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 2020

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 2020 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**383,947**	811,470
Cost of sales		**(332,362)**	(695,010)
Gross profit		**51,585**	116,460
Other income and gains, net	*4*	**27,017**	24,641
Selling and distribution costs		**(9,509)**	(60,923)
Administrative expenses		**(31,696)**	(34,629)
Finance costs	*5*	**(10,314)**	(496)
Profit before tax	*6*	**27,083**	45,053
Income tax expense	*7*	**(10,193)**	–
Profit for the period		**16,890**	45,053

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 (Unaudited) HK$'000	2019 (Unaudited) HK$'000
Other comprehensive loss			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(5,628)**	(1,144)
Other comprehensive loss for the period, net of tax		**(5,628)**	(1,144)
Total comprehensive income for the period		**11,262**	43,909
Profit for the period attributable to:			
Owners of the Company		**13,487**	39,683
Non-controlling interests		**3,403**	5,370
		16,890	45,053
Total comprehensive income attributable to:			
Owners of the Company		**8,347**	38,145
Non-controlling interests		**2,915**	5,764
		11,262	43,909
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
– For profit for the period	*9*	**HK0.47 cents**	HK1.45 cents
Diluted			
– For profit for the period		**HK0.47 cents**	HK1.42 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	As at 30 June 2020 (Unaudited) HK$'000	As at 31 December 2019 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**618,989**	576,422
Financial assets at fair value through profit or loss		**1,508**	1,508
Total non-current assets		**620,497**	577,930
CURRENT ASSETS			
Inventories		**52,964**	43,459
Trade receivables	*11*	**605,279**	643,781
Prepayments, deposits and other receivables		**708,627**	770,041
Restricted bank deposits		**–**	5,038
Cash and bank balances		**11,769**	20,839
Total current assets		**1,378,639**	1,483,158
CURRENT LIABILITIES			
Trade payables	*13*	**505,192**	476,658
Other payables, accruals and deposits received	*14*	**622,298**	735,312
Other borrowings		**18,188**	18,188
Lease liabilities		**4,013**	1,134
Tax payable		**22,727**	16,116
Total current liabilities		**1,172,418**	1,247,408
NET CURRENT ASSETS		**206,221**	235,750
TOTAL ASSETS LESS CURRENT LIABILITIES		**826,718**	813,680

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2020

	Notes	**As at 30 June 2020 (Unaudited) *HK$'000***	As at 31 December 2019 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Other payables and deferred income	*14*	**4,986**	5,034
Other borrowings		**200,000**	200,000
Lease liabilities		**10,301**	8,424
Deferred tax liability		**5,540**	5,593
Total non-current liabilities		**220,827**	219,051
NET ASSETS		**605,891**	594,629
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**28,707**	28,707
Reserves		**521,160**	512,813
		549,867	541,520
Non-controlling interests		**56,024**	53,109
TOTAL EQUITY		**605,891**	594,629

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIC OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 (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 2019 (the "**2019 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 31 August 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the Interim Financial Statements are consistent with those used in the Group's 2019 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 2019 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 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate benchmark reform

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

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

(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.

Segment revenue and results

For the six months ended 30 June 2020

	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	**5,465**	**185**	**378,297**	**–**	**383,947**
– intersegment sales	**–**	**6,267**	**–**	**(6,267)**	**–**
Other income	**–**	**–**	**–**	**–**	**–**
Total	**5,465**	**6,452**	**378,297**	**(6,267)**	**383,947**
Segment results	**154**	**(159)**	**42,081**	**–**	**42,076**
Interest income and sundry income					**27,017**
Corporate administrative expenses					**(31,696)**
Unallocated finance costs					**(10,314)**
Profit before tax					**27,083**
Income tax expense					**(10,193)**
Profit for the period					**16,890**

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

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 finance costs					(496)
Profit before tax					45,053
Income tax expense					–
Profit for the period					45,053

4. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**2**	461
Accrued interest income	**18,072**	1,487
Government grant	**592**	18,113
Compensation income from contract with customer	**8,351**	–
Write back of provision	**–**	3,972
Sundry income	**–**	608
	27,017	24,641

5. FINANCE COSTS

An analysis of finance costs are as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on other borrowings	**9,980**	11
Interest expenses on convertible bonds	**–**	485
Interest expenses on lease liabilities *(Note)*	**334**	–
	10,314	496

Note:

The Group has initially applied HKFRS 16 as at 1 January 2019 using the cumulative effect approach. Under this approach, comparative information is not restated.

