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 2021

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 2021 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	***HK$'000***	*HK$'000*
Revenue	4	**443,387**	383,947
Cost of sales		**(388,177)**	(332,362)
Gross profit		**55,210**	51,585
Other income and gains, net	5	**150,954**	116,741
Selling and distribution costs		**(720)**	(9,509)
Administrative expenses		**(46,510)**	(45,389)
Impairment loss on financial asset, net		**(1,440)**	–
Finance costs	6	**(68,271)**	(33,000)
Profit before tax	7	**89,223**	80,428
Income tax expense	8	**(9,615)**	(10,193)
Profit for the period		**79,608**	70,235

	Notes	For the six months ended 30 June 2021 (Unaudited) HK$'000	2020 (Unaudited) (Restated) HK$'000
Other comprehensive expenses			
Other comprehensive expenses to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(656)**	(3,693)
Other comprehensive expenses for the period, net of tax		**(656)**	(3,693)
Total comprehensive income for the period		**78,952**	66,542
Profit for the period attributable to:			
Owners of the Company		**70,167**	61,497
Non-controlling interests		**9,441**	8,738
		79,608	70,235
Total comprehensive income attributable to:			
Owners of the Company		**69,664**	58,099
Non-controlling interests		**9,288**	8,443
		78,952	66,542
Earnings per share attributable to ordinary equity holders of the Company	10		
Basic			
– For profit for the period		**HK24.44 cents**	HK2.14 cents
Diluted			
– For profit for the period		**HK24.44 cents**	HK2.14 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	As at 30 June 2021 (Unaudited) HK$'000	As at 31 December 2020 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**98,522**	103,860
Financial assets at fair value through profit or loss		**1,508**	1,508
Trade receivables	12	**280,475**	268,463
Prepayments, deposits and other receivables		**1,218,028**	1,121,224
Deferred tax assets		**–**	9,512
Total non-current assets		**1,598,533**	1,504,567
CURRENT ASSETS			
Inventories		**38,853**	60,237
Trade receivables	12	**381,948**	301,688
Prepayments, deposits and other receivables		**157,975**	176,733
Cash and bank balances		**6,698**	21,119
Total current assets		**585,474**	559,777
CURRENT LIABILITIES			
Trade payables	14	**410,258**	359,736
Other payables, accruals and deposits received	15	**945,395**	928,031
Bank and other borrowings		**723,566**	624,697
Lease liabilities		**3,105**	4,756
Financial guarantees contracts		**112,435**	139,200
Tax payable		**15,897**	20,481
Total current liabilities		**2,210,656**	2,076,901
NET CURRENT LIABILITIES		**(1,625,182)**	(1,517,124)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(26,649)**	(12,557)

	Notes	As at 30 June 2021 (Unaudited) HK$'000	As at 31 December 2020 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Deferred income	15	**5,411**	5,344
Bank and other borrowings		**–**	92,885
Lease liabilities		**7,877**	8,177
Deferred tax liability		**6,012**	5,938
Total non-current liabilities		**19,300**	112,344
NET LIABILITIES		**(45,949)**	(124,901)
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**28,707**	28,707
Reserves		**(70,452)**	(140,116)
		(41,745)	(111,409)
Non-controlling interests		**(4,204)**	(13,492)
TOTAL DEFICIT		**(45,949)**	(124,901)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIC OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 (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 2020 (the "**2020 Annual Report**").

The Group has recorded a net operating cash outflow of approximately HK15,417,000 for the period ended 30 June 2021 and as at 30 June 2021 the Group had net current liabilities and net liabilities of HK$1,625,182,000 and HK$45,949,000, respectively. Further, the Group's major subsidiary was required to shut down its operating assets, which bring significant impacts on the Group's operations. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to completion of the very substantial transaction of new operating assets, the completion of the fund-raising activities and the success in delaying the payments by persuading its creditors of the Group not to insist on demanding repayment before the full operation of the Group's new operating assets. The consolidated financial statements do not include any adjustments that would result from the failure to complete the very substantial transaction, to complete the fund-raising activities and to delay the repayments.

The Directors have given careful consideration to the future liquidity of the Group and are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare these financial statements on a going concern basis.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company and were approved for issue on 28 July 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the Interim Financial Statements are consistent with those used in the Group's 2020 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 3 of the 2020 Annual Report.

