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HUSCOKE HOLDINGS LIMITED
和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Huscoke Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2018 together with the relevant comparative figures for the last financial year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	4	**1,478,049**	1,330,791
Cost of sales		**(1,232,228)**	(1,117,808)
Gross profit		**245,821**	212,983
Other income and gains, net	4	**44,953**	45,419
Selling and distribution costs		**(137,637)**	(146,429)
Administrative expenses		**(103,301)**	(83,804)
Finance costs	5	**(2,200)**	(8,015)
Other operating income, net		**29,243**	21,528
Reversal of impairment loss on items of property, plant and equipment		**99,053**	84,977
PROFIT BEFORE TAX	6	**175,932**	126,659
Income tax (expense)/credit	7	**(29,951)**	5,254
PROFIT FOR THE YEAR		**145,981**	131,913
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(28,592)**	16,456
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR, NET OF TAX		**(28,592)**	16,456
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**117,389**	148,369

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Profit for the year attributable to:			
Owners of the Company		**128,391**	117,898
Non-controlling interests		**17,590**	14,015
		145,981	131,913
Total comprehensive income attributable to:			
Owners of the Company		**102,377**	132,824
Non-controlling interests		**15,012**	15,545
		117,389	148,369
EARNINGS PER SHARE	8		
Basic		**HK4.92 cents**	HK4.54 cents
Diluted		**HK4.74 cents**	HK4.52 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**570,644**	495,154
Goodwill		**–**	–
Interest in an associate	9	**101,804**	–
Available-for-sale financial assets		**–**	1,115
Financial assets at fair value through profit or loss		**1,508**	–
Deferred tax asset		**–**	12,646
Prepayments	11	**–**	1,771
Total non-current assets		**673,956**	510,686
CURRENT ASSETS			
Inventories		**85,377**	54,744
Trade receivables	10	**367,083**	267,037
Prepayments, deposits and other receivables	11	**365,808**	214,404
Tax recoverable		**–**	8
Cash and bank balances	13	**18,894**	69,655
Total current assets		**837,162**	605,848
CURRENT LIABILITIES			
Trade payables	14	**237,326**	158,188
Other payables, accruals and deposit received	15	**625,982**	474,201
Convertible bonds		**43,526**	–
Tax payable		**5,150**	–
Total current liabilities		**911,984**	632,389
NET CURRENT LIABILITIES		**(74,822)**	(26,541)
TOTAL ASSETS LESS CURRENT LIABILITIES		**599,134**	484,145

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Other payables and deferred income	15	**8,205**	8,455
Other borrowings		**18,188**	18,188
Deferred tax liability		**11,253**	106
Convertible bonds		**–**	41,427
Total non-current liabilities		**37,646**	68,176
NET ASSETS		**561,488**	415,969
EQUITY			
Equity attributable to owners of the Company			
Share capital		**27,264**	25,966
Reserves		**485,737**	350,902
		513,001	376,868
Non-controlling interests		**48,487**	39,101
TOTAL EQUITY		**561,488**	415,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. CORPORATION AND GROUP INFORMATION

Huscoke Holdings Limited (formerly known as Huscoke Resources Holdings Limited) (the "**Company**") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office at the end of the reporting period is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the principal office at the end of the reporting period is located at Room 2301, 23/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

During the year, the Company and its subsidiaries (collectively, the "**Group**") were involved in the following activities:

- coke trading business;
- coal-related ancillary business; and
- coke production business.

2.1 BASIS OF PRESENTATION

As at 31 December 2018, the Group recorded net current liabilities of approximately HK$74,822,000 (2017: HK$26,541,000) and consolidated accumulated losses of approximately HK$1,658,916,000 (2017: HK$1,787,307,000). The Group also recorded consolidated profit for the year ended 31 December 2018 of approximately HK$145,981,000 (2017: HK$131,913,000), though it was principally derived from reversal of impairment loss on property, plant and equipment of approximately HK$99,053,000 (2017: HK$84,977,000).

In view of these circumstances, the directors of the Company considered the Group's future liquidity, its operating results in recent years and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In this connection, the directors of the Company have taken into account of the following measures and factors to assess the validity of the adoption of going concern principle:

(a) On 13 February 2019, the Company and Rontac Resources Company Limited, the holder of the 2017 Convertible Bonds with principal amount of HK$43,277,000, entered into an agreement to extend the maturity date of the 2017 Convertible Bonds for one year to 31 August 2020 with all other terms and conditions remain unchanged. The extension is subject to approval of shareholders at a special general meeting to be held on 9 April 2019.

