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HUSCOKE HOLDINGS LIMITED

和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Huscoke Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2021 together with the relevant comparative figures for the last financial year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	4	866,602	1,176,982
Cost of sales		<u>(753,868)</u>	<u>(1,050,092)</u>
Gross profit		112,734	126,890
Other income and gains, net	4	235,183	298,527
Selling and distribution costs		(1,417)	(10,953)
Administrative expenses		(99,920)	(93,595)
Finance costs	5	(113,936)	(73,351)
Other operating expenses, net	6(b)	<u>(154,157)</u>	<u>(775,051)</u>
LOSS BEFORE TAX	6	(21,513)	(527,533)
Income tax expense	7	<u>(9,669)</u>	<u>(4,999)</u>
LOSS FOR THE YEAR		<u>(31,182)</u>	<u>(532,532)</u>
Other comprehensive expenses			
Items that may be reclassified			
subsequently to profit or loss, net of tax:			
<i>Exchange differences on translation of</i>			
<i>foreign operations:</i>			
Exchange differences arising on translation			
of foreign operations		<u>(2,009)</u>	<u>(5,467)</u>
Other comprehensive expenses for the year, net of tax		<u>(2,009)</u>	<u>(5,467)</u>
TOTAL COMPREHENSIVE EXPENSES			
FOR THE YEAR		<u>(33,191)</u>	<u>(537,999)</u>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		(31,259)	(484,675)
Non-controlling interests		<u>77</u>	<u>(47,857)</u>
		<u>(31,182)</u>	<u>(532,532)</u>
TOTAL COMPREHENSIVE EXPENSES			
FOR THE YEAR ATTRIBUTABLE TO			
Owners of the Company		(32,824)	(489,746)
Non-controlling interests		<u>(367)</u>	<u>(48,253)</u>
		<u>(33,191)</u>	<u>(537,999)</u>
LOSS PER SHARE			
	8		
Basic		<u>(HK10.9 cents)</u>	<u>(HK168.8 cents)</u>
Diluted		<u>(HK10.9 cents)</u>	<u>(HK168.8 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		31 December 2021 HK\$'000	31 December 2020 HK\$'000
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipments		1,234	103,860
Financial assets at fair value through profit or loss		1,508	1,508
Trade receivables	9	283,816	268,463
Prepayments, deposits and other receivables	10	1,274,277	1,121,224
Deferred tax assets		–	9,512
		<hr/>	<hr/>
Total non-current assets		1,560,835	1,504,567
		<hr/>	<hr/>
Current Assets			
Inventories		3,111	60,237
Trade receivables	9	494,706	301,688
Prepayments, deposits and other receivables	10	154,849	176,733
Cash and bank balances	12	7,903	21,119
		<hr/>	<hr/>
Total current assets		660,569	559,777
		<hr/>	<hr/>
Current Liabilities			
Trade payables	13	482,566	359,736
Other payables, accruals and deposit received	14	977,621	928,031
Bank and other borrowings		733,863	624,697
Lease liabilities		1,417	4,756
Financial guarantee contracts		148,210	139,200
Tax payable		16,546	20,481
		<hr/>	<hr/>
Total current liabilities		2,360,223	2,076,901
		<hr/>	<hr/>
Net current liabilities		(1,699,654)	(1,517,124)
		<hr/>	<hr/>
Total assets less current liabilities		(138,819)	(12,557)
		<hr/>	<hr/>

		31 December	31 December
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Liabilities			
Deferred income	14	5,521	5,344
Bank and other borrowings		–	92,885
Lease liabilities		7,617	8,177
Deferred tax liability		6,135	5,938
		<hr/>	<hr/>
Total non-current liabilities		19,273	112,344
		<hr/>	<hr/>
Net liabilities		(158,092)	(124,901)
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Equity attributable to owners of the Company			
Share capital		28,707	28,707
Reserves		(172,940)	(140,116)
		<hr/>	<hr/>
		(144,233)	(111,409)
Non-controlling interests		(13,859)	(13,492)
		<hr/>	<hr/>
Total deficit		(158,092)	(124,901)
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. CORPORATE INFORMATION

Huscoke Holdings Limited was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. The registered office at the end of the reporting period is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and the principal office at the end of the reporting period is located at Room 2301, 23/F., Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

At 31 December 2021, the directors consider that the immediate and ultimate controlling party of the Group to be Shun Wang Investments Limited, a company incorporated in British Virgin Islands and Mr. Zhao Xu Guang, a director of the Company, respectively.