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**332,362**	695,010
Depreciation	**16,559**	16,003
Operating lease payments in respect of leasehold interests in land and rented properties	**–**	1,652
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**24,630**	24,854
Pension scheme contributions	**152**	179

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – PRC	**10,193**	–
	10,193	–

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2019 and 2020 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 2020 (2019: 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	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**13,487**	39,683
Weighted average number of ordinary shares in issue	**2,870,713,497**	2,737,727,239
Basic earnings per share	**HK0.47 cents**	HK1.45 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 for the six months ended 30 June 2019 comprised of convertible bonds.

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

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding for the six months ended 30 June 2020.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and building *HK$'000*	Other properties leased for own use carried at cost *HK$'000*	Leasehold improvement *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 2020	349,942	12,743	1,653	462,492	549,998	70,672	408	43,016	42,765	1,533,689
Additions	–	6,692	–	56,644	1,010	45	–	–	–	64,391
Reclassification	–	–	–	2,922	35,522	–	–	–	(38,444)	–
Exchange alignment	(3,322)	(93)	–	(4,147)	(5,074)	(671)	–	(372)	(563)	(14,242)
At 30 June 2020	346,620	19,342	1,653	517,911	581,456	70,046	408	42,644	3,758	1,583,838
ACCUMULATED DEPRECIATION AND IMPAIRMENT										
At 1 January 2020	243,970	3,407	1,556	132,519	467,156	66,003	210	37,277	5,169	957,267
Depreciation charge	2,384	1,963	97	10,270	965	178	41	661	–	16,559
Reclassification	–	–	–	387	4,712	–	–	–	(5,099)	–
Exchange alignment	(2,308)	(6)	–	(1,215)	(4,413)	(627)	–	(338)	(70)	(8,977)
At 30 June 2020	244,046	5,364	1,653	141,961	468,420	65,554	251	37,600	–	964,849
NET CARRYING AMOUNTS										
At 30 June 2020	**102,574**	**13,978**	**–**	**375,950**	**113,036**	**4,492**	**157**	**5,044**	**3,758**	**618,989**
At 31 December 2019	105,972	9,336	97	329,973	82,842	4,669	198	5,739	37,596	576,422

11. TRADE RECEIVABLES

	At 30 June 2020 (Unaudited) *HK$'000*	At 31 December 2019 (Audited) *HK$'000*
Trade receivables:		
– Third parties	**361,310**	320,159
– Related companies	**84,149**	142,660
– Non-controlling shareholder of a subsidiary	**210,436**	233,149
	655,895	695,968
Bill receivables	**1,076**	–
Loss allowance	**(51,692)**	(52,187)
	605,279	643,781

The 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 2020, approximately 35% (31 December 2019: 36%) 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 12)*. Overdue balances are reviewed regularly by senior management.

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, are as follows:

	At 30 June 2020 (Unaudited) *HK$'000*	At 31 December 2019 (Audited) *HK$'000*
Within 3 months	**231,717**	251,163
3 to 4 months	**65,999**	55,158
Over 4 months	**307,563**	337,460
	605,279	643,781

12. AMOUNT DUE FROM THE NON-CONTROLLING SHAREHOLDER

	Notes	**At 30 June 2020 (Unaudited)** ***HK$'000***	At 31 December 2019 (Audited) *HK$'000*
Current			
Trade receivables due from the non-controlling shareholder of a subsidiary *(Note 11)*	*(i)*	**210,436**	233,149
Other receivables from the non-controlling shareholder of a subsidiary	*(ii)*	**246,023**	248,377
		456,459	481,526

Notes:

(i) The balances are trade in nature and interest-bearing. The balances have a credit term of 120 days (2019: 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 of a subsidiary, which are interest-bearing and repayable on demand.

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

13. TRADE PAYABLES

	At 30 June 2020 (Unaudited) ***HK$'000***	At 31 December 2019 (Audited) *HK$'000*
Trade payables due to other parties	**437,148**	366,162
Trade payables due to related companies	**68,044**	110,496
	505,192	476,658

13. TRADE PAYABLES (CONTINUED)

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

	At 30 June 2020 (Unaudited) *HK$'000*	At 31 December 2019 (Audited) *HK$'000*
Within 3 months	**208,404**	266,073
3 to 4 months	**16,846**	18,440
Over 4 months	**279,942**	192,145
	505,192	476,658

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.

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

	At 30 June 2020 (Unaudited) *HK$'000*	At 31 December 2019 (Audited) *HK$'000*
Other payables and accrued charges	**315,823**	422,073
Contract liabilities	**306,475**	313,239
Deferred income	**4,986**	5,034
	627,284	740,346
Less: Current portion	**(622,298)**	(735,312)
Non-current portion	**4,986**	5,034

The other payables are non-interest-bearing and expected to be settled not more than 12 months.