(b) The directors will consider to improve the financial position of the Group (i) enlarge the capital base of the Company by conducting fund raising exercises such as share placement or (ii) obtain bank facilities when necessary.

(c) Management has used its best endeavor to improve the Group's operating results to attain positive operating cash flows. The Group's operation has been recovering in light of continuous improved market demand for coke production in the People's Republic of China (the "**PRC**") during the year. A gross profit of approximately HK$245,821,000 (2017: HK$212,983,000) was recorded for the year ended 31 December 2018. The Group continued to generate net cash inflows from its operations during the year ended 31 December 2018. The directors of the Company believe that the recovery momentum will continue and the operation will keep contributing positive cash inflows to the Group in the foreseeable future.

(d) Included in the current liabilities of the Group as at 31 December 2018 is an amount of approximately HK$214,700,000 (2017: HK$199,108,000) in relation to contract liabilities from contracts with customers within HKFRS 15, majority of which will be recognised as revenue when the performance obligation is satisfied. Taking into account the estimated costs to be incurred in generating such revenue with reference to gross profit ratio of around 16% for current year, the management considered there is no other cash outflow impact to the Group for such amount in the foreseeable future.

2.1 BASIS OF PRESENTATION *(Continued)*

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

2.2 BASIS OF PREPARATION *(Continued)*

Basis of Consolidation *(Continued)*

Changes in ownership interest *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

2.3 ADOPTION OF NEW/REVISED HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transaction*
Annual Improvements to HKFRSs	*2014–2016 Cycle: HKFRS 1 and HKAS 28*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*

Amendments to HKFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements 2014–2016 Cycle

HKAS 28: Measuring an associate or joint venture or its subsidiaries at fair value

The amendments clarify that the election to measure associates or joint ventures at fair value or retain the fair value measurement applied by investment entity associates or joint ventures can be made separately for each associate or joint venture at the relevant date.

The adoption of the amendments does not have any significant impact on the consolidated financial statements since the Group is not eligible to measure its interest in an associate at fair value.

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the interpretation does not have any significant impact on the consolidated financial statements.

2.3 ADOPTION OF NEW/REVISED HKFRSs *(Continued)*

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss.
- FVOCI: fair value through other comprehensive income.
- Designated FVOCI: equity instruments measured at FVOCI.
- Mandatory FVOCI: debt instruments measured at FVOCI.

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transition provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 January 2018 (i.e. the date of initial application), except as described below:

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

    (i) the determination of the business model within which a financial asset is held;

    (ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

    (iii) the de-designation of financial assets or financial liabilities at FVPL.

    The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses ("**ECL**") at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

There is no difference between the previous carrying amounts of financial assets under HKAS 39 and those upon adoption of HKFRS 9 at 1 January 2018.

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

2.3 ADOPTION OF NEW/REVISED HKFRSs *(Continued)*

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

		Measurement category and carrying amount under HKFRS 9	
Measurement category under HKAS 39	**Carrying amount under HKAS 39**	**Amortised cost**	**FVPL**
	HK\$'000	*HK\$'000*	*HK\$'000*
Available-for-sale financial assets			
Private club debenture *(note i)*	1,115	–	1,115
Loans and receivables *(note ii)*			
Trade receivables	267,037	267,037	–
Other receivables	158,983	158,983	–
Cash and bank balances	69,655	69,655	–
	496,790	495,675	1,115

Notes:

(i) The private club debenture that was previously classified as available-for-sale financial assets measured at FVOCI amounted to approximately HK\$1,115,000 was classified as financial assets at FVPL at the date of initial application since it does not meet the criteria to be classified as Mandatory FVOCI and was not designated as Designated FVOCI in accordance with HKFRS 9.

(ii) These items continue to be measured at amortised cost because, at the date of initial application, the Group's business model is to hold these investments to collect the contractual cash flows and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

2.3 ADOPTION OF NEW/REVISED HKFRSs *(Continued)*

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The Standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 January 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 January 2018 in accordance with the transition provisions therein. The adoption of this standard does not have a significant impact on the measurement and recognition of revenue of the Group but additional disclosures have been made throughout these consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:

(a) the coke trading segment – purchases and sales of coke and coal;

(b) the coal-related ancillary segment – washing of raw coal into refined coal for sale and for further processing, and sale of electricity and heat which are generated as the by-products during the washing of raw coal; and

(c) the coke production segment – processing of refined coal into coke for sales, and sale of coke by-products that are generated during coke production.