During the year, the Company and its subsidiary (collectively, the “**Group**”) were involved in the following activities: (i) coke trading business; (ii) coal-related ancillary business; and (iii) coke production business.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”), unless otherwise stated.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

The Group incurred loss attributable to owners of the Company of HK\$31,259,000 and HK\$484,675,000 respectively for two consecutive years of year ended 31 December 2021 and 2020, the Group has recorded a net operating cash outflow of approximately HK8,753,000 for the year ended 31 December 2021 and as at 31 December 2021 the Group had net current liabilities and net liabilities of HK\$1,699,654,000 and HK\$158,092,000, 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.

2.2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. 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 year 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. OPERATING SEGMENTS INFORMATION

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 before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, unallocated other income, corporate and administrative expenses, other operating income, finance costs and income tax expense are excluded from such measurement.

Segment assets exclude cash and bank balances, restricted bank deposits, financial assets at fair value through profit or loss, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowings, lease liabilities, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

Segment revenue and results

For the year ended 31 December 2021

	Coke trading HK\$'000	Coal-related ancillary HK\$'000	Coke Production HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:					
– external sale	–	81,517	785,085	–	866,602
– intersegment sale	–	16,515	–	(16,515)	–
Other income	–	41,902	–	–	41,902
	<u>–</u>	<u>139,934</u>	<u>785,085</u>	<u>(16,515)</u>	<u>908,504</u>
Segment results	<u>–</u>	<u>1,526</u>	<u>62,650</u>	<u>–</u>	<u>64,176</u>
Unallocated other income					5,473
Compensation income					8,703
Amortization on financial guarantee contracts					56,814
Loss allowance on financial guarantee contracts					(61,146)
Impairment loss for trade receivables					(1,448)
Impairment loss for prepayments and other receivables					(825)
Interest income arising in other receivables					122,289
Corporate administrative expenses (<i>note</i>)					(101,613)
Finance costs					(113,936)
					<u>(21,513)</u>
Loss before tax					(21,513)
Income tax expense					(9,669)
					<u>(31,182)</u>
Segment assets	<u>–</u>	<u>67,866</u>	<u>741,141</u>	<u>1,412,397</u>	<u>2,221,404</u>
Segment liabilities	<u>–</u>	<u>581,116</u>	<u>29,160</u>	<u>1,769,220</u>	<u>2,379,496</u>
Other segment information:					
Additions of property, plant and equipment	–	–	427	2	429
Depreciation	–	112	6,201	5,489	11,802
Impairment on property, plant and equipment	–	1,240	76,740	12,758	90,738
	<u>–</u>	<u>1,240</u>	<u>76,740</u>	<u>12,758</u>	<u>90,738</u>

For the year ended 31 December 2020

	Coke trading HK\$'000	Coal-related ancillary HK\$'000	Coke Production HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:					
– external sale	3,042	65,600	1,108,340	–	1,176,982
– intersegment sale	–	23,562	–	(23,562)	–
Other income	–	36,168	–	–	36,168
	<u>3,042</u>	<u>125,330</u>	<u>1,108,340</u>	<u>(23,562)</u>	<u>1,213,150</u>
Segment results	<u>156</u>	<u>(72,754)</u>	<u>(210,899)</u>	<u>–</u>	<u>(283,497)</u>
Unallocated other income					1,545
Compensation income					14,130
Amortisation on financial guarantee contracts					130,781
Recognition of financial guarantee contracts					(130,784)
Loss allowance on financial guarantee contracts					(5,644)
Reversal of loss allowance on financial guarantee contracts					11,046
Impairment loss for trade receivables					(84,127)
Impairment loss for prepayments and other receivables					(77,280)
Interest income arising in other receivables					104,857
Corporate administrative expenses (<i>note</i>)					(135,209)
Finance costs					(73,351)
					<u>(527,533)</u>
Loss before tax					(527,533)
Income tax expense					(4,999)
					<u>(532,532)</u>
Segment assets	<u>–</u>	<u>210,290</u>	<u>622,879</u>	<u>1,231,175</u>	<u>2,064,344</u>
Segment liabilities	<u>–</u>	<u>461,474</u>	<u>46,192</u>	<u>1,681,579</u>	<u>2,189,245</u>
Other segment information:					
Additions of property, plant and equipment	–	–	29,271	256	29,527
Additions of right-of-use assets	–	–	–	6,692	6,692
Depreciation	–	5,429	25,477	7,952	38,858
Impairment on property, plant and equipment	–	84,055	351,548	41,613	477,216