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 2020, the Coronavirus Disease ("COVID-19") hit the economy hard. PRC's gross domestic product decreased by 6.8% in the first quarter and increased by 3.2% in the second quarter, of which gross industrial production decreased by 8.5% in the first quarter and increased by 4.1% in the second quarter. China's economic activities were mostly suspended in the first quarter and recorded quarterly negative growth. However, with domestic epidemic prevention measures yielding remarkable results, China actively promoted the resumption of production of enterprises. Since the second quarter, industrial production and demand have both gradually improved, and the economy has recovered in an orderly manner.

In the first half of 2020, coke output throughout the country amounted to 228.69 million tons, representing a decrease of 2.5% from the corresponding period in 2019. The COVID-19 pandemic caused a double blow to coke production and demand. The capacity utilization rate of the coke industry dropped significantly, and the supply and demand of the coke market was weak. Coke price continued to fall between February and April 2020, and the overall price and volume fell together. However, with the easing of the pandemic domestically and the implementation of various economic stabilization policies and countermeasures, industrial production has recovered quite rapidly. Moreover, since there was a significant contraction on the supply side, this led to low coke inventory overall, and coke prices gradually bottomed out in May 2020 and resumed an upward trend. Notwithstanding this challenging environment caused by the above-mentioned factors, the Group has nevertheless forged ahead in its development. Management has timely taken a series of countermeasures, while at the same time strictly controlled various costs and expenses. Therefore, even the Group's financial performance declined as compared with the same period of last year, the Group still achieved profitability in the first half of 2020, and the overall operating and financial conditions of the Group remained healthy and stable.

Prospects

Looking forward to the second half of 2020, the domestic economy is expected to regain its growth momentum. In this respect, China has launched the "New Infrastructure" plan in order to regain the growth momentum. Local governments have so far launched the "New Infrastructure" construction projects with a total amount of over trillion yuan, including projects such as intercity high-speed railways and urban rail transit, which are expected to stimulate the demand of steel production. The coke supply has tightened significantly, and the overall inventory is at a low level, supporting the expectation of better coke prices. It is expected that the coke supply and demand situation will improve in the second half of 2020, and the bargaining power of coke enterprises will be improved. The profit per ton of coke sold is expected to increase, which is beneficial to the production and operation of coke producing enterprises.

As the supply-side reform of the coke industry continues to be implemented, the tightening of environmental protection standards and reduction of production capacity in the coke industry has become a clear domestic policy. The Shanxi Provincial Government has been gradually advancing the coking capacity reduction program through restricting the production scale of smaller coke ovens, and are phasing out coking furnaces with coking chambers that have heights of 4.3 meters and below (which is also the furnace type used by the Group's operations). The Group's coke production business remains normal at present. Management will closely monitor the implementation of relevant policies. The development strategy currently formulated by the Group has taken into account the impact of the above policy factors and the Group will adopt countermeasures, including but not limited to furthering the acquisition and merger of Shanxi Jinyan Energy Technology Company Limited's coke production project with an annual production capacity of 5 million tonnes in a timely manner, further negotiating and improving the coke-related investment and financing plans for the upstream and downstream production and sales with our business partners, and considering cooperating with other investors through the establishment of merger and acquisition funds. The use of such structures may allow the Group to reduce its demand for upfront capital expenditure at the same time. The Group will disclose the progress of relevant transactions in accordance with the requirements under the Listing Rules.

In order to broaden the income sources of the Group, the Group restarted the international coke trading business in the second half of last year. However, due to force majeure factors such as the pandemic, the trading business did not develop as smoothly as planned. When the pandemic factor subsides and export trade returns to normal, the Group will continue to develop the international coke trading business, thereby expanding its income sources and increasing the cash flows of the Group.

In addition, the Group is looking into the possibility to use hydrogen-rich gas produced during coking production to tap into the new stream from the hydrogen energy field and thereby actively explore diversification of the business to include new energy sources. The Group originally planned to develop liquefied natural gas, synthetic ammonia, and urea projects through a newly established company, Shanxi Golden Rock Rich Hydrogen Energy Co., Ltd. It is now negotiating with the project partners on the amendments to the project construction plan. The Group will disclose the progress of relevant transactions in due course in accordance with the requirements under the Listing Rules.

Meanwhile, the Group also actively looks for other suitable investment opportunities, improving the Group's future business development and enhancing its future profitability while bringing long-term stable returns to shareholders.

Financial Review

Consolidated Operating Results

Revenue

For the Reporting Period, the Group has recorded total revenue of approximately HK$383,947,000 (2019: HK$811,470,000).

Gross profit and gross profit margin

For the Reporting Period, the Group has recorded gross profit of approximately HK$51,585,000 (2019: HK$116,460,000).

The overall gross profit margin was 13.4% (2019: 14.4%).