3. OPERATING SEGMENT INFORMATION *(Continued)*

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 and administrative expenses, unallocated other operating income, unallocated finance costs and income tax (expense)/credit are excluded from such measurement.

Segment assets exclude cash and bank balances, financial assets at fair value through profit or loss, tax recoverable, deferred tax assets, interest in an associate and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

Segment revenue and results

For the year ended 31 December 2018

	Coke Trading	**Coal-related Ancillary**	**Coke Production**	**Eliminations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
– external sales	**35,884**	**91,119**	**1,351,046**	**–**	**1,478,049**
– intersegment sales	**–**	**189,753**	**–**	**(189,753)**	**–**
Other income	**–**	**41,316**	**–**	**–**	**41,316**
Total	**35,884**	**322,188**	**1,351,046**	**(189,753)**	**1,519,365**
Segment results	**315**	**(232,904)**	**504,755**	**(854)**	**271,312**
Interest income and sundry income					**3,637**
Corporate administrative expenses					**(103,301)**
Unallocated other operating income					**6,484**
Unallocated finance costs					**(2,200)**
Profit before tax					**175,932**
Income tax expense					**(29,951)**
Profit for the year					**145,981**

3. OPERATING SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2017

	Coke Trading *HK$'000*	Coal-related Ancillary *HK$'000*	Coke Production *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Segment revenue					
– external sales	32,130	109,619	1,189,042	–	1,330,791
– intersegment sales	–	285,959	–	(285,959)	–
Other income	–	36,749	–	–	36,749
Total	32,130	432,327	1,189,042	(285,959)	1,367,540
Segment results	1,466	33,935	171,015	(1,287)	205,129
Interest income and sundry income					8,670
Corporate administrative expenses					(83,804)
Unallocated other operating income					4,679
Unallocated finance costs					(8,015)
Profit before tax					126,659
Income tax credit					5,254
Profit for the year					131,913

Segment assets and liabilities

At 31 December 2018

	Coke Trading ***HK$'000***	**Coal-related Ancillary** ***HK$'000***	**Coke Production** ***HK$'000***	**Total** ***HK$'000***
SEGMENT ASSETS				
Segment assets	**755**	**260,471**	**793,263**	**1,054,489**
Corporate and unallocated assets				**456,629**
Consolidated assets				**1,511,118**
SEGMENT LIABILITIES				
Segment liabilities	**4,302**	**402,208**	**352,505**	**759,015**
Corporate and unallocated liabilities				**190,615**
Consolidated liabilities				**949,630**

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 December 2017

	Coke Trading *HK$'000*	Coal-related Ancillary *HK$'000*	Coke Production *HK$'000*	Total *HK$'000*
SEGMENT ASSETS				
Segment assets	3,223	513,293	303,608	820,124
Corporate and unallocated assets				296,410
Consolidated assets				1,116,534
SEGMENT LIABILITIES				
Segment liabilities	2,535	268,746	303,361	574,642
Corporate and unallocated liabilities				125,923
Consolidated liabilities				700,565

Other Segment Information

For the year ended 31 December 2018

	Coke Trading ***HK$'000***	**Coal-related Ancillary** ***HK$'000***	**Coke Production** ***HK$'000***	**Total** ***HK$'000***
Additions of property, plant and equipment	**–**	**10,612**	**29,644**	**40,256**
Unallocated				**7,111**
				47,367
Depreciation	**–**	**6,605**	**29,765**	**36,370**
Unallocated				**5,916**
				42,286
Unallocated interest expenses on discounted bills, other borrowings and convertible bonds				**2,200**
Provision/(reversal) of impairment loss of trade receivables, net	**–**	**3,799**	**(3,645)**	**154**
Provision/(reversal) of impairment loss on items of property, plant and equipment	**–**	**268,943**	**(367,996)**	**(99,053)**