Note: Unallocated corporate administrative expenses mainly include corporate's staff cost and Directors' remuneration, legal and professional fee, PRC local tax and depreciation of unallocated property, plant and equipment.

Geographical information

(a) Revenue from external customers

In presenting the geographical information, revenue is all derived from the PRC. The revenue information is based on the locations of the customers.

(b) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	1,234	5,396
The PRC	–	98,464
	<u>1,234</u>	<u>103,860</u>

The non-current asset information is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenues from external customers individually contributing 10% or more of the total revenue from the Group are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	483,861	668,510
Customer B	*N/A	241,603
Customer C	120,424	*N/A
Customer D	92,722	*N/A
	<u>697,007</u>	<u>910,113</u>

* These customers did not individually contribute 10% or more of the total revenue from Group in 2021 or 2020.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the year. An analysis of revenue and other income and gains are as follows:

	2021 HK\$'000	2020 HK\$'000
Revenue		
Sales of electricity and heat	81,517	65,600
Sales of medium coal, coke and by-products	785,085	1,111,382
	<u>866,602</u>	<u>1,176,982</u>

The revenue is recognised at a point in time.

Other income and gains, net

Compensation income (Note a)	8,703	14,130
Interest income from bank deposits	2	2
Interest income from related companies	12,043	6,843
Interest income from a non-controlling shareholder	40,657	45,345
Governments grant (Note b)	41,902	37,345
Sundry income	5,473	368
Interest charged back to Jinyan Electricity related borrowing (Note c)	69,589	52,667
Amortisation on financial guarantee contracts	56,814	130,781
Reversal of loss allowance on financial guarantee contracts	–	11,046
	<u>235,183</u>	<u>298,527</u>

Notes:

- (a) In 2019, the Group paid 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.
- (c) The interests were derived from the unrecorded loans and the relevant accrued interests in relation to the incident caused by 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. Details of which are set out in the Company’s annual report for the year ended 31 December 2020 and the Company’s announcement dated 18 January 2022 and 26 May 2022.

* For identification purpose only

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses on other borrowings	19,488	20,000
Interest expenses on lease liabilities	558	684
Interest expenses on Jinyan Electricity related borrowing	69,589	52,667
Interest expenses on other payables	24,301	–
	<u>113,936</u>	<u>73,351</u>

6. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	1,300	2,050
Cost of inventories	753,868	1,050,092
Depreciation		
– Owned	7,533	34,782
– Right-of-use assets	4,269	4,076
Employee benefit expense (including Director's remuneration):		
– Wages and salaries	42,209	49,889
– Pension scheme contributions (<i>Note a</i>)	11,673	14,263
Total employee benefit expenses	<u>53,882</u>	<u>64,152</u>
Provision of loss allowance of trade receivables, net (<i>Note b</i>)	1,448	84,127
Provision of loss allowance of other receivables, net (<i>Note b</i>)	825	77,280
Impairment loss on property, plant and equipment (<i>Note b</i>)	90,738	477,216
Loss on written-off of inventories	12,180	–
Recognition of financial guarantee contracts (<i>Note b</i>)	–	130,784
Loss allowance on financial guarantee contracts (<i>Note b</i>)	61,146	5,644
Loss/(gain) on disposal of property, plant and equipment	1,320	(313)

Notes:

- (a) As at 31 December 2021 and 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.
- (b) These balances are included in “Other operating expenses, net” in the consolidated profit or loss.