Application of new and revised to HKFRSs

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. PRIOR YEAR ADJUSTMENTS

(a) In the preparation of the Company's consolidated financial statements for the year ended 31 December 2020, the Company discovered that several loans and financial guarantee transactions that GRG Huscoke has entered into were deliberately concealed by the then management and relevant personnel of GRG Huscoke and excluded the relevant loans and financial guarantees from the Company's consolidated financial statements (the "**Incident**"). In response to the matters of the Incident, the Company has set up an investigation committee and engaged an independent adviser to carry out an investigation on the Incident (the "**Investigation**").

Based on the findings from the Investigation, the directors of the Company noted that Xiaoyi Jinyan Electricity Coke Chemical Company Limited* 孝義市金岩電力煤化工有限公司 ("**Jinyan Electricity**"), being the 9% minority shareholder of GRG Huscoke, has been conspired with then directors and management of GRG Huscoke with the cooperation of Xiaoyi City Jianeng Coal Chemical Technology Development Company Limited* (孝義市嘉能煤化科技開發有限公司), being the 1% minority shareholder of GRG Huscoke, deliberately ignored the formal approval process and financial control measures of the Group, leveraged the assets and credit of the Group to conduct loans from the banks without authorisation, and misappropriated of the major funds from such loans. Details of the results of the Investigation are set out in the Company's announcement dated 18 January 2022 and 26 May 2022.

The Group has been negotiated with the parties involved in the Incident, and Jinyan Electricity agreed to compensate for all the losses and expenses arising from the unrecorded loans and the relevant accrued interests to the Group.

(i) Adjustment relating to the unrecorded loans and the relevant accrued interests

According to the results of the Investigation, the unrecorded loans were conducted by GRG Huscoke between 2015 to 2019 from several financial institutions and corporate lenders in the PRC. As at 30 June 2020, the aggregated unrecorded loans arising from the Incident amounted to approximately HK$466,373,000, and the relevant accrued interests arising from these loans amounted to approximately HK$151,013,000. Such loans and interests are fully charged back to Jinyan Electricity. Prior year adjustments have been made to recognise interest income of approximately HK$22,686,000 and interest expense of approximately HK$22,686,000 for the period ended 30 June 2020.

(ii) Adjustment relating to the unrecorded financial guarantee contracts

According to the results of the Investigation, there were several financial guarantees undertaken by GRG Huscoke since 2016. In this regard, the Group has engaged Ascent Partners Valuation Service Limited, an independent valuer, to carry out the valuation of the financial guarantees provided by GRG Huscoke at the inception date. As at 30 June 2020, the aggregated financial guarantees contracts amounted to approximately HK$67,866,000. Prior year adjustments have been made to recognise amortisation on financial guarantee contracts of approximately HK$67,038,000 for the period ended 30 June 2020.

(b) Adjustment relating to the overdue charges of tax payables

The Group has overdue tax payables to PRC tax bureau brought forward from previous years. Overdue charges for these tax payables had not been recognized in previous years' consolidated financial statements. As a result, prior year adjustments have been made to recognize overdue charges of approximately HK$13,693,000 to administrative expenses for the six months ended 30 June 2020 and overdue charges payables of approximately HK$58,385,000 as at 30 June 2020.

* *For identification purpose only*

The Group has quantified the financial impacts on its consolidated financial statements and their impacts on the consolidated financial statements are provided in the tables below.

A summary of the effect of the restatement on the applicable line items within the Company's consolidated statement of financial position as at 30 June 2020 were as follows:

	Consolidated Statement of Financial Position As at 30 June 2020				
	As previously reported	**Prior year adjustments**			**As restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)(i)	*Note (a)(ii)*	*Note (b)*	
Current assets					
Prepayments, deposits and other receivables	708,627	617,386	–	–	1,326,013
Current liabilities					
Bank and other borrowings	18,188	246,497	–	–	264,685
Other payables, accruals and deposit received	622,298	151,013	–	58,385	831,696
Financial guarantee contracts	–	–	67,866	–	67,866
Net current assets	206,221	219,876	(67,866)	(58,385)	299,846
Total assets less current liabilities	826,718	219,876	(67,866)	(58,385)	920,343
Non-current liabilities					
Bank and other borrowings	200,000	219,876	–	–	419,876
NET ASSETS	605,891	–	(67,866)	(58,385)	479,640