3. OPERATING SEGMENT INFORMATION *(Continued)*

Other Segment Information

For the year ended 31 December 2017

	Coke Trading *HK$'000*	Coal-related Ancillary *HK$'000*	Coke Production *HK$'000*	Total *HK$'000*
Additions of property, plant and equipment	–	16,289	1,780	18,069
Unallocated				3,388
				21,457
Depreciation	–	39,820	188	40,008
Unallocated				6,456
				46,464
Unallocated interest expenses on discounted bills, other borrowings and convertible bonds				8,015
Provision/(reversal) of impairment loss of trade receivables, net	–	(912)	1,323	411
Reversal of impairment loss of prepayments, net	–	(1,098)	(5,901)	(6,999)
Unallocated				887
				(6,112)
Reversal of impairment loss on items of property, plant and equipment	–	–	(84,977)	(84,977)

Geographical Information

(a) Revenue from external customers

The Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, the PRC, which is the Group's principal place of business and operations during the years ended 31 December 2018 and 2017. Therefore, no analysis by geographical region is presented.

The revenue information is based on the locations of the customers.

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

(b) ***Non-Current Assets***

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**3,764**	2,563
PRC	**566,880**	494,362
	570,644	496,925

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

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Coke Production Segment:		
Customer A	**327,365**	–*
Customer B	**190,857**	–
Customer C	**184,444**	–*
Customer D	**–***	683,271
	702,666	683,271

* *This customer did not individually contribute 10% or more of the total revenue from the Group in 2018 or 2017.*

4. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the year.

An analysis of revenue and other income and gains is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Transportation service	**9,042**	7,233
Sales of electricity and heat	**71,508**	73,441
Sales of medium coal, coke and by-products	**1,397,499**	1,250,117
	1,478,049	1,330,791
Other income and gains, net		
Interest income from bank deposits, calculated using effective interest method	**22**	21
Gain on disposal of items of property, plant and equipment	**–**	658
Gain on debt restructuring	**–**	8,801
Loss arising from amendment to convertible bonds	**–**	(188)
Government grant*	**41,316**	36,085
Sundry income	**3,615**	42
	44,953	45,419

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

The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time.

The amount of revenue recognised for the year ended 31 December 2018 that was included in the contract liabilities at the beginning of the year is approximately HK$170,341,000.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest on discounted bills	**101**	2,129
Interest expenses on other borrowings	**–**	44
Interest expenses on convertible bonds	**2,099**	5,842
	2,200	8,015

6. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**1,232,228**	1,121,462
Auditor's remuneration	**1,050**	1,600
Depreciation	**42,286**	46,464
Operating lease payments in respect of leasehold interests in land and rented properties	**4,484**	4,413
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**71,957**	61,450
Pension scheme contributions *(Note i)*	**23,360**	12,549
	95,317	73,999
Write-back of inventories provision *(Note ii)*	**–**	(3,654)
Impairment loss of trade receivables, net *(Note iii)*	**154**	411
Reversal of impairment loss of prepayments, net *(Note iii)*	**–**	(6,112)
Reversal of impairment loss on property, plant and equipment	**(99,053)**	(84,977)
Gain on disposal of property, plant and equipment	**–**	(658)
Fair value changes on financial assets at FVPL/available-for-sale financial assets *(Note iii)*	**(393)**	(16)

Notes:

i. *As at 31 December 2018 and 2017, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.*

ii. *The balance is included in "Cost of sales" in the consolidated profit or loss.*

iii. *These balances are included in "Other operating income, net" in the consolidated profit or loss. The "Other operating income, net" also included reversal of accruals of HK$29,397,000 for the year ended 31 December 2018 (2017: HK$15,827,000).*

7. INCOME TAX

No provision for Hong Kong profits tax was made as there were no assessable profits arising in Hong Kong during the years ended 31 December 2018 and 2017.

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 in respect thereof while no provision for PRC profits tax was made for the year ended 31 December 2017 as the PRC subsidiary had available tax losses brought forward from prior years to offset the assessable profits.

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Overprovision in prior years	**–**	(161)
Current – PRC		
Charge for the year	**5,440**	–
Underprovision in prior years	**–**	7,122
Deferred tax	**24,511**	(12,215)
Total tax expenses/(credit) for the year	**29,951**	(5,254)

Included in deferred tax charge for the year was approximately HK$11,886,000 (equivalent to RMB10,000,000) (2017: HK$ Nil) in relation to provision for 10% withholding tax of approximately HK$5,063,000 (equivalent to RMB4,500,000) on dividend attributable to the Group of approximately HK$50,634,000 (equivalent to RMB45,000,000) out of dividend declared by 山西金岩和嘉能源有限公司 of approximately HK$56,260,000 (equivalent to RMB50,000,000).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company of HK$128,391,000 (2017: HK$117,898,000), and the weighted average number of ordinary shares of 2,608,007,725 (2017: 2,596,625,258) in issue during the year.

