HUSCOKE HOLDINGS LIMITED
和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

2022 SECOND INTERIM RESULTS ANNOUNCEMENT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") 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 twelve months ended 31 December 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 twelve months ended 31 December 2022

		For the twelve months ended 31 December	
		2022	2021
		(Unaudited)	(Audited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**17,400**	866,602
Cost of sales		**(128,617)**	(753,868)
Gross (loss)/profit		**(111,217)**	112,734
Other income and gains, net	*4*	**288,466**	235,183
Selling and distribution costs		**(1,262)**	(1,417)
Administrative expenses		**(91,507)**	(99,920)
Finance costs	*5*	**(109,097)**	(113,936)
Other operating expenses, net		**–**	(154,157)
Loss before tax	*6*	**(24,617)**	(21,513)
Income tax expense	*7*	**–**	(9,669)
Loss for the period		**(24,617)**	(31,182)

	Notes	For the twelve months ended 31 December **2022** **(Unaudited)** ***HK$'000***	2021 (Audited) *HK$'000*
Other comprehensive income/(expenses)			
Items that may be reclassified subsequently to profit or loss, net of tax:			
Exchange differences arising on translation of foreign operations		**5,077**	(2,009)
Other comprehensive income/(expenses) for the period, net of tax		**5,077**	(2,009)
Total comprehensive expenses for the period		**(19,540)**	(33,191)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(24,568)**	(31,259)
Non-controlling interests		**(49)**	77
		(24,617)	(31,182)
Total comprehensive (expenses)/ income attributable to:			
Owners of the Company		**(20,579)**	(32,824)
Non-controlling interests		**1,039**	(367)
		(19,540)	(33,191)
Losses per share	*9*		
Basic			
— For loss for the period		**(HK8.6 cents)**	(HK10.9 cents)
Diluted			
— For loss for the period		**(HK8.6 cents)**	(HK10.9 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	As at 31 December 2022 (Unaudited) HK$'000	As at 31 December 2021 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**3,593**	1,234
Financial assets at fair value through profit or loss		**1,508**	1,508
Trade receivables	11	**283,038**	283,816
Prepayments, deposits and other receivables		**1,285,927**	1,274,277
Total non-current assets		**1,574,066**	1,560,835
CURRENT ASSETS			
Inventories		**–**	3,111
Trade receivables	11	**–**	494,706
Prepayments, deposits and other receivables		**147,173**	154,849
Cash and bank balances		**1,679**	7,903
		148,852	660,569
Assets of disposal group classified as held for sale	15	**123,158**	–
Total current assets		**272,010**	660,569
CURRENT LIABILITIES			
Trade payables	13	**–**	482,566
Other payables, accruals and deposits received	14	**48,668**	977,621
Bank and other borrowings		**218,188**	733,863
Lease liabilities		**2,934**	1,417
Financial guarantees contracts		**–**	148,210
Tax payable		**–**	16,546
		269,790	2,360,223
Liabilities of disposal group classified as held for sale	15	**1,753,415**	–
Total current liabilities		**2,023,205**	2,360,223
NET CURRENT LIABILITIES		**(1,751,195)**	(1,699,654)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(177,129)**	(138,819)

	Notes	As at 31 December 2022 (Unaudited) *HK$'000*	As at 31 December 2021 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Deferred income	*14*	**–**	5,521
Lease liabilities		**503**	7,617
Deferred tax liability		**–**	6,135
Total non-current liabilities		**503**	19,273
NET LIABILITIES		**(177,632)**	(158,092)
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**28,707**	28,707
Reserves		**(193,519)**	(172,940)
		(164,812)	(144,233)
Non-controlling interests		**(12,820)**	(13,859)
TOTAL DEFICIT		**(177,632)**	(158,092)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the twelve months ended 31 December 2022

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the twelve months ended 31 December 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$24,568,000 for the twelve months ended 31 December 2022 and as at 31 December 2022 the Group had net current liabilities and net liabilities of HK$1,751,195,000 and HK$177,632,000, 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 condensed 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 28 February 2023.

