at 30 June 2019, approximately 42% (31 December 2018: 46%) of the Group's trade receivables was due from one customer, and there was a significant concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances due from customers other than the Non-controlling Shareholder *(Note 13)*. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The carrying amounts of trade and bill receivables approximate their fair values.

An aged analysis of the trade receivables as at the end of the reviewing period, based on the invoice date and net of provisions, is as follows:

	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Within 3 months	**99,163**	171,992
3 to 4 months	**39,919**	–
Over 4 months	**272,545**	195,091
	411,627	367,083

13. AMOUNT DUE FROM THE NON-CONTROLLING SHAREHOLDER

	Notes	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Current			
Trade receivables due from the Non-controlling Shareholder *(Note 12)*	*(i)*	**171,685**	170,076
Other receivables from the Non-controlling Shareholder	*(ii)*	**271,254**	273,368

Notes:

(i) The balances are trade in nature, non-interest-bearing and have a credit term of 120 days (2018: 120 days), which are similar to those granted to major trading customers of the Group.

(ii) The balances are advances to the Non-controlling Shareholder, which are non-interest-bearing and repayable on demand.

The carrying amounts of the above balances approximate their fair values.

14. TRADE PAYABLES

	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Trade payables due to other parties	**263,801**	231,893
Trade payables due to related companies	**5,391**	5,433
	269,192	237,326

14. TRADE PAYABLES (CONTINUED)

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

	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Within 3 months	**148,396**	152,193
3 to 4 months	**24,602**	1,582
Over 4 months	**96,194**	83,551
	269,192	237,326

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

The carrying amounts of trade payables approximate their fair values.

15. OTHER PAYABLES, ACCRUALS AND DEPOSIT RECEIVED AND DEFERRED INCOME

	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Other payables and accrued charges	**317,842**	369,416
Amount due from an associate	**–**	45,008
Contract liabilities	**352,946**	214,700
Deferred income	**5,024**	5,063
	675,812	634,187
Less: Current portion	**(670,788)**	(625,982)
Non-current portion	**5,024**	8,205

The other payables are non-interest-bearing and have an average credit term of 120 days.

The carrying amounts of the other payables and accrued charges approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2019, China's coke industry experienced steady growth with an overall increase in both production output and sales price. The Group's main product – metallurgical coke is the raw material for steelmaking. According to the report released by China Iron and Steel Industry Association, the national crude steel output for the first half of the year grew by 9.9% year-on-year to 490 million tons, while the coke output for the first half of the year increased by 6.7% year-on-year to 230 million tons. As the crude steel output grew at a faster pace than that of the coke output, the metallurgical coke still fell short of supply. Meanwhile, benefiting from the proactive fiscal policy and relatively accommodative monetary policy implemented by the PRC government in 2019, the PRC economy maintained a steady growth momentum. It is expected that the favourable market environment will continue to bolster the development of the steel industry, providing support for the demands and price of metallurgical coke.

Driven by the coke and steel markets, the coke price hovered at high level in the first half of the year. According to the statistic data from China Coking Industry Association, the average price of second grade metallurgical coke in the first half of the year was approximately RMB1,987 per ton, representing a year-on-year increase of 4.1%. As a result, the overall sales of the Group increased by 9.0% to approximately HK$811,470,000 from approximately HK$744,128,000 for the corresponding period of 2018.

The coke price continued to be supported by the strong demands from the steel plants and certain objective factors such as decrease in coke supply due to increased efforts in de-capacity by the government. Under such market conditions, the Group recorded net profit of approximately HK$45,053,000, representing an increase of 20.7% as compared with net profit of approximately HK$37,337,000 for the corresponding period of 2018.

Prospects

Looking forward to the second half of 2019, the increased efforts in de-capacity of the coke industry by the government has led to the phase-out of some coke enterprises that failed to meet the environmental protection requirements, which will result in a decrease in coke supply. Meanwhile, given the increasing demand for metallurgical coke driven by the expectation of continuous increase in production output of the steel plants, the coke price is expected to stay on the upward track in the second half of the year. As an enterprise that strictly complies with the national environmental protection standard, the Group will continue to keep a close watch on the development in the environmental protection policies, improve its equipment and keep abreast with the supply-side reform. Furthermore, the Group will continue to implement stringent control over various costs and strengthen risk control. The Group expects the coke production business performance to continue to grow in the second half of the year.

The Group intends to expand its coke trading business in the second half of the year by exploring new trading channels to promote its international coke trading business and increase its cash flow, with an aim to improve the overall business profit of the Group.