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 has generated revenue of approximately HK$5,465,000 from Coke Trading Segment (2019: HK$79,089,000), the decrease was mainly attributable to the reduction in trading volume of the Group. During the Reporting Period, the Group had segment results of Coke Trading of approximately HK$154,000, representing a decrease of approximately HK$9,620,000 as compared to the corresponding period last year, which mainly resulted from the narrowing of spread between purchase and sales prices of coke.

Coal-related Ancillary Segment

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

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$185,000 (2019: HK$33,895,000). During the Reporting Period, the Group has incurred segment loss of approximately HK$159,000, compared to segment profit of approximately HK$7,194,000 in the corresponding period last year. The decrease was mainly due to the strict environmental control measures which temporarily reduced the utilization capacity of coal washing facilities.

Coke Production Segment

For the Reporting Period, the Coke Production Segment's revenue amounted to approximately HK$378,297,000, as compared to that of approximately HK$698,486,000 in the corresponding period last year. The Group's segment results from coke production was approximately HK$42,081,000, as compared to that of approximately HK$57,142,000 in the corresponding period last year. The impact of COVID-19 crisis occurred within the Reporting Period has hard hit the production and the demand of coke, that brought along with negative effect on the market price of coke and the segment results.

Selling and Distribution Costs

During the Reporting Period, the Group's sales and distribution costs amounted to approximately HK$9,509,000, as compared to approximately HK$60,923,000 in the corresponding period last year. The decrease was mainly due to the change of method of coke transportation that the transportation cost shifted from the Group to most of the customers, resulting in a decrease in such transportation cost, the decrease in sales volume of coke and the implementation of other effective cost measures.

Administrative Expenses

The Group's administrative expenses were approximately HK$31,696,000 (2019: HK$34,629,000) for the six months ended 30 June 2020. The decrease was mainly due to more effective cost control.

Finance Costs

For the Reporting Period, the finance costs of the Group were approximately HK$10,314,000 (2019: HK$496,000). The increase was mainly due to the rise of interest expenses arising from the Group's new borrowing made in July 2019.

Profit for the Period

For the Reporting Period, the Group has recorded a profit for the period of approximately HK$16,890,000 (2019: HK$45,053,000). The decrease was mainly due to the impact of COVID-19 crisis occurred within the Reporting Period, which caused the plummeting of the production and demand of coke. The average selling price of coke dropped accordingly as compared to the same period in 2019, which affected the Group's profit margin during the Reporting Period.

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 2020.

Charges Over Assets

The Group had no pledged assets, including pledged deposit, as at 30 June 2020 (31 December 2019: 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 operation 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 2019.

The Group's principal financial instruments comprise other borrowings. The main purpose of these financial instruments is to raise working capital 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, all of 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 comes to agreement on policies for managing each of these risks in a timely manner.

The Group regularly monitors its capital conditions using the gearing ratio. The gearing ratio as at 30 June 2020 was 69.7% (31 December 2019: 71.1%).

As at 30 June 2020, the equity attributable to owners of the parent amounted to approximately HK$549,867,000 (31 December 2019: HK$541,520,000). The net assets per share was approximately HK$0.211 per share as at 30 June 2020 (31 December 2019: HK$0.214 per share).

Liquidity and Financial Resources

Net current assets and current ratio were HK$206,221,000 (31 December 2019: HK$235,750,000) and 1.18 (31 December 2019: 1.19), respectively as at 30 June 2020.

As at 30 June 2020, the Group's cash and bank balances amounted to HK$11,769,000 (31 December 2019: HK$20,839,000). The other borrowings were HK$218,188,000 (31 December 2019: HK$218,188,000).

As of 30 June 2020 and 31 December 2019, the Group had no bills payable.

Interest Rate Risk

The Group's interest rate risk mainly comprises fair value interest risk and cash flow interest rate risk. 1) Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to the changes in market interest rates. The Group's fair value interest rate risk relates primarily to short-term cash and bank balances. 2) Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group is also exposed to cash flow interest rate risk through the impact of interest rate changes on deposits. To minimize as much as possible the fair value interest rate risk, the Group keeps its borrowings with a fixed rate of interest. 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 2020, the Group did not have any significant contingent liabilities which have not been provided in the financial statements (31 December 2019: 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 2020, the Group had approximately 520 employees (31 December 2019: 530 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$24,782,000 for the Reporting Period and approximately HK$25,033,000 was recorded in the corresponding period of 2019.

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 date of this announcement, there are no share options outstanding under the share option scheme.

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 to the Listing Rules for the Reporting Period.

Code Provision A.2.1

Code provision A.2.1 of CG Code provides 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 of the Company 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-builds and develops its business with his leadership in the 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 to 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 2020 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 2020 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
Zhao Xu Guang
Chairman and Chief Executive Officer

Hong Kong, 31 August 2020

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