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax was made as there were no assessable profits arising in Hong Kong during the years ended 31 December 2021 and 2020.

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong	–	–
Current – The PRC	–	13,782
Charge for the year		
Under-provision in prior years	–	250
	<hr/>	<hr/>
	–	14,032
Deferred tax expenses/(credit) for the year	9,669	(9,033)
	<hr/>	<hr/>
	9,669	4,999
	<hr/> <hr/>	<hr/> <hr/>

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$31,259,000 (2020: loss attributable to owners of the Company of approximately HK\$484,675,000) and the weighted average number of ordinary shares of 287,071,349 (2020: 287,071,349) in issue during the year.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the year ended 31 December 2021 and 2020.

9. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables:		
– third parties	644,941	445,686
– related companies (<i>note 11(c)</i>)	49,588	39,573
– non-controlling shareholder of a subsidiary (<i>note 11</i>)	234,228	228,890
	<u>928,757</u>	<u>714,149</u>
Less: loss allowance	<u>(150,235)</u>	<u>(143,998)</u>
	778,522	570,151
Less: Current portion	<u>(494,706)</u>	<u>(301,688)</u>
Non-current portion	<u><u>283,816</u></u>	<u><u>268,463</u></u>

The ageing analysis of the trade receivables (net of loss allowance) by invoice date at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	242,285	285,855
3 to 4 months	44,711	48,828
Over 4 months	491,526	235,468
	<u>778,522</u>	<u>570,151</u>

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Other receivables due from the non-controlling shareholder of a subsidiary (note 11)	363,077	312,116
Prepayments and other receivables due from related companies (note 11(c))	125,588	116,852
Borrowing for and related interest charged back to Jinyan Electricity (note 11)	785,612	692,256
Trade deposits and other receivables from Energy Technology	137,592	165,372
Prepayments, deposits and other receivables due from other parties	113,624	104,641
Less: loss allowance	(96,367)	(93,280)
	<u>1,429,126</u>	<u>1,297,957</u>
Less: Current portion	(154,849)	(176,733)
Non-current portion	<u>1,274,277</u>	<u>1,121,224</u>

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

	2021 HK\$'000	2020 HK\$'000
Trade receivables (note 9) (Notes a and c)	234,228	228,890
Other receivables (note 10) (Notes b and c)	363,077	312,116
Borrowing for and related interest charged back to Jinyan Electricity (note 10)	785,612	692,256
	<u>1,382,917</u>	<u>1,233,262</u>
Less: Current portion	—	—
Non-current portion	<u>1,382,917</u>	<u>1,233,262</u>

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”).

* For identification purpose only

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.

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 amount 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.

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 potential transaction contemplated under the Cooperation Agreement and the Agreement is subject to the fulfilment of certain conditions including the approval from the Stock Exchange and the approval of shareholders of the Company at a SGM. 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 31 December 2021 as it is expected that the receivables will be settled by other non-current assets.

* *For identification purpose only*

12. CASH AND BANK BALANCES

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Cash and bank balances	<u>7,903</u>	<u>21,119</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting periods, based on the invoice date, is as follows:

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Within 3 months	178,120	86,641
3 to 4 months	66,217	4,384
Over 4 months	<u>238,229</u>	<u>268,711</u>
	<u>482,566</u>	<u>359,736</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other payables and accrued charges	225,399	233,007
Dividend payables to non-controlling shareholders	6,135	5,938
Contract liabilities (<i>Note a</i>)	149,914	169,335
Deferred income (<i>Note b</i>)	5,521	5,344
Interest payable for Jinyan Electricity related borrowing	269,937	192,832
Other tax payable	230,235	249,816
Tax penalty payable	96,001	77,103
	<u>983,142</u>	<u>933,375</u>
Less: Current portion	<u>(977,621)</u>	<u>(928,031)</u>
Non-current portion	<u>5,521</u>	<u>5,344</u>

Notes:

- (a) The movements of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	169,335	313,239
Recognised as revenue	(101,353)	(239,290)
Receipt of advances	76,730	84,293
Exchange realignment	5,202	11,093
	<u>149,914</u>	<u>169,335</u>
At 31 December	<u>149,914</u>	<u>169,335</u>