A summary of the effect of the restatement on the applicable line items within the Group's consolidated statement of profit or loss for the period ended 30 June 2020 were as follows:

	As previously reported		Adjustments		As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)(i)	*Note (a)(ii)*	*Note (b)*	
Other income and gains, net	27,017	22,686	67,038	–	116,741
Administrative expenses	(31,696)	–	–	(13,693)	(45,389)
Finance costs	(10,314)	(22,686)	–	–	(33,000)
PROFIT BEFORE TAX	27,083	–	67,038	(13,693)	80,428
PROFIT FOR THE PERIOD	16,890	–	67,038	(13,693)	70,235
Exchange differences arising on translation of foreign operation	(5,628)	–	1,564	371	(3,693)
Total comprehensive income for the period	11,262	–	68,602	(13,322)	66,542
Profit for the period attributable to:					
Owners of the Company	13,487	–	60,334	(12,324)	61,497
Non-controlling interests	3,403	–	6,704	(1,369)	8,738
	16,890	–	67,038	(13,693)	70,235
Total comprehensive income attributable to:					
Owners of the Company	8,347	–	61,658	(11,906)	58,099
Non-controlling interests	2,915	–	6,944	(1,416)	8,443
	11,262	–	68,602	(13,322)	66,542
Earnings per share					
Basic *(HK cents)*	0.47	–	2.10	(0.43)	2.14
Diluted *(HK cents)*	0.47	–	2.10	(0.43)	2.14

4. 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.

Geographical information

All of the Group's customers are located in the PRC.

The revenue information above is based on the locations of the customers. The principal assets and capital expenditure of the Group were located and incurred in PRC. Accordingly, no further geographical information is presented.

Segment revenue and results

For the six months ended 30 June 2021

	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	**–**	**25,002**	**418,385**	**–**	**443,387**
– intersegment sales	**–**	**11,165**	**–**	**(11,165)**	**–**
Other income	**–**	**41,673**	**–**	**–**	**41,673**
Total	**–**	**77,840**	**418,385**	**(11,165)**	**485,060**
Segment results	**–**	**(15,690)**	**110,413**	**–**	**94,723**
Unallocated other income					**4,718**
Compensation income					**7,482**
Amortization of financial guarantee contracts					**28,456**
Interest charged back to Jinyan Electricity related borrowing					**68,625**
Corporate administrative expenses					**(46,510)**
Unallocated finance costs					**(68,271)**
Profit before tax					**89,223**
Income tax expense					**(9,615)**
Profit for the period					**79,608**

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) (Restated) 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
Unallocated other income					594
Compensation income					8,351
Amortization of financial guarantee contracts					67,038
Interest charged back to Jinyan Electricity related borrowing					22,686
Accrued interest income					18,072
Corporate administrative expenses					(45,389)
Unallocated finance costs					(33,000)
Profit before tax					80,428
Income tax expense					(10,193)
Profit for the period					70,235

5. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June 2021 (Unaudited) HK$'000	2020 (Unaudited) (Restated) HK$'000
Bank interest income	**1**	2
Interest charged back to Jinyan Electricity related borrowing	**68,625**	22,686
Accrued interest income	**–**	18,072
Government grant *(Note b)*	**41,673**	592
Compensation income from contract with customer *(Note a)*	**7,482**	8,351
Write back of provision	**4,650**	–
Gain on disposal of property, plant and equipment	**67**	–
Amortization of financial guarantee contracts	**28,456**	67,038
	150,954	116,741

Notes:

(a) In 2019, the Group paid a trade deposit of US$22,000,000 to Shanxi Jinyan Energy Technology Company Limited* （山西金岩能源科技有限公司） ("**Energy Technology**") for the coke trading business. However, due to the downtrend of international coke price, both parties agreed to terminate the plan and Energy Technology agreed to refund such trade deposit by instalment with compensation to the Group.

