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 2022

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 2022 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**15,662**	443,387
Cost of sales		**(131,530)**	(388,177)
Gross (loss)/profit		**(115,868)**	55,210
Other income and gains, net	*4*	**187,185**	150,954
Selling and distribution costs		**(655)**	(720)
Administrative expenses		**(53,231)**	(46,510)
Impairment loss on financial asset, net		**–**	(1,440)
Finance costs	*5*	**(52,534)**	(68,271)
(Loss)/profit before tax	*6*	**(35,103)**	89,223
Income tax expense	*7*	**–**	(9,615)
(Loss)/profit for the period		**(35,103)**	79,608

	Notes	For the six months ended 30 June **2022** **(Unaudited)** ***HK$'000***	2021 (Unaudited) *HK$'000*
Other comprehensive income/(expenses)			
Other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**4,047**	(656)
Other comprehensive income/(expenses) for the period, net of tax		**4,047**	(656)
Total comprehensive (expenses)/income for the period		**(31,056)**	78,952
(Loss)/profit for the period attributable to:			
Owners of the Company		**(31,370)**	70,167
Non-controlling interests		**(3,733)**	9,441
		(35,103)	79,608
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(28,056)**	69,664
Non-controlling interests		**(3,000)**	9,288
		(31,056)	78,952
(Losses)/earnings per share attributable to ordinary equity holders of the Company	*9*		
Basic			
– For (loss)/profit for the period		**(HK10.93 cents)**	HK24.44 cents
Diluted			
– For (loss)/profit for the period		**(HK10.93 cents)**	HK24.44 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	As at 30 June 2022 (Unaudited) HK$'000	As at 31 December 2021 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**5,287**	1,234
Financial assets at fair value through profit or loss		**1,508**	1,508
Trade receivables	11	**273,893**	283,816
Prepayments, deposits and other receivables		**1,273,475**	1,274,277
Total non-current assets		**1,554,163**	1,560,835
CURRENT ASSETS			
Inventories		**–**	3,111
Trade receivables	11	**187,459**	494,706
Prepayments, deposits and other receivables		**159,152**	154,849
Cash and bank balances		**7,182**	7,903
Total current assets		**353,793**	660,569
CURRENT LIABILITIES			
Trade payables	13	**331,065**	482,566
Other payables, accruals and deposits received	14	**930,219**	977,621
Bank and other borrowings		**710,536**	733,863
Lease liabilities		**5,663**	1,417
Financial guarantees contracts		**91,106**	148,210
Tax payable		**15,798**	16,546
Total current liabilities		**2,084,387**	2,360,223
NET CURRENT LIABILITIES		**(1,730,594)**	(1,699,654)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(176,431)**	(138,819)

	Notes	As at 30 June 2022 (Unaudited) HK$'000	As at 31 December 2021 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Deferred income	*14*	**–**	5,521
Lease liabilities		**6,860**	7,617
Deferred tax liability		**5,857**	6,135
Total non-current liabilities		**12,717**	19,273
NET LIABILITIES		**(189,148)**	(158,092)
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**28,707**	28,707
Reserves		**(200,996)**	(172,940)
		(172,289)	(144,233)
Non-controlling interests		**(16,859)**	(13,859)
TOTAL DEFICIT		**(189,148)**	(158,092)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2022 (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 2021 (the "**2021 Annual Report**").

The Group incurred loss attributable to owners of the Company of HK$31,370,000 for period ended 30 June 2022 and as at 30 June 2022 the Group had net current liabilities and net liabilities of HK$1,730,594,000 and HK$189,148,000, 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 on the same premise and basis as disclosed in the Group's 2021 Annual Report.