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
2021	–	169,335
2022	<u>149,914</u>	<u>–</u>
	<u>149,914</u>	<u>169,335</u>

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

- (b) Deferred income represented government grant to subsidiaries in the PRC with attaching conditions to be complied with, in respect of the construction of atmospheric monitoring system, which will be recognised as other income when all the required conditions are complied with.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2021 had been a year full of difficulties and challenges for the Group's business operations. In order to achieve the "Dual Carbon" goal of "Carbon Neutrality" and "Carbon Peaking", the PRC strictly enforced the regulatory policy on environmental protection and tightly controlled the coke production capacity. 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 while the remaining half continue to operate until October 2021 when it was officially notified by the government authority of Xiaoyi City to shut down. Since then, the Group's coke production business was temporarily suspended. However, at the request of the local government, GRG Huscoke maintained the operation of its thermal power plant, and purchased coal for power and heat generation. Given the Shutdown Measures of the government, the Group's annual coke production capacity posted a significant decrease as compared to last year with a decline in annual sales revenue, and had to make asset impairment on the asset of 4.3-meter Coking Furnace, resulting in a loss in the annual results of the Group.

In addition, the Company found unrecorded loans and guarantees of a subsidiary, GRG Huscoke, during the annual auditing procedures for the financial year of 2020. 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 appointed Da Tong Law Office of Guang Dong to investigate the Incident. The Independent Investigation Committee has now completed its independent investigation into the Incident and ascertained the basic facts, the legal nature of the Incident and the amount involved. It also completed its assessment of the impact of the Incident on the Group's operation and finance.

Meanwhile, the delay in the publication of the financial results of the Company for 2020 and 2021 due to the Incident has resulted in suspension of trading in the shares of the Company on the Stock Exchange until now. In order to maximize the protection of the rights and interests of the Company and its shareholders, the Board will focus its resources on the resumption of trading of the Company as a priority and has appointed Veda Capital as the financial adviser and Zhonghui Anda as the internal control adviser to advise on the resumption of trading of the Company's shares on the Stock Exchange.

FINANCIAL REVIEW

Consolidated operating performance

Total revenue of the Group for the year was approximately HK\$866,602,000 (2020: HK\$1,176,982,000). The gross profit for this year amounted to HK\$112,734,000 (2020: HK\$126,890,000), and the Group recorded a gross profit margin of approximately 13.00% for the year as compared to approximately 10.78% in 2020. Loss after tax for the year was approximately HK\$31,182,000 (2020: Loss after tax was approximately HK\$532,532,000), and loss attributable to owners of the Company amounted to HK\$31,259,000 (2020:

HK\$484,675,000). Basic losses per share for the year was 10.9 Hong Kong cents, as compared to the basic losses per share of 168.8 Hong Kong cents in 2020.

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 generated as byproducts produced during the 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 of coke production (the “**Coke Production Segment**”).

Coke Trading Segment

The Group’s revenue from the Coke Trading Segment for the year amounted to approximately HK\$Nil, as compared to that of approximately HK\$3,042,000 in the corresponding period last year. The Group has no segment results of Coke Trading for the year, representing a decrease compared to that of HK\$156,000 in the corresponding period last year, mainly resulted from not having any coke trading business during the year.

Coal-related Ancillary Segment

The Group’s external revenue from the Coal-related Ancillary Segment for the year amounted to approximately HK\$81,517,000, as compared to that of approximately HK\$65,600,000 in the corresponding period last year. The Group’s segment results of Coal-related Ancillary for the year was approximately HK\$1,526,000, representing an improvement as compared to that in the corresponding period last year. The improvement was mainly due to the impairment on property, plant and equipment was approximately HK\$84,055,000 last year, and such impairment was approximately HK\$1,240,000 for the current year.