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 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.

The revenue is recognised at a point in time.

Segment revenue and results

For the twelve months ended 31 December 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	–	17,400	–	–	17,400
— intersegment sales	–	–	–	–	–
Other income	–	45,188	–	–	45,188
Total	–	62,588	–	–	62,588
Segment results	–	(67,291)	–	–	(67,291)
Unallocated other income					4,036
Compensation income					21,849
Amortization on financial guarantee contracts					100,273
Interest income arising in other receivables					117,120
Corporate administrative expenses					(91,507)
Finance costs					(109,097)
Loss before tax					(24,617)
Income tax expense					–
Loss for the period					(24,617)
Segment assets	–	41,435	364,642	1,439,999	1,846,076
Segment liabilities	–	376,910	16,612	1,630,186	2,023,708

For the twelve months ended 31 December 2021

	Coke Trading (Audited) *HK$'000*	Coal-related Ancillary (Audited) *HK$'000*	Coke Production (Audited) *HK$'000*	Eliminations (Audited) *HK$'000*	Total (Audited) *HK$'000*
Segment revenue					
— external sales	–	81,517	785,085	–	866,602
— intersegment sales	–	16,515	–	(16,515)	–
Other income	–	41,902	–	–	41,902
Total	–	139,934	785,085	(16,515)	908,504
Segment results	–	1,526	62,650	–	64,176
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					(101,613)
Finance costs					(113,936)
Loss before tax					(21,513)
Income tax expense					(9,669)
Loss for the period					(31,182)
Segment assets	–	67,866	741,141	1,412,397	2,221,404
Segment liabilities	–	581,116	29,160	1,769,220	2,379,496

Assets and liabilities of disposal group classified as held for sale are allocated to the coal-related ancillary segment and coke production segment.

4. OTHER INCOME AND GAINS, NET

	For the twelve months ended 31 December	
	2022	2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Other income and gains, net		
Compensation income *(Note a)*	**21,849**	8,703
Interest income from bank deposits	**2**	2
Interest income from related companies	**8,564**	12,043
Interest income from a non-controlling shareholder of a subsidiary	**29,042**	40,657
Governments grant *(Note b)*	**45,548**	41,902
Sundry income	**3,674**	5,473
Interest charged back to Jinyan Electricity related borrowing *(Note c)*	**79,514**	69,589
Amortisation on financial guarantee contracts	**100,273**	56,814
	288,466	235,183

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 the Incident are set out in the Company's annual report for the year ended 31 December 2020 and the Company's announcements dated 18 January 2022 and 26 May 2022.

* *For identification purpose only*

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the twelve months ended 31 December	
	2022	2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Interest expenses on other borrowings	**25,785**	19,488
Interest expenses on lease liabilities	**576**	558
Interest expenses on Jinyan Electricity related borrowing	**79,514**	69,589
Interest expenses on other payable	**3,222**	24,301
	109,097	113,936

6. LOSS BEFORE TAX

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

	For the twelve months ended 31 December	
	2022	2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Cost of inventories sold	**128,617**	753,868
Depreciation		
— Owned	**513**	7,533
— Right-of-use assets	**2,963**	4,269
Employee benefit expense (including directors' remuneration):		
— Wages and salaries	**24,546**	42,209
— Pension scheme contributions *(Note a)*	**1,033**	11,673
Total employee benefit expenses	**25,579**	53,882
Provision of loss allowance of trade receivables, net *(Note b)*	**–**	1,448
Provision of loss allowance of other receivables, net *(Note b)*	**–**	825
Impairment loss on property, plant and equipment *(Note b)*	**–**	90,738
Loss on written-off of inventories	**–**	12,180
Loss allowance on financial guarantee contracts *(Note b)*	**–**	61,146
Loss on disposal of property, plant and equipment	**–**	1,320

Notes:

(a) As at 31 December 2022 and 2021, 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

	For the twelve months ended 31 December	
	2022	2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Current — Hong Kong	**–**	–
Current — PRC	**–**	–
	–	–
Deferred tax expenses for the period	**–**	9,669
	–	9,669

No provision for Hong Kong profits tax has been made for the twelve months ended 31 December 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 the payment of any interim dividend for the twelve months ended 31 December 2022 (2021: Nil).