(b) Government grant have been received for supplying heat in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs are as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
Interest expenses on other borrowings	**11,007**	9,980
Interest expenses on Jinyan Electricity related borrowing	**32,793**	22,686
Interest expenses on lease liabilities	**305**	334
Interest expenses on other payable	**24,166**	–
	68,271	33,000

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**388,177**	332,362
Depreciation		
– Owned	**3,748**	14,596
– Right-of-use assets	**2,132**	1,963
Employee benefit expense (including directors' remuneration):		
– Wages and salaries	**23,289**	24,630
– Pension scheme contributions	**127**	152
Total employee benefit expenses	**23,416**	24,782
Provision of loss allowance of trade receivable *(Note 12)*	**1,440**	–

* *For identification purpose only*

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – PRC	**–**	10,193
	–	10,193
Deferred tax expenses for the period	**9,615**	–
	9,615	10,193

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2021 and 2020 as there is no assessable profit for the Reporting Periods.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates of 25% on the estimated assessable profits for the year based on existing legislation, interpretations and practices.

9. DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

10. 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	
	2021	2020
	(Unaudited)	(Unaudited)
		(Restated)
Profit attributable to equity holders of the Company *(HK$'000)*	**70,167**	61,497
Weighted average number of ordinary shares in issue	**287,071,349**	2,870,713,497
Basic earnings per share	**HK24.44 cents**	HK2.14 cent

(b) Diluted

No diluted earnings per share has been presented as the Company did not have any dilutive potential ordinary sharing for the six months ended 30 June 2021 and 2020.

11. 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	Total HK$'000
COST									
At 1 January 2021	371,528	20,038	1,653	527,209	621,500	75,301	408	44,879	1,662,516
Additions	–	–	–	–	425	–	2	–	427
Disposal	–	–	–	–	–	(35)	–	(21,942)	(21,977)
Exchange alignment	4,630	129	–	6,570	7,746	938	–	478	20,491
At 30 June 2021	376,158	20,167	1,653	533,779	629,671	76,204	410	23,415	1,661,457
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 January 2021	338,696	7,582	1,653	477,128	617,364	74,257	292	41,684	1,558,656
Depreciation charge	1,288	2,132	–	1,409	305	161	40	545	5,880
Disposal	–	–	–	–	–	(35)	–	(20,845)	(20,880)
Exchange alignment	4,225	23	–	5,948	7,691	926	–	466	19,279
At 30 June 2021	344,209	9,737	1,653	484,485	625,360	75,309	332	21,850	1,562,935
NET CARRYING AMOUNTS									
At 30 June 2021	31,949	10,430	–	49,294	4,311	895	78	1,565	98,522
At 31 December 2020	32,832	12,456	–	50,081	4,136	1,044	116	3,195	103,860

12. TRADE RECEIVABLES

	At 30 June 2021 (Unaudited) ***HK$'000***	At 31 December 2020 (Audited) *HK$'000*
Trade receivables:		
– Third parties	**529,182**	445,686
– Related companies	**47,288**	39,573
– Non-controlling shareholder of a subsidiary *(Note 13)*	**233,188**	228,890
	809,658	714,149
Loss allowance	**(147,235)**	(143,998)
	662,423	570,151
Less: current portion	**(381,948)**	(301,688)
Non-current portion	**280,475**	268,463

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 2021, approximately 39% (31 December 2020: 47%) 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.

The carrying amounts of trade 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 2021 (Unaudited) ***HK$'000***	At 31 December 2020 (Audited) *HK$'000*
Within 3 months	**260,690**	285,855
3 to 4 months	**78,042**	48,828
Over 4 months	**323,691**	235,468
	662,423	570,151

13. AMOUNT DUE FROM THE NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	Notes	**At 30 June 2021 (Unaudited)** ***HK$'000***	At 31 December 2020 (Audited) *HK$'000*
Trade receivables *(Note 12) (Note a and c)*	(i)	**233,188**	228,890
Other receivables *(Note b and c)*	(ii)	**343,137**	312,116
Borrowing for and related interest charged back to Jinyan Electricity *(Note c)*		**733,457**	692,256
		1,309,782	1,233,262
Less: Current portion		**–**	–
Non-Current portion		**1,309,782**	1,233,262

Notes:

(a) The balances are trade in nature and non-interest-bearing.