The calculation of diluted earnings per share amount for the years ended 31 December 2018 and 2017 is based on the profit for the year attributable to owners of the Company, adjusted to reflect the interest and loss arising from amendment to the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share for the years ended 31 December 2018 and 2017 is based on:

	2018	2017
	HK$'000	*HK$'000*
Earnings:		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**128,391**	117,898
Add: Loss arising from amendment to convertible bonds	**N/A**	188
Add: Interest expense on convertible bonds	**2,099**	5,842
Profit attributable to owners of the Company used in the diluted earnings per share calculation	**130,490**	123,928

8. EARNINGS PER SHARE *(Continued)*

	2018 *Number of shares*	2017 *Number of shares*
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,608,007,725**	2,596,625,258
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds *(Note)*	**144,256,976**	144,256,976
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,752,264,701**	2,740,882,234

Note: Share options were not considered in the effect of dilution as it had no diluting effect on the basic earnings per share for the years ended 31 December 2018 and 31 December 2017 and were ignored in the calculation of diluted earnings per share.

9. INTEREST IN AN ASSOCIATE

	2018 ***HK$'000***	2017 *HK$'000*
Unlisted shares, at cost	**101,804**	–

Details of the associate at the end of the reporting period are as follows:

Name of associate	Place of incorporation	Principal place of business	Proportion of value of indirectly registered capital held by the Company 2018	2017	Principal activities
EDB Holding Limited ("**EDB**")	Cayman Islands	The PRC	**20.5%**	–	Software service provider

Note:

The Group has the power to appoint two out of the nine directors of EDB in accordance with the Articles of Association of EDB, therefore the Group is deemed to have significant influence over EDB.

*In July 2018, an indirectly wholly-owned subsidiary of the Company (the "**Purchaser Subsidiary**") entered into sales and purchase agreement (the "**SPA**") with an independent third party (the "**Vendor**") in which the Purchaser Subsidiary agreed to buy 10% of the Enlarged Issued Shares (defined below) of EDB, a company incorporated in the Cayman Islands with principal subsidiaries engaged in provision of software services in the PRC, at consideration of approximately HK$33,756,000 (the "**SPA Consideration**") by allotment of 129,831,263 ordinary shares of the Company (the "**Consideration Shares**") to the Vendor at the issue price of HK$0.26 each (the "**Acquisition**").*

*In July 2018, the Purchaser Subsidiary entered into share subscription agreement (the "**Subscription Agreement**") with EDB, its major shareholder and the ultimate beneficiary of EDB to subscribe for 13,556,527 ordinary shares of EDB, representing 10.5% of issued shares of EDB (the "**Enlarged Issued Shares**") at consideration of RMB60,000,000 (equivalent to approximately HK$68,048,000) (the "**Subscription**"). The details of the Acquisition and Subscription were disclosed in the Company's announcement dated 20 July 2018.*

9. INTEREST IN AN ASSOCIATE *(Continued)*

Under the SPA and Subscription Agreement, the Vendor and EDB will be obliged to compensate to the Purchaser Subsidiary when the guaranteed profit of EDB and its subsidiaries ("**EDB Group**") for the year ended 31 December 2018, subject to audit of the consolidated financial statements of EDB Group prepared in accordance with HKFRSs cannot be achieved. Besides, there is protective clause in which the Purchaser Subsidiary can request the Vendor and the major shareholder of EDB together with its ultimate shareholder to repurchase partial or all the sale or subscribed shares when certain conditions occur. The Consideration Shares are pledged to the Company until all the post-acquisition obligations of the SPA and the Subscription Agreement are satisfied. Details have been set out in the Company's announcement dated 20 July 2018.

The Acquisition and the Subscription were completed on 30 November 2018 when the Consideration Shares have been issued to the Vendor and the sale shares and subscribed shares of EDB have been transferred and issued to the Purchaser Subsidiary. As the Group is deemed to have significant influence on EDB, EDB is considered as an associate of the Group.