9. LOSSES PER SHARE

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Reporting Period.

	For the twelve months ended 31 December	
	2022	2021
	(Unaudited)	(Audited)
Loss attributable to owners of the Company *(HK$)*	**24,568,000**	31,259,000
Weighted average number of ordinary shares in issue	**287,071,349**	287,071,349
Basic losses per share *(HK Cents)*	**8.6**	10.9

(b) Diluted

No diluted losses per share has been presented as the Company did not have any dilutive potential ordinary sharing for the twelve months ended 31 December 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 (Audited)	383,823	20,381	1,653	544,655	640,813	77,368	410	23,816	1,692,919
Additions (Unaudited)	–	5,772	–	–	–	30	33	–	5,835
Transferred to "Assets of disposal group classified as held for sale" (Unaudited)	(353,728)	(9,872)	–	(501,949)	(590,567)	(71,302)	–	(18,504)	(1,545,922)
Exchange alignment (Unaudited)	(30,095)	(840)	–	(42,706)	(50,246)	(6,066)	–	(1,573)	(131,526)
At 31 December 2022 (Unaudited)	–	15,441	1,653	–	–	30	443	3,739	21,306
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 January 2022 (Audited)	383,823	19,823	1,653	544,655	640,813	77,368	373	23,177	1,691,685
Depreciation charge (Unaudited)	–	2,963	–	–	–	16	18	479	3,476
Transferred to "Assets of disposal group classified as held for sale" (Unaudited)	(353,728)	(9,872)	–	(501,949)	(590,567)	(71,302)	–	(18,504)	(1,545,922)
Exchange alignment (Unaudited)	(30,095)	(840)	–	(42,706)	(50,246)	(6,066)	–	(1,573)	(131,526)
At 31 December 2022 (Unaudited)	–	12,074	1,653	–	–	16	391	3,579	17,713
NET CARRYING AMOUNTS									
At 31 December 2022 (Unaudited)	–	3,367	–	–	–	14	52	160	3,593
At 31 December 2021 (Audited)	–	558	–	–	–	–	37	639	1,234

11. TRADE RECEIVABLES

	At 31 December 2022 (Unaudited) HK$'000	At 31 December 2021 (Audited) HK$'000
Trade receivables:		
— Third parties	**25,581**	644,941
— Related companies *(Note 20)*	**40,203**	49,588
— Non-controlling shareholder of a subsidiary *(Note 12)*	**217,254**	234,228
	283,038	928,757
Loss allowance	**–**	(150,235)
	283,038	778,522
Less: current portion	**–**	(494,706)
Non-current portion	**283,038**	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 31 December 2022, approximately 77% (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, is as follows:

	At 31 December 2022 (Unaudited) HK$'000	At 31 December 2021 (Audited) HK$'000
Within 3 months	**14,775**	242,285
3 to 4 months	**304**	44,711
Over 4 months	**267,959**	491,526
	283,038	778,522

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

	At 31 December 2022 (Unaudited) *HK$'000*	At 31 December 2021 (Audited) *HK$'000*
Trade receivables *(Note 11) (Notes a and c)*	**217,254**	234,228
Other receivables *(Note 13) (Notes b and c)*	**362,865**	363,077
Borrowing for and related interest charged back to Jinyan Electricity *(Note 13) (Note c)*	**801,379**	785,612
	1,381,498	1,382,917
Less: Current portion	**–**	–
Non-Current portion	**1,381,498**	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, Jinyan Electricity and Debt Assignee agreed to assign the trade and other receivables from 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 (the "**Shareholders**") 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 GRG Huscoke 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.