Coke Production Segment

The Group’s revenue from the coke production for the year amounted to approximately HK\$785,085,000, as compared to that of approximately HK\$1,108,340,000 in the corresponding period last year, the decrease was mainly attributable to the decrease in sales volume of coke due to the suspension of GRG Huscoke’s coking furnace, resulting in a decrease in production capacity. The Group’s segment results for the year from the coke production was approximately HK\$62,650,000, as compared to that segment loss of approximately HK\$210,899,000 in the corresponding period last year. The difference was due to the impairment on property, plant and equipment for the year amounted to approximately HK\$76,740,000, as compared to that of approximately HK\$351,548,000 last year.

Selling and Distribution Costs

The Group's selling and distribution costs amounted to approximately HK\$1,417,000, as compared to that of approximately HK\$10,953,000 in the corresponding period last year. The decrease was mainly due to a change in the transportation mode of coke, resulting in the transfer of transportation costs to customers, which decreased from approximately HK\$8,109,000 in 2020 to HK\$Nil in 2021.

Administrative Expenses

The Group's administrative expenses for the year amounted to approximately HK\$99,920,000, as compared to that of corresponding period last year of approximately HK\$93,595,000. Such expenses for the two years were similar and the difference was due from exchange rate.

Finance Costs

The Group's finance costs for the year amounted to approximately HK\$113,936,000, as compared to that of corresponding period last year of approximately HK\$73,351,000. The increase was mainly due to fact that GRG Huscoke has undertaken the financial burden arising from the Incident resulted in an increase in interest expenses.

Loss Before Tax

The Group's loss before tax for the year amounted to approximately HK\$21,513,000, as compared to that of approximately HK\$527,533,000 in the corresponding period last year. The difference was mainly due to impairment of approximately HK\$477,216,000 incurred from property, plant and equipment and provision of loss allowance of trade and other receivables of approximately HK\$161,407,000 last year, while such impairment and provision of loss allowance were approximately HK\$90,738,000 and HK\$2,273,000, respectively this year.

CHARGES OVER ASSETS

The Group had neither pledged assets nor pledged deposit during the year (including charges over deposits) (2020: Nil).

MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL

During the year ended 31 December, 2021, the Group did not have any significant acquisitions or disposals of subsidiaries, associates or joint ventures nor had any significant investment with a value of 5% or more of the Company's total assets.

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

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

* *For identification purpose only*

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain the most optimum capital structure, the Group may adjust dividend policy, capital distribution to shareholders or issuance of new shares. No changes were made in the objectives, policies or procedures for capital management during the year ended 31 December 2021.

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

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees upon the various policies for managing these risks.

The Group regularly adopts gearing ratios as a tool of monitoring capital structure. The gearing ratio as of 31 December 2021 was 107% (31 December 2020: 106%).

As of 31 December 2021, the deficit attributable to owners of the Company amounted to HK\$144,233,000 (31 December 2020: HK\$111,409,000).

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were approximately HK\$1,699,654,000 (31 December 2020: HK\$1,517,124,000) and 0.28 (31 December 2020: 0.27) respectively as at 31 December 2021.

As at 31 December 2021, the Group's cash and bank balances amounted to approximately HK\$7,903,000 (31 December 2020: HK\$21,119,000), bank and other borrowings were approximately HK\$733,863,000 (31 December 2020: HK\$717,582,000).

As of 31 December 2021 and 2020, the Group had no bills payable.

OPERATING LEASE AND CAPITAL COMMITMENTS

As at 31 December 2021 and 2020, according to the disclosure requirements under Hong Kong Accounting Standards, the Group had no operating lease commitments.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal; relevant rules and regulations are adhered to and complied with; reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements; and key risks that may impact the Group's performance are appropriately identified and managed. The review of the Group's internal controls covers major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable, not absolute, assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure in achieving business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by a three-tier risk management approach. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with all business or transactions. Management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the audit committee of the Company (the "**Audit Committee**"), with the professional advice and opinions from external professional consultants, who conduct annual audit work for the Group, continually inspects and monitors the first and second lines of defense to ensure that they are effective.

INTEREST RATE RISK

The Group's interest rate risk mainly comprises of 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. 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 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 31 December 2021, the Group did not have any significant contingent liabilities that have not been provided for in the financial statements (as at 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 31 December 2021, the Group had approximately 254 employees (31 December 2020: approximately 483 employees), with less than 20 employees stationed in Hong Kong and the rest, including senior management and workers, in Mainland China. For the year ended 31 December 2021, the Group's staff costs amounted to approximately HK\$53,882,000, as compared to approximately HK\$64,152,000 in the previous year.