According to HKAS 28, the Group should account for its interest in the associate, EDB, using the equity method. As EDB has not yet completed the audit of its consolidated financial statements for the year ended 31 December 2018 prepared in accordance with HKFRSs, as stipulated in the SPA and the Subscription Agreement, and it is not expected to be completed before the date of publishing the annual report of the Company, the management cannot obtain relevant audited financial information of EDB Group for accounting for the Group's interest in EDB, using the equity method, as at 31 December 2018 which is instead stated at cost of approximately HK$101,804,000.

As at 31 December 2018, the Group has settled RMB20,000,000 (equivalent to approximately HK$23,040,000) in accordance with the terms of the Subscription Agreement. The outstanding consideration of RMB40,000,000 (equivalent to other payable approximately HK$45,008,000) was recognised as other payable to an associate.

As the Group has not accounted for its interest in an associate with the equity method, no reconciliation of financial information from the gross assets and liabilities of the associate to the carrying amount of the Group's interest in an associate as at 31 December 2018 in the consolidated statement of financial position and the breakdown of the Group's share of results and other comprehensive income of associate for the year ended then ended in accordance with HKFRSs were disclosed.

10. TRADE RECEIVABLES

	2018 ***HK$'000***	2017 *HK$'000*
Trade receivables:		
– third parties	**159,262**	104,756
– related companies	**86,683**	40,462
– Non-controlling Shareholder	**170,076**	177,150
	416,021	322,368
Bill receivables	**3,938**	–
Loss allowance	**(52,876)**	(55,331)
	367,083	267,037

The carrying amounts of trade receivables approximate their fair values.

10. TRADE RECEIVABLES *(Continued)*

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

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**171,992**	25,735
3 to 4 months	**–**	1,179
Over 4 months	**195,091**	240,123
	367,083	267,037

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Other receivables due from the non-controlling Shareholder	**273,368**	156,385
Prepayments and other receivables due from related companies	**11,464**	6,419
Prepayments, deposits and other receivables due from other parties *(Note)*	**93,502**	66,515
Less: Impairment loss	**(12,526)**	(13,144)
	365,808	216,175
Less: Current portion	**(365,808)**	(214,404)
Non-current portion – prepayments	**–**	1,771

Note: The balance included prepayments to suppliers of raw materials for the coal-related ancillary and the coke production businesses which are unsecured, non-interest-bearing and are to be settled with future purchases.

The carrying amounts of deposits and other receivables approximate their fair values.

As at 31 December 2018, the Group recognised loss allowance of HK$12,526,000 (2017: HK$13,144,000) on the balances. The movement in the loss allowance for the balances during the year is summarised below. The comparative amounts represent the loss allowance for impairment losses recognised under HKAS 39.

	2018	2017
	HK$'000	*HK$'000*
At beginning of the reporting period	**13,144**	18,484
Increase in allowance	**–**	2,645
Reversal of allowance	**–**	(8,757)
Exchange realignment	**(618)**	772
At the end of the reporting period	**12,526**	13,144

12. AMOUNT DUE FROM THE NON-CONTROLLING SHAREHOLDER

	Notes	**2018** **HK$'000**	2017 HK$'000
Current			
Trade receivables from the non-controlling Shareholder	(i), (iii), (iv)	**170,076**	177,150
Other receivables from the non-controlling Shareholder	(ii), (iii), (iv)	**273,368**	156,385

Notes:

(i) *The balances are trade in nature, non-interest-bearing and have a credit term of 120 days (2017: 120 days), which are similar to those granted to major trading customers of the Group.*

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

(iii) *As at 31 December 2017, the aggregate amount due from non-controlling Shareholder of HK$333,535,000 was governed by a repayment agreement and an asset pledge agreement dated 1 March 2017 and 23 March 2017 respectively.*

On 6 March 2018, these agreements were renewed to cover these balances due from the non-controlling Shareholder plus aggregate amounts due from affiliates of the non-controlling Shareholder of HK$46,881,000 as at 31 December 2017. Pursuant to the renewed repayment agreement, a monthly repayment of RMB50,000,000 would be made by the non-controlling Shareholder from August 2018 onwards after the new plant started operation, and that the entire amount would be settled within 12 months. The pledged property, plant and equipment were valued at HK$1,369,272,000 at 31 January 2018.