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

(c) On 31 December 2018, GRG Huscoke, an indirect 90%-owned subsidiary of the Company, entered into a debt transfer agreement with Jinyan Electricity, Xiaoyi ILNG Natural Gas Production Company Limited* 孝義市愛路恩濟天然氣製造有限公司 ("**Xiaoyi ILNG**") and Energy Technology (the "**Debt Assignee**"), and Mr. Wen Kezhong* 溫克忠先生, pursuant to which GRG Huscoke, the Jinyan Electricity and Debt Assignee agreed to assign the trade and other receivables from the Jinyan Electricity of approximately RMB365,826,000 (equivalent to approximately HK$411,627,000) together with aggregate amounts due from its affiliates of approximately RMB36,477,000 (equivalent to approximately HK$41,044,000) to the Debt Assignee (together the "**Assigned Debt**") (the "**Debt Assignment**").

Further details of the Debt Assignment are set out in the Company's announcement dated 3 January 2019. The Debt Assignment is only pursuable subject to the fulfillment of certain conditions including the approval from the Stock Exchange and the approval of shareholders of the Company at a special general meeting ("**SGM**"). According to the Debt Assignment, the Assigned Debt is interest-bearing at 5% p.a. and the Debt Assignee shall repay the Assigned Debt within 1 year from the date of the Debt Assignment together with accrued interest. A conversion right is also granted to the JV Subsidiary which can partially or fully convert the Assigned Debt to not more than 12% of the enlarged registered capital of the Debt Assignee by subscription of new registered capital or transfer of existing registered capital held by Xiaoyi ILNG within 1 year from the date of the Debt Assignment. The Assigned Debt is secured by 12% registered capital of the Debt Assignee held by Xiaoyi ILNG and the personal guarantee from Mr. Wen Kezhong* 溫克忠先生.

* *For identification purpose only*

Reference is made to the announcement of the Company dated 5 November 2019, the Company entered into a new framework agreement ("**New Framework Agreement**") with GRG Huscoke, Jinyan Electricity, Xiaoyi Jianeng Coal Chemical Technology Development Company Limited* 孝義市嘉能煤化科技開發有限公司, Energy Technology, Xiaoyi ILNG, Mr. Yang Linhai* 楊林海先生 and Mr. Wu Tangjun* 武堂俊先生 pursuant to which the Company and/or designated company within the Group intend to acquire and to subscribe for the share capital of Energy Technology such that the Company will be interested in a controlling shareholding stake of more than 50% of the enlarged share capital of Energy Technology.

Pursuant to the New Framework Agreement, the parties shall negotiate and enter into formal agreement(s) pursuant to the major business terms, as set out under the New Framework Agreement. Subject to the entering into of the relevant formal agreement(s), one of the major business term is Jinyan Electricity, Energy Technology and GRG Huscoke intend to update the amount of the Assigned Debt from approximately RMB402,303,000 as at 30 June 2018 to approximately RMB448,087,000 as at 30 June 2019 and the GRG Huscoke shall be entitled with a conversion right to convert the indebtedness into not less 12% of the enlarged issued share capital of Energy Technology. The final conversion percentage will be subject to the valuation of Energy Technology.

New Framework Agreement is subject to the fulfillment of certain conditions including the approval from the Stock Exchange and the approval of shareholders of the Company at a SGM.

Reference is made to the announcement of the Company dated 17 September 2020, the Company entered into the termination agreement with GRG Huscoke, Jinyan Electricity, Xiaoyi ILNG, Mr. Yang Linhai and Mr. Wu Tangjun pursuant to which the parties agreed to terminate the Debt Assignment. The Company has entered into Merger and Acquisition Framework Agreement (the "**M&A Framework Agreement**") with the GRG Huscoke and Energy Technology, pursuant to which the Company and/or the Company may through direct investment and/or establishment of a merger and acquisition fund (the "**M&A Fund**") may acquire and subscribe for more than 50% of the enlarged share capital of Energy Technology.

If the transactions under the M&A Framework Agreement materialises, upon completion of the transactions, the Company and/or the M&A Fund is expected to hold more than 50% of enlarged share capital in Energy Technology.