* *For identification purpose only*

Reference is made to the announcement of the Company dated 5 November 2019, the Company entered into a new framework agreement (the "**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 terms 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 GRG Huscoke shall be entitled with a conversion right to convert the indebtedness into not less than 12% of the enlarged issued share capital of Energy Technology. The final conversion percentage will be subject to the valuation of Energy Technology.

The New Framework Agreement is subject to the fulfillment of certain conditions including the approval from the Stock Exchange and the approval of the Shareholders 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 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**") acquire and subscribe for more than 50% of the enlarged share capital of Energy Technology.

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

On 26 March 2021, the Group entered into a cooperation agreement with Energy Technology and Jinyan Electricity (the "**Cooperation Agreement**") pursuant to which GRG Huscoke entrusts Energy Technology with 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.

* *For identification purpose only*

On 15 March 2022, the Company subsequently entered into an agreement (the "**Agreement**") and a debt transfer agreement (the "**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 way of increasing GRG Huscoke's receivables 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 (the "**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 it is expected that the receivables will be settled by other non-current assets.

13. TRADE PAYABLES

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

	At 31 December 2022 (Unaudited) ***HK$'000***	At 31 December 2021 (Audited) *HK$'000*
Within 3 months	**–**	178,120
3 to 4 months	**–**	66,217
Over 4 months	**–**	238,229
	–	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.

Trade payables had been transferred to "Liabilities of disposal group classified as held for sale" during the period ended 31 December 2022.

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

	At 31 December 2022 (Unaudited) *HK$'000*	At 31 December 2021 (Audited) *HK$'000*
Other payables and accrued charges	**48,668**	225,399
Dividend payable to non-controlling shareholders	**–**	6,135
Contract liabilities	**–**	149,914
Deferred income	**–**	5,521
Interest payable for Jinyan Electricity related borrowings	**–**	269,937
Other tax payable	**–**	230,235
Tax penalty payable	**–**	96,001
	48,668	983,142
Less: Current portion	**(48,668)**	(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.

During the period ended 31 December 2022, certain other payables, accruals and deposit received and deferred income had been transferred to "Liabilities of disposal group classified as held for sale".

15. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2022, Rich Key Enterprises Limited ("**Rich Key**"), a direct wholly-owned subsidiary of the Company, entered into a disposal agreement (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 (the "**Disposal Company**", together with its subsidiaries, "**Disposal Group**"), a wholly-owned subsidiary of the Company, and the entire amount of parent company's loan owed by the Disposal Company to the Company (the "**Very Substantial Disposal**"). For details of the Very Substantial Disposal, please refer to the announcements of the Company dated 8 August 2022 and 29 September 2022.

The Directors expect it is highly probable that the assets and liabilities attributable to the business will be sold within twelve months and hence the respective assets and liabilities are classified as assets and liabilities of disposal group held for sale and are presented separately in the consolidated statement of financial position.

The major classes of assets and liabilities in Disposal Group classified as held for sale are as follows:

	At 31 December 2022 (Unaudited) *HK$'000*
Property, plant and equipment	**–**
Trade receivables	**117,908**
Prepayment, deposits and other receivables	**5,133**
Cash and bank balances	**117**
Total assets classified as held for sale	**123,158**
Trade payables	**305,527**
Other payables, accruals and deposits received	**905,700**
Bank and other borrowings	**475,241**
Lease liabilities	**7,019**
Financial guarantees contracts	**39,025**
Tax payable	**15,249**
Deferred tax liability	**5,654**
Total liabilities associated with assets classified as held for sale	**1,753,415**

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF FINANCIAL YEAR END DATE

As disclosed in the Company's announcement dated 19 December 2022, the Board of the Company resolved to change the financial year end date of the Company from 31 December to 31 March. Accordingly, the next financial year end date of the Company will be 31 March 2023 and the next audited consolidated financial statements of the Group to be published will cover the period of 15 months commencing on 1 January 2022 and ending on 31 March 2023. Please refer to the above announcement for details.