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 29 August 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the Interim Financial Statements are consistent with those used in the Group's 2021 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 2021 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 2022. 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. 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 2022

	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	**–**	**15,662**	**–**	**–**	**15,662**
– intersegment sales	**–**	**–**	**–**	**–**	**–**
Other income	**–**	**46,884**	**–**	**–**	**46,884**
Total	**–**	**62,546**	**–**	**–**	**62,546**
Segment results	**–**	**(69,640)**	**–**	**–**	**(69,640)**
Unallocated other income					**122**
Compensation income					**21,850**
Amortization of financial guarantee contracts					**51,875**
Interest charged back to Jinyan Electricity related borrowing					**40,647**
Accrued interest income					**19,084**
Write back of provision					**6,724**
Corporate administrative expenses					**(53,231)**
Unallocated finance costs					**(52,534)**
Loss before tax					**(35,103)**
Income tax expense					**–**
Loss for the period					**(35,103)**

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					32,793
Accrued interest income					35,832
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

4. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June **2022** **(Unaudited)** ***HK$'000***	2021 (Unaudited) *HK$'000*
Bank interest income	**1**	1
Interest charged back to Jinyan Electricity related borrowing *(Note c)*	**40,647**	32,793
Accrued interest income	**19,084**	35,832
Government grant *(Note b)*	**47,004**	41,673
Compensation income from contract with customer *(Note a)*	**21,850**	7,482
Write back of provision	**6,724**	4,650
Gain on disposal of property, plant and equipment	**–**	67
Amortization of financial guarantee contracts	**51,875**	28,456
	187,185	150,954

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.

(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 (Shan Xi) Ltd ("**GRG Huscoke**") (the "**Incident**"). 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

An analysis of finance costs are as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on other borrowings	**9,917**	11,007
Interest expenses on Jinyan Electricity related borrowing	**40,647**	32,793
Interest expenses on lease liabilities	**294**	305
Interest expenses on other payable	**1,676**	24,166
	52,534	68,271

6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**131,530**	388,177
Depreciation		
– Owned	**263**	3,748
– Right-of-use assets	**1,519**	2,132
Employee benefit expense (including directors' remuneration):		
– Wages and salaries	**12,294**	23,289
– Pension scheme contributions	**113**	127
Total employee benefit expenses	**12,407**	23,416
Provision of loss allowance of trade receivable *(Note 11)*	**–**	1,440

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – PRC	**–**	–
	–	–
Deferred tax expenses for the period	**–**	9,615
	–	9,615

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2022 and 2021 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.

8. DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

9. (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the (loss)/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	
	2022	2021
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	**(31,370)**	70,167
Weighted average number of ordinary shares in issue	**287,071,349**	287,071,349
Basic (losses)/earnings per share	**(HK10.93 cents)**	HK24.44 cent

(b) Diluted

No diluted (losses)/earnings per share has been presented as the Company did not have any dilutive potential ordinary sharing for the six months ended 30 June 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and building *HK$'000*	Other properties leased for own use carried at cost *HK$'000*	Leasehold improvement *HK$'000*	Furnaces and infrastructure *HK$'000*	Plant and machinery *HK$'000*	Computer equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST									
At 1 January 2022	383,823	20,381	1,653	544,655	640,813	77,368	410	23,816	1,692,919
Additions	–	5,772	–	–	–	–	63	–	5,835
Exchange alignment	–	–	–	–	–	–	–	–	–
At 30 June 2022	383,823	26,153	1,653	544,655	640,813	77,368	473	23,816	1,698,754
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 January 2022	383,823	19,823	1,653	544,655	640,813	77,368	373	23,177	1,691,685
Depreciation charge	–	1,519	–	–	–	–	23	240	1,782
Exchange alignment	–	–	–	–	–	–	–	–	–
At 30 June 2022	383,823	21,342	1,653	544,655	640,813	77,368	396	23,417	1,693,467
NET CARRYING AMOUNTS									
At 30 June 2022	–	4,811	–	–	–	–	77	399	5,287
At 31 December 2021	–	558	–	–	–	–	37	639	1,234

11. TRADE RECEIVABLES

	At 30 June 2022 (Unaudited) *HK$'000*	At 31 December 2021 (Audited) *HK$'000*
Trade receivables:		
– Third parties	**330,899**	644,941
– Related companies	**50,384**	49,588
– Non-controlling shareholder of a subsidiary *(Note 12)*	**223,509**	234,228
	604,792	928,757
Loss allowance	**(143,440)**	(150,235)
	461,352	778,522
Less: current portion	**(187,459)**	(494,706)
Non-current portion	**273,893**	283,816

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 2022, approximately 48% (31 December 2021: 30%) of the Group's trade receivables was due from one customer, and there was a significant concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances due from customers other than the non-controlling shareholder (Note 12). Overdue balances are reviewed regularly by senior management.