Employees are remunerated according to the nature of the job and market trends, performance evaluation mechanism, annual increment and year-end performance bonus measures to reward and motivate individual performance. As at the date of this announcement, the Group has no share options outstanding under the share option scheme.

OUTLOOK

Looking ahead, China is expected to continue to implement the environmental protection policy of “Dual Carbon” in 2022, promoting the structural transformation of the coke industry for capacity reduction, encourage the building of advance production capacity and eliminate outdated production capacity, in order to strictly control the production capacity of the coke industry for an orderly supply of the coke market. Meanwhile, as the PRC promotes the development of “new infrastructure”, domestic infrastructure investment demands will be effectively driven and domestic coke demands will be uplifted, which will bring long-term benefits to the development of the coke industry. Although the 4.3-meter Coking Furnace used by GRG Huscoke has been completely shut down, considering the condition and development prospect of the coke industry, the Group still regards the coke production business as the main operation business of the Company and actively seeks ways to resume the coke production business.

Based on the basic investigation results of the Incident by the Independent Investigation Committee, and after conducting negotiation with relevant entities on resolving the Incident under the framework of PRC laws, the Company has entered into the Agreement with GRG Huscoke, Jinyan Electricity, Energy Technology and Xiaoyi ILNG on 15 March 2022, in relation to the reimbursement and compensation to the Group of the Incident. Energy Technology has agreed to deliver two 7.1m high coking furnaces of a total of 1.2 million tonnes of annual production capacity to the Company, whereas the two coking furnaces will meet the national industry standards and environmental protection standards and has advanced technology. The Company will establish a wholly-owned subsidiary to operate the two coking furnaces, which are expected to be put into production in August 2022 respectively at the earliest, and are expected to resume the Group’s coke production business. The Board is of the opinion that entering into the Agreement can mitigate the operational and financial impact of the Incident to the Company, and satisfy the operation needs of the Group’s coke production as well as expand the coke production scale of the Group, thus achieving greater benefits for the Company and its shareholders.

The Company has formulated the resumption plan and actively implements various measures to meet the resumption guidance of the Stock Exchange. Currently, various measures such as independent investigation, audit work and internal control has made significant progress, and we will submit the proposal for resumption to the Stock Exchange as soon as possible. As Part of the resumption plan, the Company is also considering a possible disposal of the GRG Huscoke. Meanwhile, the Company considers the issuance of convertible Bond and public offering to raise funds, so as to enhance the financial position of the Company for the Group’s daily operation and reduction of the Group’s debt level, which will facilitate the implementation of the resumption plan. The Company is confident to complete the resumption plan to meet the resumption guidance of the Stock Exchange, and is expected to resume trading in shares of the Company in 2022.

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 of the Listing Rules throughout the financial year ended 31 December 2021.

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhao Xu Guang is the Chairman of the Board and also serves as Chief Executive Officer. 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 A.5.2(a)

Pursuant to code provision A.5.2(a) of the CG Code, the nomination committee should review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer’s corporate strategy. No nomination committee meeting was held during the year ended 31 December 2021. Nomination committee meeting was held on 28 July 2022.

Code provision B.1.2(b)

Pursuant to code provision B.1.2(b) of the CG Code, the remuneration committee should review and approve the management’s remuneration proposals with reference to the board’s corporate goals and objectives. No remuneration committee meeting was held during the year ended 31 December 2021. Remuneration committee meeting was held on 28 July 2022.

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 of the Listing Rules as its own code of conduct regarding securities transaction by the Directors of the Company (the "**Model Code**").

Having made specific enquiry of the Directors of the Company, all Directors of the Company confirmed that they had complied with the required standard as set out in the Model Code during the year ended 31 December 2021.