BUSINESS REVIEW

Due to the delay in publication of the financial results of the Company and the Incident, the trading in the shares of the Company has been suspended in 2021. In order to safeguard the interests of the Company and its Shareholders as a whole, the Board has focused its efforts and resources on the resumption of trading of the shares of the Company (the "**Resumption**") as the first priority in 2022. The Board has formulated a resumption plan and implemented a series of transactions in 2022, which have made a significant progress in fulfilling the resumption guidance of the Stock Exchange.

Da Tong Law Office of Guang Dong ("**Da Tong**"), the independent PRC legal adviser of the Company, has completed the investigation on the Incident (the "**Investigation**") and submitted the investigation report and supplemental investigation report to the independent investigation committee of the Company (the "**Independent Investigation Committee**") on 17 January 2022 and 20 May 2022 respectively. The results of the Investigation concluded that the basic facts and the legal nature of the Incident and enabled the Independent Investigation Committee to assess the impacts on the Company's business operation and financial position.

Based on the results of Investigation and the PRC legal opinion issued by Da Tong, the Company considered that it is in interests of the Company and its shareholders as a whole to take remedial and compensatory actions for the Incident. As such, the Company entered into the Agreement on 15 March 2022, pursuant to which the Energy Technology had agreed to deliver two 7.1-meter high coking furnaces of a total of 1.2 million tonnes of annual production capacity to the Company, which enables the Company to resume coke production business as well as doubling its coke production scale. Meanwhile, the Company entered into the Disposal Agreement on 26 July 2022 to dispose of the Disposal Group and carve out GRG Huscoke, being one of the entities involved in the Incident, which allows the Company to resolve the adverse impact arisen from the Incident.

Throughout 2022, the resumption plan of the Company did not proceed as initially expected as a result of the impact of COVID-19 pandemic. Due to the implementation of the strict preventive measures and containment measures against COVID-19 pandemic at the early stage and the massive outbreak of COVID-19 across the PRC at the later stage, it has caused varying degrees of difficulties on the construction of the Target Assets and the procedure of the Asset Transfer (as defined in the Company's circular dated 28 September 2022), resulting in additional time required for the resumption plan of the Company to materialise.

Moreover, the Company have also proposed a series of fundraising activities including the increase in authorised share capital, the Open Offer (as defined below) and the CB Subscription (as defined below) which enable the Company to enhance its financial position, meet the financial needs for its business operations and provide an opportunity to the Shareholders to participate in the growth of the Company upon the Resumption. The Company is confident in completing the resumption plan to meet the resumption guidance of the Stock Exchange, and is expected to achieve Resumption in the first half of 2023.

PROSPECTS

Looking ahead to 2023, the PRC has fully resumed normalcy after the relaxation of the pandemic control measures and reopening of borders and has showed a pace of economic recovery faster than expected. Moreover, the Chinese government has introduced various fiscal policies to boost its domestic economy and stimulate its growth momentum. With the recovery of demand for infrastructure and real estate, it is expected to increase the demand for steel production which will further drive the demand for coke. On the other hand, the Chinese government is expected to further implement the environmental protection policy of "Carbon Dioxide Peaking and Carbon Neutrality ("碳達峰碳中和") as its long-term policy goals, which in effect can strictly control the production capacity of the coke industry for an orderly resumption supply in the coke market. As such, the macro-economy in 2023 is favorable for the production and operation of coke industry and the outlook for the coke industry still remains steady and sustainable.

Upon the completion of the transaction in relation to Resumption, the Company is expected to resume its coke production business through the operation of Target Assets. Having replacing the existing coking furnaces to the Target Assets, the Company will increase its coke production capacity from 600,000 tons to 1,200,000 tons, upgrade coking furnaces specification from a height of 4.3 meters to 7.1 meters, which complies with the industrial and environmental requirement in the PRC. As a result, the Company is expected to be able to produce better grade and enhanced value products on a larger production scale. With the abovementioned competitive advantage of the Target Assets, it is expected that the Company can improve its production efficiency and operational performance in a bid to enhance the Group's future profitability and thereby creating long-term development opportunities for the Group.