The carrying amounts of trade 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 2022 (Unaudited) *HK$'000*	At 31 December 2021 (Audited) *HK$'000*
Within 3 months	**3,514**	242,285
3 to 4 months	**4,614**	44,711
Over 4 months	**453,224**	491,526
	461,352	778,522

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

	At 30 June 2022 (Unaudited) *HK$'000*	At 31 December 2021 (Audited) *HK$'000*
Trade receivables *(Note 11) (Note a and c)*	**223,509**	234,228
Other receivables *(Note b and c)*	**360,755**	363,077
Borrowing for and related interest charged back to Jinyan Electricity *(Note c)*	**789,800**	785,612
	1,374,064	1,382,917
Less: Current portion	**–**	–
Non-Current portion	**1,374,064**	1,382,917

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 with a conversion right 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 provided by 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.

* *For identification purpose only*

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* 楊林海先生 and Mr. Wu Tangjun* 武堂俊先生 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 approximately 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 4. 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 2022 as it is expected that the receivables will be settled by other non-current assets.

* *For identification purpose only*

13. 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 2022 (Unaudited) *HK$'000*	At 31 December 2021 (Audited) *HK$'000*
Within 3 months	**8,218**	178,120
3 to 4 months	**92,223**	66,217
Over 4 months	**230,624**	238,229
	331,065	482,566

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

The carrying amounts of trade payables approximate their fair values.

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

	At 30 June 2022 (Unaudited) *HK$'000*	At 31 December 2021 (Audited) *HK$'000*
Other payables and accrued charges	**222,172**	225,399
Dividend payable to non-controlling shareholders	**5,857**	6,135
Contract liabilities	**98,020**	149,914
Deferred income	**–**	5,521
Interest payable for Jinyan Electricity related borrowings	**297,217**	269,937
Other tax payable	**195,340**	230,235
Tax penalty payable	**111,613**	96,001
	930,219	983,142
Less: Current portion	**(930,219)**	(977,621)
Non-current portion	**–**	5,521

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2022, Da Tong ascertained the basic facts, legal nature and total amount involved in the Incident, and submitted the investigation reports and legal opinion to the Independent Investigation Committee, which decided to accept such investigation reports and legal opinion.

With the complete shutdown of GRG Huscoke's original 4.3-meter coking furnace on 15 October 2021, the Company's main business – coke production was shut down. We only maintained the daily operation of the thermal power plant in the first half of 2022 at the request of the local government. And GRG Huscoke purchased refined coal for heat generation and power supply with government subsidies to meet the livelihood needs of the residents in Xiaoyi. On 10 June 2022, upon receiving the notice from the government, the Company also completely shut down the heating and power supply business of GRG Huscoke. As at the date of this announcement, GRG Huscoke has ceased all operations.

Based on the investigation results of the Independent Investigation Committee on the Incident, the Company negotiated with relevant parties on the remedy and compensation plan for the Incident in accordance with PRC laws. The Board decided to enter into the Agreement on 15 March 2022 to supplement the Cooperation Agreement dated 26 March 2021 in relation to the Incident. And such transactions constituted a very substantial transaction of the Company under Chapter 14 of the Listing Rules. Please refer to the announcement of the Company dated 19 April 2022 for details. Accordingly, upon completion of this very substantial transaction, Energy Technology agreed to unconditionally transfer not less than 90% of the equity interests of Target Company, which owned two 7.1-meter coking furnaces of a total of 1.2 million tonnes of annual production capacity to the Company as the remedy and compensation in respect of the Incident. The Group would resume the original business model through two 7.1-meter coking furnaces and double the original coke production scale.