The Group will continue to pay attention to the changes in the market, and promote industrial upgrading through relevant industrial consolidation. As disclosed in the announcement of the Group dated 18 March 2019 in relation to, among others, the entering of non-legally binding framework agreement with Shanxi Jinyan Energy Technology Company Limited ("**Energy Technology**"), the Group intends to gradually invest in Energy Technology through a series of acquisitions or subscriptions such that the Group will be interested in not less than 51% of the enlarged share capital of Energy Technology or having significant control of Energy Technology. Energy Technology is committed to a coke project located in Xiaoyi City, Shanxi Province of the PRC with a production capacity of 5 million tons. Further announcement(s) will be made by the Company as and when appropriate in relation to the progress of the acquisition.

The Group has been actively exploring collaborative opportunities relating to its existing businesses, and will integrate upstream and downstream resources that provide synergies to the current coke production business, with an aim to create greater value for our Shareholders and stakeholders in return for their support.

Major Events

On 4 June 2019, the Company entered into the conditional subscription agreement with Rontac Resources Company Limited ("**Rontac**") for cash subscription of a 3-year convertible bonds with an aggregate principal amount of HK$98,800,000 bearing an annual interest rate at 5%, and the initial conversion price is HK$0.26. On the assumption that the conversion rights attached to the convertible bonds are exercised in full, the Company will allot and issue up to 380,000,000 conversion shares, representing approximately 13.64% of the issued share capital of the Company and approximately 12% of the issued share capital of the Company as to be enlarged by the allotment and issue of the conversion shares. The net proceeds of the subscription will be approximately HK$97,000,000, which will be used for the general working capital of the Group, including but not limited to provide not less than HK$80,000,000 funding for coke and coal trading business. The subscriber informed the Company that it is in process arranging the subscription, the above transaction is being gradually implemented in accordance with the terms of the agreement and it is expected that the completion will take place by end of September 2019.

On 27 June 2019, the Company entered into a non-legally binding memorandum of understanding (the "**MOU**") with China Cinda (HK) Asset Management Co., Limited ("**Cinda Hong Kong**"). Cinda Hong Kong is intended to procure a wholly-owned subsidiary to subscribe the convertible bonds to be issued by the Company in the principal amount of HK$300,000,000 subject to the terms and conditions of a formal agreement. The proposed subscription is expected to be conditional upon the approval by relevant regulatory authorities of Hong Kong and the Shareholders meeting of the Company. Further announcement(s) will be made by the Group as and when appropriate in compliance with the Listing Rules of the Stock Exchange.

As disclosed in the announcement of the Company dated 27 June 2019, based on the audited consolidated financial statements of EDB, the aggregate audited consolidated after-tax net profits of EDB attributable to its shareholders for the year ended 31 December 2017 and the year ended 31 December 2018 had not been reached. As such, on 27 June 2019, the Group issued written notifications to the vendor and guarantor to exercise its repurchase right under the sale and purchase agreement and the subscription agreement respectively. EDB ceased to be an associate of the Group with effect from the date of the notifications.

Financial Review

Consolidated Operating Results

Revenue

For the Reporting Period, the Group recorded total revenue of approximately HK$811,470,000 (2018: HK$744,128,000), representing an increase of approximately HK$67,342,000 or 9.0%. The increase was mainly due to the increase in average selling price of the Group's major product – metallurgical coke and attributed to the growth in the trading of coke.

Gross profit and gross profit margin

For the Reporting Period, the Group recorded gross profit of approximately HK$116,460,000 (2018: HK$124,945,000), representing a decrease of approximately HK$8,485,000 or 6.8%. The overall gross profit margin was 14.4% (2018: 16.8%). The decrease was mainly due to increase in the price of coal which serves as the raw material.

Operating Results of Segments

The Group is principally engaged in three business segments, namely: (i) trading of coke (the "**Coke Trading Segment**"); (ii) washing of raw coal into refined coal for sale and for further processing, and the sale of electricity and heat which are generated with by-products produced during washing of raw coal (the "**Coal-related Ancillary Segment**"); and (iii) processing of refined coal into coke for sale, and sale of coke by-products that are generated during coke production (the "**Coke Production Segment**").

Coke Trading Segment

During the Reporting Period, the Group generated revenue of approximately HK$79,089,000 from Coke Trading Segment (2018: approximately HK$13,507,000). The Group will conduct and continue to explore the direct coal and coke trading business opportunity in the second half of the year, with an aim to expand our coke trading business.

The segment results increased from approximately HK$175,000 for the six months ended 30 June 2018 to approximately HK$9,620,000 during the Reporting Period.

Coal-related Ancillary Segment

The Coal-related Ancillary Segment is related to the washing of raw coal into refined coal for sales and for further processing, and the sale of electricity and heat which are generated as the by-products during washing of raw coal process.

The external sales mainly represented the revenue from sales of power and heat energy to the community in the Xiaoyi City, Shanxi Province, China. For the Reporting Period, the external sales amounted to approximately HK$33,895,000 (2018: approximately HK$92,107,000). The decrease mainly due to the strict environmental control which reduced the capacity utilization of coal washing facilities.