FINANCIAL REVIEW

Consolidated Operating Results

Revenue

For the Reporting Period, the Group has recorded total revenue of approximately HK$17,400,000 (2021: approximately HK$866,602,000), the decrease in revenue was mainly because the coke production segment no longer generated any revenue, as compared to that of approximately HK$785,085,000 in the corresponding period last year.

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

For the Reporting Period, the Group has recorded gross loss of approximately HK$111,217,000 (2021: gross profit of approximately HK$112,734,000), the decrease in gross profit was mainly due to the substantial decrease in revenue and increased cost of sales caused by external sourcing of coal.

The overall gross loss margin was 639.2% (2021: gross profit margin of 13.0%).

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 as 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 two consecutive reporting periods, which mainly results from the suspension of 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 Xiaoyi City, Shanxi Province, China. For the Reporting Period, the external sales amounted to approximately HK$17,400,000 (2021: approximately HK$81,517,000). During the Reporting Period, the Group has incurred segment loss of approximately HK$67,291,000, compared to segment profit of approximately HK$1,526,000 in the corresponding period last year. The increase in segment loss was mainly because the revenue from sales of power and heat energy decreased significantly, and also increased cost of sales caused by external sourcing of coal.

Coke Production Segment

For the Reporting Period, the Group has not generated revenue from Coke Production Segment, as compared to that of approximately HK$785,085,000 in the corresponding period last year. The Group has no segment results from coke production, as compared to that of approximately HK$62,650,000 in the corresponding period of last year, the decrease was mainly due to the shut down of all 4.3-meter coking furnaces on 15 October 2021.

Selling and Distribution Costs

During the Reporting Period, the Group's selling and distribution costs amounted to approximately HK$1,262,000, as compared to approximately HK$1,417,000 in the corresponding period of last year. Such expenses for the two reporting periods were similar.

Administrative Expenses

The Group's administrative expenses were approximately HK$91,507,000 (2021: approximately HK$99,920,000) for the twelve months ended 31 December 2022. The decrease in administrative expenses was mainly attributable to the decrease in depreciation as the property, plant and equipment of the Company's PRC subsidiary was fully impaired in the corresponding period of last year.

Finance Costs

For the Reporting Period, the finance costs of the Group were approximately HK$109,097,000 (2021: approximately HK$113,936,000). The Group did not proceed or repay any loan during the Reporting Period.

Loss before tax

For the Reporting Period, the Group has recorded a loss before tax of approximately HK$24,617,000 (2021: approximately HK$21,513,000). The increase in loss before tax was mainly due to the significant increase in gross loss.

MATERIAL ACQUISITION AND DISPOSAL

Save for the proposed very substantial transaction and very substantial disposal disclosed in the section headed "Event After Reporting Period" which have not yet completed, there was no material acquisition or disposal of the Group for the twelve months ended 31 December 2022.

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the Group had no significant investment with a value of more than 5% of the total assets of the Group.

CHARGES OVER ASSETS

The Group had no pledged assets, including pledged deposit, as at 31 December 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 31 December 2022 was 109% (31 December 2021: 107%) after taking into account the borrowings included in "Liabilities of disposal group classified as held for sale".

As at 31 December 2022, the deficit attributable to owners of the parent amounted to approximately HK$164,812,000 (31 December 2021: approximately HK$144,233,000). The net liabilities per share was approximately HK$0.57 per share as at 31 December 2022 (31 December 2021: HK$0.50 per share).

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were approximately HK$1,751,195,000 (31 December 2021: approximately HK$1,699,654,000) and 0.13 (31 December 2021: 0.28), respectively as at 31 December 2022.

As at 31 December 2022, the Group's cash and bank balances amounted to approximately HK$1,796,000 (31 December 2021: approximately HK$7,903,000). The bank and other borrowings were approximately HK$693,429,000 (31 December 2021: approximately HK$733,863,000).