On 26 March 2021, the Group entered into a cooperation agreement with Energy Technology and Jinyan Electricity ("**Cooperation Agreement**") pursuant to which GRG Huscoke entrusts Energy Technology for the construction of a new coking furnace which has a height of 7.1 meters with annual production capacity of at least 600,000 tons of coke at a total investment amout of approximately RMB600,000,000 (equivalent to HK$712,560,000). Energy Technology agreed to undertake the receivables and interests receivables due from Jinyan Electricity and its related parties by GRG Huscoke and GRG Huscoke agreed that Energy Technology shall settle the aforesaid construction project by these receivables.

* *For identification purpose only*

On 15 March 2022, the Company subsequently entered into an agreement ("**Agreement**") and a debt transfer agreement ("**Debt Transfer Agreement**") with GRG Huscoke, Energy Technology, Jinyan Electricity and Xiaoyi ILNG to modify and supplement the terms of the Cooperation Agreement with the inclusion of remedy and compensation actions as a result of the Incident as disclosed in note 5. Pursuant to the Debt Transfer Agreement, Energy Technology agrees to undertake all the receivables and interests receivables due from Jinyan Electricity and its related parties by GRG Huscoke (the "**Receivables**"). Under the circumstances that any contingent liabilities arising in the Incident have subsequently occurred and are to be recognised, Energy Technology and Jinyan Electricity will be obligated to compensate the contingent liabilities to GRG Huscoke by the way of increasing GRG Huscoke's receivable due from Energy Technology in the same amount as the contingent liabilities.

Pursuant to the Agreement, Energy Technology will unconditionally transfer not less than 90% of the equity interests of a target company ("**Target Company**"), which owned two 7.1-meter top-loading coking furnaces with an aggregate annual production capacity being not less than 1,200,000 tons of coke, to the Group as the compensation of the Incident to the Company and GRG Huscoke. The Company's interest in the Target Company will offset the total Receivables upon the completion of the aforesaid transfer of equity interests. As such, the receivables due from the non-controlling shareholder of a subsidiary are classified as non-current assets as at 30 June 2021 as it is expected that the receivables will be settled by other non-current assets.

14. TRADE PAYABLES

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 2021 (Unaudited) ***HK$'000***	At 31 December 2020 (Audited) *HK$'000*
Within 3 months	**205,915**	86,641
3 to 4 months	**8,130**	4,384
Over 4 months	**196,213**	268,711
	410,258	359,736

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.

* *For identification purpose only*

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

	At 30 June 2021 (Unaudited) *HK$'000*	At 31 December 2020 (Audited) *HK$'000*
Other payables and accrued charges	**242,644**	233,007
Dividend payable to non-controlling shareholders	**6,012**	5,938
Contract liabilities	**163,901**	169,335
Deferred income	**5,411**	5,344
Interest payable for Jinyan Electricity related borrowings	**228,079**	192,832
Other tax payable	**214,264**	249,816
Tax penalty payable	**90,495**	77,103
	950,806	933,375
Less: Current portion	**(945,395)**	(928,031)
Non-current portion	**5,411**	5,344

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

During the first half of 2021, benefitted from the global economic recovery from the receding COVID-19 pandemic, downstream steel consumption stimulated a rising demand for coke, supporting relatively high coke prices and creating a more stable price difference with coking coal prices. In the backdrop of "Dual Carbon" goal of "Carbon Neutrality" and "Carbon Peaking" promoted in the PRC, the government strictly enforced the regulatory policy on environmental protection. GRG Huscoke's 4.3-meter Coking Furnace had been listed in the shutdown list by the government authority of Xiaoyi City in December 2020. Half of the coke production capacity was immediately shut down, and GRG Huscoke still maintained operation of the remaining half of the coke production capacity in the first half of the year. Although the Company's production capacity was halved in the first half of the year as a result of the domestic shutdown policy, the Company's sales of coke in the first half of the year recorded an increase from the same period last year attributable to higher coke prices, and together with government subsidies for the heat and power generation business, the Group maintained an overall profit in the first half of the year.

In addition, the Company found unrecorded loans and guarantees of a subsidiary, GRG Huscoke, during the annual auditing procedures for the financial year ended 2020. As additional time is required to investigate the Incident and assess the financial impact on the Group, the publication of the financial results of the Group for 2020 and 2021 was delayed, resulting in suspension of trading in the Shares of the Company on the Stock Exchange until now. The Board attaches great importance to the Incident, and has set up the Independent Investigation Committee to conduct a comprehensive investigation into the Incident and focused its resources on the resumption of trading of the Company as a priority to protect the rights and interests of the shareholders of the Company.