As an extension of the remedy and compensation plan for the Incident, the Board decided to enter into the Disposal Agreement on 26 July 2022, which constituted a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Please refer to the announcement of the Company dated 8 August 2022 for details. Accordingly, upon completion of the very substantial disposal, GRG Huscoke will be disposed to the party involved in the Incident and will no longer be a subsidiary of the Group. The Company believes that the disposal of GRG Huscoke could completely resolve the adverse impact arisen from the Incident.

The Board also announced the Open Offer on 19 August 2022. Meanwhile, the Company considers additional issuance of convertible bond, so as to enhance the financial position of the Company for the Group's daily operation and reduction of the Group's debt level.

PROSPECTS

It is expected that upon completion of the very substantial transaction and the very substantial disposal, the Company will develop into a company owning two coking furnaces with a total annual production capacity of 1.2 million tonnes. While maintaining the original business model, the Company has more than doubled its annual production capacity and obtained advanced coking furnaces that meet the highest environmental protection standards. Meanwhile, the Company will completely resolve the adverse impact arisen from the Incident on the Company through the disposal of GRG Huscoke.

The Company has formulated the resumption plan and actively implemented various measures to meet the resumption guidance. Currently, various measures have made significant progress, and we have completed the independent investigation of the Incident and the annual audit of the Group. A series of transactions related to the resumption plan of the Company, such as very substantial transaction, very substantial disposal, have also been carried out as planned. The Company is confident that it will eventually complete the resumption plan in order to protect the rights and interests of the Company and its shareholders.

Looking ahead to the second half of 2022, global economy will continue to suffer under the influence of the COVID-19 pandemic and geopolitical conflicts. The coking industry in which the Company operates is also under pressure from upstream and downstream price fluctuations. However, the Company is confident that after acquiring two new coking furnaces with high standards, it will seize the opportunity under the gradual recovery of global economy with its extensive industry experience and higher-quality products, and achieving greater benefits for the Company and its shareholders.

FINANCIAL REVIEW

Consolidated Operating Results

Revenue

For the Reporting Period, the Group has recorded total revenue of approximately HK$15,662,000 (2021: HK$443,387,000), the decrease in revenue was mainly due to no more revenue derived from coke production segment.

Gross (loss)/profit and gross (loss)/profit margin

For the Reporting Period, the Group has recorded gross loss of approximately HK$115,868,000 (2021: gross profit of approximately HK$55,210,000), the decrease in gross profit was mainly due to the purchase of coal externally and triggered increment on cost of sales.

The overall gross loss margin was 739.8% (2021: gross profit margin 12.5%).

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 (2021: Nil), and the Group had no segment results of Coke Trading for the two periods, which mainly result from not having any coke trading business during the periods.

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$15,662,000 (2021: HK$25,002,000). During the Reporting Period, the Group has incurred segment loss of approximately HK$69,640,000, compared to segment loss of approximately HK$15,690,000 in the corresponding period last year. The increase in segment loss was mainly due to the purchase of coal externally and triggered increment on cost of sales.

Coke Production Segment

For the Reporting Period, the Group has not generated revenue from Coke Production Segment, as compared to that of approximately HK$418,385,000 in the corresponding period last year. The Group has no segment results from coke production, as compared to that of approximately HK$110,413,000 in the corresponding period of last year, the decrease was mainly due to the shut down all 4.3-meter Coking Furnace on 15 October 2021.

Selling and Distribution Costs

During the Reporting Period, the Group's selling and distribution costs amounted to approximately HK$655,000, as compared to approximately HK$720,000 in the corresponding period of last year. Such expenses for two periods were similar.

Administrative Expenses

The Group's administrative expenses were approximately HK$53,231,000 (2021: HK$46,510,000) for the six months ended 30 June 2022. The increase was mainly due to increase in expenses arising from the shut-down of coke production.

Finance Costs

For the Reporting Period, the finance costs of the Group were approximately HK$52,534,000 (2021: HK$68,271,000). The decrease was mainly due to a finance costs paid/payable to a other payable amounted to approximately HK$24,166,000 in 2021, and such cost in 2022 amounted to approximately HK$1,676,000.