As of 31 December 2022 and 2021, the Group had no bills payable.

INTEREST RATE RISK

The Group's interest rate risk mainly comprises (1) fair value interest risk and (2) cash flow interest rate risk. 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. 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. The management will monitor the 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 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 31 December 2022, the Group had approximately 196 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$25,579,000 for the Reporting Period and approximately HK$53,882,000 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. There were no share options outstanding under the Share Option Scheme at the beginning or at the end of the Reporting Period, and no share options were granted, exercised, cancelled or lapsed during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

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

EVENT AFTER REPORTING PERIOD

References are made to the circulars of the Company dated 28 September 2022 and 14 October 2022 (the "**Circulars**"). Capitalised terms used herein shall have the same meanings as defined in the Circulars unless otherwise stated.

Open Offer

On 19 August 2022, the Company proposed to raise approximately HK$121.7 million before expenses by way of open offer (the "**Open Offer**") on the basis of two (2) new shares of HK$0.1 each (the "**Offer Shares**") for every one (1) existing share of HK$0.1 (the "**Shares**"). For details of the Open Offer, please refer to the circular of the Company dated 14 October 2022. The Open Offer was approved by the Independent Shareholders at the SGM held on 31 October 2022.

As at the date of this announcement, as additional time is required for the Company to prepare and finalise certain information to be contained in the prospectus in relation to the Open Offer. The Open Offer has not been completed.

Subscription of Convertible Bonds

On 19 September 2022, the Company entered into the subscription agreement (the "**CB Subscription Agreement**") (as supplemented by a supplemental agreement on 27 January 2023 to extend the long stop date to 28 July 2023) with Wahen Investments Limited (the "**Subscriber**"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds in an aggregate principal amount of HK$154,000,000 (the "**CB Subscription**"). For details of the CB Subscription, please refer to the circular of the Company dated 14 October 2022. The CB Subscription was approved by the Independent Shareholders of the Company at the SGM held on 31 October 2022.

Very Substantial Transaction and Very Substantial Disposal

On 15 March 2022, the Company entered into the Agreement with GRG Huscoke, Energy Technology, Jinyan Electricity and Xiaoyi ILNG (as supplemented by a supplemental agreement on 14 April 2022), in relation to the remedial and compensatory actions as a result of the Incident and the Assets Transfer (the "**VST**"), details of which were set out in the announcement and the circular of the Company dated 19 April 2022 and 28 September 2022 respectively.

On 26 July 2022, Rich Key Enterprises Limited, a direct wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the legal representative of GRG Huscoke (Shanxi) Limited* (as supplemented by a supplemental agreement on 7 September 2022), pursuant to which, among other matters, to dispose of the Disposal Group and GRG Huscoke (the "**VSD**"), details of which were set out in the announcement and the circular of the Company dated 8 August 2022 and 28 September 2022 respectively.

The VST and VSD were approved by the Shareholders at the SGM held on 18 October 2022. On 12 January 2023, the 90% equity interests of the Target Subsidiary which holds the Target Assets has been transferred to the Group. As at the date of the announcement, the Company is seeking the confirmation from the auditor of the Company regarding the Assets Transfer, which requires a special audit and a PRC legal opinion confirming the assets under the VST have been transferred to the Group. The Company will announce the completion of the VST after receiving the confirmation from the auditor of the Company. Upon the completion of the VST, the VSD will also be completed.

* *For identification purposes only*

REVIEW OF 2022 SECOND 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 Part 2 of 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 enabling 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.

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

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 2022 SECOND INTERIM RESULTS ANNOUNCEMENT AND 2022 SECOND INTERIM REPORT

This 2022 second 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 second interim report of the Company will be made available on the websites of the Stock Exchange and the Company, and will be despatched to the Shareholders by the end of March.

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 Center, 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, the Chairman would like to express his sincere appreciation to the Shareholders for their continued support and sincerely thank the Directors and staffs for their dedication and diligence. The Chairman also wishes to take this opportunity to express his 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 February 2023

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.