PROSPECTS

Looking ahead to the second half of 2021, with the progressive global economic recovery in the post-pandemic era and under the macro policy environment of "Carbon Neutrality and Carbon Peaking" and supply side reform in the PRC, the coke prices is expected to remain high. However, the costs of upstream coking coal will rise in line with tight market supply, there will be uncertainties of shrinking coke margins in the second half of the year. Since GRG Huscoke's 4.3-meter Coking Furnace had been listed in the shutdown list by the government authority of Xiaoyi City, GRG Huscoke will continue the coke production until further notice from the government, and will formulate emergency plan on shutdown of coking furnace in advance and actively seek plans for resuming coke production business.

In addition, the Board will provide the necessary assistance and resources to the Independent Investigation Committee for the investigation into the Incident so that the independent investigation into the Incident can be completed as soon as possible and serve as a factual basis for the Board to resolve the Incident. In the meantime, the Board will formulate a resumption plan in relation to the resumption guidance proposed by the Stock Exchange and will appoint a third party professional advisor to advise on the resumption of trading.

FINANCIAL REVIEW

Consolidated Operating Results

Revenue

For the Reporting Period, the Group has recorded total revenue of approximately HK$443,387,000 (2020: HK$383,947,000), the growth in revenue was mainly due to revenue derived from coke production segment increased.

Gross profit and gross profit margin

For the Reporting Period, the Group has recorded gross profit of approximately HK$55,210,000 (2020: HK$51,585,000), the growth in gross profit was mainly due to gross profit of coke production increased.

The overall gross profit margin was 12.5% (2020: 13.4%).

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 not generated revenue from Coke Trading Segment (2020: HK$5,465,000), and the Group had no segment results of Coke Trading for the period, representing a decrease compared to that of HK$154,000 in the corresponding period last year, which mainly result from not having any coke trading business during the year.

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$25,002,000 (2020: HK$185,000). During the Reporting Period, the Group has incurred segment loss of approximately HK$15,690,000, compared to segment loss of approximately HK$159,000 in the corresponding period last year. The increase in segment loss was mainly due to the suspension of coal washing activities for the first half of the year as a result of stringent environmental protection control measures.

Coke Production Segment

For the Reporting Period, the Coke Production Segment's revenue amounted to approximately HK$418,385,000, as compared to that of approximately HK$378,297,000 in the corresponding period last year. The Group's segment results from coke production was approximately HK$110,413,000, as compared to that of approximately HK$42,081,000 in the corresponding period last year, mainly due to the increase in the coke price for the first half of the year as compared to that in the corresponding period last year.

Selling and Distribution Costs

During the Reporting Period, the Group's selling and distribution costs amounted to approximately HK$720,000, as compared to approximately HK$9,509,000 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 the customers, resulting in a decrease in such transportation cost.

Administrative Expenses

The Group's administrative expenses were approximately HK$46,510,000 (2020: HK$45,389,000) for the six months ended 30 June 2021. Such expenses for two period were similar and the difference was due to exchange rate.

Finance Costs

For the Reporting Period, the finance costs of the Group were approximately HK$68,271,000 (2020: HK$33,000,000). The increase was mainly due to fact that GRG Huscoke has undertaken the financial burden arising form the Incident resulted in an increase in interest expenses.

Profit for the Period

For the Reporting Period, the Group has recorded a profit for the period of approximately HK$79,608,000 (2020: HK$70,235,000). The increase was mainly due to better performance of the coke production business of the Group as compared to the corresponding period of last year.

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 2021.

CHARGES OVER ASSETS

The Group had no pledged assets, including pledged deposit, as at 30 June 2021 (31 December 2020: 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 2020.

The Group's principal financial instruments comprise bank and 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 2021 was 102% (31 December 2020: 106%).

As at 30 June 2021, the deficit attributable to owners of the parent amounted to approximately HK$41,745,000 (31 December 2020: HK$111,409,000). The net liabilities per share was approximately HK$0.16 per share as at 30 June 2021 (31 December 2020: HK$0.44 per share).