Coke Production Segment

For the Reporting Period, the Coke Production Segment's revenue increased from approximately HK$638,514,000 for the six months ended 30 June 2018 to approximately HK$698,486,000. The segment result slightly decreased from approximately HK$59,978,000 for the six months ended 30 June 2018 to approximately HK$57,142,000. The decrease was mainly due to the increase in production costs as a result of a year-on-year increase in the price of coking coal which serves as the production raw material for metallurgical coke during the Reporting Period.

Selling and Distribution Costs

During the Reporting Period, the Group's sales and distribution costs decreased from approximately HK$71,089,000 for the six months ended 30 June 2018 to approximately HK$60,923,000, representing a year-on-year decrease of approximately 14.3%. The decrease in sales and distribution costs was mainly due to the decrease in freight costs and the change of the implementation of other cost control measures. Compared ratio to sales was around 7.5% (2018: 9.6%), showing remarkable improvement in control over selling and distribution costs as compared with the same period of last year. The main reasons for the decrease were (i) the stamp duty, property tax and land use tax were included in the item of "tax and surcharges" in accordance with the new accounting standard adopted for the Reporting Period; (ii) the pollutant discharge fees were replaced with environmental protection tax which was included in the item of "tax and surcharges"; (iii) other expenditures and operation cost of vehicle fleet expenses decreased significantly during the Reporting Period.

Administrative Expenses

The Group's management expenses were approximately HK$34,629,000 (2018: approximately HK$39,146,000) for the six months ended 30 June 2019, representing a year-on-year decrease of approximately 11.5%. The decrease was mainly due to the control over staff salaries and the decrease in maintenance costs for production equipment.

Finance Costs

For the Reporting Period, the finance costs of the Group were approximately HK$496,000 (2018: approximately HK$586,000). Such costs for the two periods were similar and there were no major changes.

Profit for the Period

For the Reporting Period, the Group recorded a profit for the period of approximately HK$45,053,000 (2018: approximately HK$37,337,000), representing a year-on-year increase of approximately 20.7%.

Significant Investments, Material Acquisition And Disposal

There was no significant investment, material acquisition or disposal of the Group for the six months ended 30 June 2019.

Charges Over Assets

The Group had no pledged assets, including pledged deposit, as at 30 June 2019 (31 December 2018: Nil).

Capital Structure and Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize Shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Reporting Period as compared with the year ended 31 December 2018.

The Group's principal financial instruments comprise convertible bonds and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, amounts due from the Non-controlling Shareholder, cash and bank balances, trade payables, and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below.

The Group regularly monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade payables, other payables, accruals and deposits received, other borrowings and convertible bonds, net of cash and bank balances. Capital includes the convertible bonds issued in 2016 and equity attributable to owners of the parent. The gearing ratio as at 30 June 2019 was 63% (31 December 2018: 64%).

As at 30 June 2019, the equity attributable to owners of the parent amounted to approximately HK$569,145,000 (31 December 2018: HK$513,001,000). The equity attributable to owners of the Company per share was approximately HK$0.21 per share for the Reporting Period (31 December 2018: HK$0.19 per share).

Liquidity and Financial Resources

Net current assets and current ratio were HK$100,890,000 (31 December 2018: net current liabilities HK$74,822,000) and 1.10 (31 December 2018: 0.92), respectively as at 30 June 2019.

As at 30 June 2019, the Group's cash and bank balances amounted to HK$16,501,000 (31 December 2018: HK$18,894,000). The total other borrowings and convertible bonds were HK$18,188,000 (31 December 2018: HK$18,188,000) and HK$25,526,000 (31 December 2018: HK$43,526,000) respectively.

As of 30 June 2019 and 31 December 2018, the Group had no bills payable.

Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's fair value interest rate risk relates primarily to short term cash and bank balances. The Group is also exposed to cash flow interest rate risk through the impact of interest rate changes on deposits. To minimize the fair value interest rate risk, the Group keeps its borrowings with a fixed rate of interest. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign Currency Risk

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("**RMB**"), United States dollars ("**USD**") and Hong Kong dollars ("**HK$**"). The Group is exposed to foreign currency risk arising from the monetary assets and liabilities that are denominated in currencies other than functional currencies of the respective group entities. The Group does not have any hedging instruments outstanding. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in the future as may be necessary.

Contingent Liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities which have not been provided in the financial statements (31 December 2018: Nil).

Treasury Policies

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees and Remuneration

As at 30 June 2019, the Group have approximately 1,300 employees (31 December 2018: approximately 1,400 employees). Less than 20 staff are stationed in Hong Kong and the rest are senior management and workers in the PRC. The Group's staff costs amounted to approximately HK$25,033,000 for the Reporting Period and approximately HK$39,038,000 was recorded in the corresponding period of 2018.