(Loss)/profit for the Period

For the Reporting Period, the Group has recorded a loss for the period of approximately HK$35,103,000 (2021: profit for the period of approximately HK$79,608,000). The loss for the period was mainly due to shut down of the coke production business of the Group from 15 October 2021.

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 2022.

CHARGES OVER ASSETS

The Group had no pledged assets, including pledged deposit, as at 30 June 2022 (31 December 2021: 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 2021.

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 2022 was 109% (31 December 2021: 107%).

As at 30 June 2022, the deficit attributable to owners of the parent amounted to approximately HK$172,289,000 (31 December 2021: HK$144,233,000). The net liabilities per share was approximately HK$0.60 per share as at 30 June 2022 (31 December 2021: HK$0.50 per share).

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were approximately HK$1,730,594,000 (31 December 2021: HK$1,699,654,000) and 0.17 (31 December 2021: 0.28), respectively as at 30 June 2022.

As at 30 June 2022, the Group's cash and bank balances amounted to approximately HK$7,182,000 (31 December 2021: HK$7,903,000). The bank and other borrowings were approximately HK$710,536,000 (31 December 2021: HK$733,863,000).

As of 30 June 2022 and 31 December 2021, 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 2022, the Group did not have any significant contingent liabilities which have not been provided in the financial statements (31 December 2021: 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 2022, the Group had approximately 195 employees (31 December 2021: 254 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$12,407,000 for the Reporting Period and approximately HK$23,416,000 was recorded in the corresponding period of 2021.

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 announcement, 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

Very Substantial Transaction

On 26 March 2021, GRG Huscoke entered into the Cooperation Agreement with Energy Technology and Jinyan Electricity, pursuant to which, GRG Huscoke entrusts Energy Technology for the construction of a coking furnace with a total estimated investment of RMB600,000,000 ("**Very Substantial Transaction**").

As at the date of this announcement, the Cooperation Agreement has not been terminated but the terms of which were modified and supplemented by the terms of the Agreement as a result of the Incident. On 15 March 2022, the Company entered into the Agreement with GRG Huscoke, Energy Technology, Jinyan Electricity and Xiaoyi ILNG, which (among others) set forth the supplement on the terms of the Cooperation Agreement and the principal terms of the compensation and indemnity to the Group in respect of the Incident. The Group may maintain the existing business model with the target assets and resume its coke production and trading business operation. For details of the Very Substantial Transaction, please refer to the announcement of the Company dated 19 April 2022. The transaction is subject to the shareholders' approval at the special general meeting of the Company. As at the date of this announcement, the Very Substantial Transaction has not yet completed.

Very Substantial Disposal

On 26 July 2022, Rich Key Enterprises 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**"). For details of the Very Substantial Disposal, please refer to the announcement of the Company dated 8 August 2022. The transaction is subject to the shareholders' approval at the special general meeting of the Company. As at the date of this announcement, the Very Substantial Disposal has not yet completed.

Increase in Authorised Share Capital and Open Offer

On 19 August 2022, the Company proposed to increase the authorised share capital of the Company and to raise approximately HK$121.7 million before expenses by way of open offer (the "**Open Offer**") on the basis of two (2) Offer Shares for every one (1) existing Share. For details of the Open Offer, please refer to the announcement of the Company dated 19 August 2022. The increase in authorised share capital and the Open Offer (including the grant of the Specific Mandate) subject to the shareholders' approval at the special general meeting of the Company. As at the date of this announcement, the increase in authorised share capital and the Open Offer has not yet completed.

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 C.2.1

Code provision C.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 C.3.3

Code provision C.3.3 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.

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 2022 INTERIM REPORT

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

The 2022 interim report of the Company containing all the applicable information required by the Listing Rules will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and of the Company (http://www.huscoke.com). The printed copies of the 2022 interim report of the Company will be despatched to the Shareholders in due course.

In response to environmental protection, shareholders are encouraged to elect to receive shareholders documents electronically. Shareholders may at any time send written notice to the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, specifying name, address and request to change their 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, 29 August 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.