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$1,625,182,000 (31 December 2020: HK$1,517,124,000) and 0.265 (31 December 2020: 0.270), respectively as at 30 June 2021.

As at 30 June 2021, the Group's cash and bank balances amounted to HK$6,698,000 (31 December 2020: HK$21,119,000). The bank and other borrowings were HK$723,566,000 (31 December 2020: HK$717,582,000).

As of 30 June 2021 and 31 December 2020, 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 2021, the Group did not have any significant contingent liabilities which have not been provided in the financial statements (31 December 2020: 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 2021, the Group had approximately 420 employees (31 December 2020: 483 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$23,416,000 for the Reporting Period and approximately HK$24,782,000 was recorded in the corresponding period of 2020.

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. As at the date of this report, there are no share options outstanding under the share option scheme.

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.

EVENTS AFTER THE REPORTING PERIOD

On 26 March 2021, GRG Huscoke (Shanxi) Limited ("**GRG Huscoke**"), an indirect 90% owned subsidiary of the Company, entered into the Cooperation Agreement with Shanxi Jinyan Energy Technology Company Limited and Xiaoyi Jinyan Electricity Coke Chemical Company Limited, a 9% minority shareholder of GRG Huscoke, pursuant to which, GRG Huscoke entrusts Energy Technology for acquisition of interest of two coking furnaces ("**Very Substantial Transaction**").

Details of the Very Substantial Transaction was disclosed in the Company's announcement dated 19 April 2022. The transaction is subject to the shareholders' approval at the special general meeting of the Company. The Very Substantial Transaction has not yet completed.

On 26 July 2022, Rich Key Enterprise Limited ("**Rich Key**"),a direct wholly owned subsidiary of the Company, entered into the Disposal Agreement with the legal representative of GRG Huscoke, pursuant to which, among other matters, Rich Key conditionally agreed to sell and the legal representative of GRG Huscoke conditionally agreed to acquire the entire issued share capital of Joy Wisdom International Limited ("**Disposal Company**"), a wholly-owned subsidiary of the Company, and the entire amount of parent company's loan owed by the Disposal Company to the Company. ("**Very Substantial Disposal**")

As at the date of this announcement, the announcement in relation to the Very Substantial Disposal has been submitted to the Stock Exchange pursuant to the requirements of the Listing Rules and will be issued by the Company as soon as practicable. The transaction is subject to the completion of the Very Substantial Transaction and the shareholders' approval at the special general meeting of the Company. Further announcement(s) will be made by the Company to update the Shareholders and the market in relation to the transactions as and when appropriate and in accordance with the Listing Rules.

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 provisions stipulated in the Corporate Governance Code (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 the 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. The Board believes that, despite the deviation of the CG Code, vesting the roles of both Chairman and Chief Executive Officer in Mr. Zhao has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of Chairman of the Board and Chief Executive Officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Code provision A.4.2

Pursuant to code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. No annual general meeting of the Company was held since 5 June 2020. Therefore, no Directors have been subject to retirement and re-election by the Shareholders at the annual general meeting. Annual general meeting will be held on 6 September 2022, for the retirement and re-election of Directors.

Code Provision D.1.4

Code provision D.1.4 of the CG Code requires that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. As disclosed and explained in respective published announcements of the Company regarding the Directors' appointment, the Company did not have formal letters of appointment for some of the Directors. However, the Directors shall be subject to retirement by rotation in accordance with the Bye-Laws. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Code provision E.1.2 and code provision E.1.3

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The Company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

Pursuant to code provision E.1.3 of the CG Code, the Company should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting.

No annual general meeting of the Company was held since 5 June 2020. Annual general meeting will be held on 6 September 2022.

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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2021 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 2021 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 (on or after 15 August 2022: 17/F, Far East Finance Centre, 16 Harcourt Road, 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 business partners, customers, suppliers and bankers for their ongoing support.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 29 March 2021, and will remain suspended until further notice.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By order of the Board of
Huscoke Holdings Limited
Zhao Xu Guang
Chairman and Chief Executive Officer

Hong Kong, 28 July 2022

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, Mr. Jiang Jiansheng and Mr. Tang Ching Fai as non-executive Directors; Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Dr. Wang Wei Hsin as independent non-executive Directors.