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 and motivate individual performance. Up to the the date of this announcement, there are 6,400,000 share options outstanding under the share option scheme.

Events After the Reporting Period

Possible issuance of convertible bonds – Rontac

Pursuant to the subscription agreement entered into between the Company as the issuer and Rontac as the subscriber on 4 June 2019, the subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds. The subscriber informed the Company that it is in process arranging the subscription, as at the date of this announcement, the above transaction is being gradually implemented in accordance with the terms of the agreement and it is expected that completion will take place by end of September 2019.

Possible issuance of convertible bonds – Cinda Hong Kong

Pursuant to the MOU entered into between the Company and Cinda Hong Kong on 27 June 2019, subject to the entering of a formal agreement, Cinda Hong Kong is intended to procure a wholly-owned subsidiary to subscribe the convertible bonds to be issued by the Company in the principal amount of HK$300,000,000 in accordance with the terms and conditions of the formal agreement.

Further announcement(s) will be made by the Company as and when appropriate in relation to the proposed subscription.

Investment in EDB

The Group issued an announcement on 27 June 2019 in relation to, among others, the issuance of written notifications to the vendor and the guarantor in respect of the sale and purchase agreement and the subscription agreement to exercise its repurchase right under the sale and purchase agreement and the subscription agreement respectively.

As disclosed in the announcement of the Group dated 27 June 2019, based on the audited consolidated financial statements of the target company, the aggregate audited consolidated after-tax net profits of the target company attributable to its shareholders for the year ended 31 December 2017 and the year ended 31 December 2018 had not been reached. As such, the Group had issued written notifications to the vendor and guarantor to exercise its repurchase right under the sale and purchase agreement and the subscription agreement respectively.

Further announcement(s) will be made by the Company as and when appropriate in relation to any material development on the repurchase of the subscription shares and the sale shares.

Possible acquisition of equity interests of a company

On 18 March 2019, the Company entered into a framework agreement with Energy Technology, pursuant to which the Company, a subsidiary in which the Company indirectly held 90% equity interests and the designated company within the Group intend to gradually invest in Energy Technology through a series of acquisitions or subscriptions such that the Company will be interested in not less than 51% of the enlarged share capital of Energy Technology or having significant control of Energy Technology. As at the date of the announcement, the terms of the formal agreement have not yet been finalized. Further announcement(s) will be made by the Company in due course.

Review of Interim Results by Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. To Wing Tim, Paddy who also acts as chairman of the committee, Mr. Lam Hoy Lee, Laurie and Dr. Wang Wei Hsin, and one non-executive Director, Mr. Huang Man Yem.

The unaudited condensed consolidated interim results of the Group for the Reporting Period have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE CODE

Save and except as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of the Listing Rules for the Reporting Period.

Code Provision A.2.1

Code provision A.2.1 of CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhao Xu Guang is the Chairman of the Board and also serves as Chief Executive Officer since 2 May 2017. The deviation is noted by the Board and the Directors consider the dual role is essential as Mr. Zhao provides the Company with strong and consistent leadership and facilitates the implementation and execution of the business strategies while the Group re-build and develop its business with his leadership in Board, and thus achieves the Company's objectives efficiently and effectively in response to the changing environment. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

Code Provision D.1.4

Pursuant to code provision D.1.4, issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. As disclosed and explained in respective appointment announcement published, there are no service contract nor letter of appointment of directors entered into between the Group and most of the directors. This constitutes a deviation from code provision D.1.4 of the CG Code. The Board will nevertheless review the need to have the formal letter and service contract from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the Directors of the Company (the "**Model Code**").

Having made specific enquiry of the Directors of the Company, all Directors of the Company confirmed that they had complied with the required standard as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2019 INTERIM REPORT

This interim results announcement is published on the HKExnews website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.huscoke.com).

The 2019 interim report of the Company will be dispatched to the Shareholders of the Company and will be published on the above websites in due course.

In response to environmental protection, Shareholders are encouraged to elect to receive Shareholders documents electronically. You may at any time send written notice to the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong specifying your name, address and request to change your choice of language or means of receipt of all Shareholders documents from now on.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to the Shareholders of the Company for their continued support and sincerely thank the Directors and staffs for their dedication and diligence. I also wish to take this opportunity to express my gratitude to the Group's customers, suppliers, bankers and convertible bonds holders for their ongoing support.

By order of the Board of
Huscoke Holdings Limited
So Chiu Fung
Executive Director

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises Mr. Zhao Xu Guang (Chairman), Mr. Li Qinghua, Mr. So Chiu Fung and Mr. Wang Yijun as executive Directors; Mr. Wong Siu Hung, Patrick and Mr. Huang Man Yem as non-executive Directors; Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Dr. Wang Wei Hsin as independent non-executive Directors.