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 Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 2021.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended 31 December 2021 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Zhonghui Anda CPA Limited, to the amounts set out in the Group's consolidated financial statements. The work performed by Zhonghui Anda CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Zhonghui Anda CPA Limited on this preliminary results announcement.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2021 which has included a disclaimer of opinion:

“Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

1. Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements which mentions that The Group incurred loss attributable to owners of the Company of HK\$31,259,000 and HK\$484,675,000 respectively for two consecutive years of year ended 31 December 2021 and 2020, the Group has recorded a net operating cash outflow of approximately HK\$8,753,000 for the year ended 31 December 2021 and as at 31 December 2021, the Group had net current liabilities and net liabilities of HK\$1,699,654,000 and HK\$158,092,000, 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. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to complete the very substantial transaction, to complete the fund-raising activities and to delay the repayments, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

2. *Trade receivables and prepayments, deposits and other receivables from third parties*

Impairment losses on trade receivables and prepayments, deposits and other receivables of approximately HK\$1,448,000 and HK\$nil, respectively, were recognised for the year ended 31 December 2021, and approximately HK\$84,127,000 and HK\$52,341,000, respectively, were recognised for the year ended 31 December 2020. In relation to certain impairment losses of trade receivables for the year ended 31 December 2021 and 2020, revenue of approximately HK\$1,281,000 and HK\$29,794,000, respectively, were recognised for the year ended 31 December 2021 and 2020. Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables of HK\$468,563,000 and HK\$149,008,000, respectively, as at 31 December 2021, and approximately HK\$Nil and HK\$133,692,000, respectively, as at 31 December 2020.

The management is still in progress on negotiating with the debtors on settlement of the aforesaid balances. In absence of the information in relation to the financial status of the debtors on assessing its ability for settlement to the Group, the management considered that there is uncertainty on recovering the aforesaid balances. The management has not yet initiated actions including but not limited to legal action against the debtors on the balances, hence no result from actions is available up to the date of this report for justifying the extent of the recoverability of the aforesaid balances.

Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of aforesaid balances as at 31 December 2021 and 2020. There are no other satisfactory audit procedures that we could adopt to determine whether the aforesaid impairment losses and revenue for the years ended 31 December 2021 and 2020 are properly recognised.

3. *Trade receivables and prepayments, deposits and other receivables from non-controlling shareholder of a subsidiary and related companies*

Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables from non-controlling shareholder of a subsidiary of HK\$234,228,000 and HK\$1,148,689,000 respectively, as at 31 December 2021, and approximately HK\$228,890,000 and HK\$1,004,372,000, respectively, as at 31 December 2020.

Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables from related companies of HK\$49,588,000 and HK\$125,588,000 respectively, as at 31 December 2021, and approximately HK\$39,573,000 and HK\$116,852,000 respectively, as at 31 December 2020.

Reference is made to note 20(c) to the consolidated financial statements. The management is still in progress on the potential transaction with the non-controlling shareholder of a subsidiary and its related companies on settlement of the aforesaid balances. In absence of the information in relation to the potential transaction, including but not limited to the valuation of the target assets intended to be used for the settlement of the aforesaid balances and the uncertainties on the timing for the completion of the potential transaction, hence no sufficient information is available up to the date of this report for justifying the extent of the recoverability of the aforesaid balances.

Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of aforesaid balances as at 31 December 2021 and 2020. There are no other satisfactory audit procedures that we could adopt to determine whether the aforesaid balances are fairly stated as at 31 December 2021 and 2020.

Any adjustments to the figures as described in points 2 and 3 above might have a significant consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2021 and 2020 and the financial position of the Group as at 31 December 2021 and 2020, and the related disclosures thereof in the consolidated financial statements."

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Tuesday, 6 September 2022 and a notice of annual general meeting will be published and despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 September 2022 (Thursday) to 6 September 2022 (Tuesday), both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting of the Company to be held on 6 September 2022 (Tuesday), share transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (on or after 15 August 2022: 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong), not later than 4:30 p.m. on 31 August 2022 (Wednesday).

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.

PUBLICATION OF FINAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This final 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 annual report for the financial year 2021 will be made available on the websites of the Stock Exchange and the Company, and will be dispatched to the shareholders of the Company selected printed copies as corporate communication.

For environmental and cost reasons, 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
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.