(iv) *On 31 December 2018, the Group entered into a debt transfer agreement with the non-controlling Shareholder, 孝義市愛路恩濟天然氣製造有限公司 ("**Xiaoyi ILNG**") and 山西金岩能源科技有限公司 (the "**Debt Assignee**"), and the ultimate beneficiary of the non-controlling Shareholder, pursuant to which the Group, the non-controlling Shareholder and Debt Assignee agreed to assign the trade and other receivables from the non-controlling Shareholder 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**").*

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 Group which can partially or fully convert the Assigned Debt to not more than 12% of the enlarged registered capital of the Debt Assignee by subscription of new registered capital or transfer of existing registered capital held by Xiaoyi ILNG within 1 year from the date of the Debt Assignment. The Assigned Debt is secured by 12% registered capital of the Debt Assignee held by Xiaoyi ILNG and the personal guarantee from the ultimate beneficiary of the non-controlling Shareholder. If the Group exercises the Conversion Right upon or prior to the expiry of the Debt Assignment, the accrued interest for converted portion of the debt will be waived and the pledged property, plant and equipment from the Debt Assignee will be released. As at 31 December 2018, the trade and other receivables from the non-controlling Shareholder and aggregate amounts due from affiliates are approximately HK$443,444,000 and HK$91,849,000 respectively.

Further details of the Debt Assignment are set out in the Company's announcement dated 3 January 2019. The Debt Assignment is subject to the fulfilment of certain conditions including the approval from the Stock Exchange and the approval of shareholders of the Company at a special general meeting.

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

13. CASH AND BANK BALANCES

	2018	2017
	HK$'000	*HK$'000*
Cash and bank balances	**18,894**	69,655

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("**RMB**") amounted to HK$718,000 (2017: HK$200,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

The carrying amounts of cash and bank balances approximate their fair values.

14. TRADE PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables due to other parties	**231,893**	152,959
Trade payables due to related companies	**5,433**	5,229
	237,326	158,188

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

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**152,193**	50,185
3 to 4 months	**1,582**	4,218
Over 4 months	**83,551**	103,785
	237,326	158,188

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.

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

	2018	2017
	HK$'000	*HK$'000*
Other payables and accrued charges	**369,416**	278,235
Amount due from an associate *(note ii)*	**45,008**	–
Contract liabilities *(note i)*	**214,700**	199,108
Deferred income *(note iii)*	**5,063**	5,313
	634,187	482,656
Less: Current portion	**(625,982)**	(474,201)
Non-current portion	**8,205**	8,455

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

Notes:

(i) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2018
	HK$'000
At 1 January	***199,108***
Recognised as revenue	***(170,341)***
Receipt of advances	***196,698***
Exchange realignment	***(10,765)***
At 31 December	***214,700***

As at 31 December 2018, none of the contract liabilities that are expected to be settled after more than 12 months.

(ii) The amount due is unsecured, interest-free and repayable 30 working days after the completion of the Subscription Agreement.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The PRC macro-economy continued to maintain a moderate growth in 2018 with the economic sentiment remained stable and optimistic. China's coke market first showed a stagnation and then an upswing, with frequent price adjustments and broad volatility. Due to the frequent occurrence of pollution incidents from coke enterprises throughout the year, the government paid high attention to environmental protection, promulgating as well as propelling various policies such as the "Three-year Action Plan for Winning the Battle for a Blue Sky" which makes the restrictions of coke industry production for environmental protection to become regular. The capacity utilization in the coke industry kept at a low-level, which resulted a relatively intense situation in overall coke supply and drove the coke price upwards.

On the other hand, due to the consistency of pricing trend in both the upstream and downstream coke industry, the coal price continued to increase under the influence of de-capacity policy and rising coke price, and gross profit margin in coke industry became thinner and thinner accordingly. At the same time, due to the frequent promulgation of various government environmental policies throughout the year, the production environmental standard was tightened. In response to market price fluctuation and higher production costs, the management adopted measures in improving production and operating efficiency and strengthened cost control, therefore maintained similar profit of the Group for the year when compare with last year.

In addition, the management has always attached great importance to production safety and environmental protection, places huge efforts in developing as an enterprise embracing safety and treasures the environment, strictly complies with production safety and environment related laws and regulations, as well as complying with national emission standards.

FINANCIAL REVIEW

Revenue, gross profit margin, net profit, profit attributable to owners of the Company and earnings per share

Total revenue of the Group for the year was approximately HK$1,478,049,000 (2017: HK$1,330,791,000), representing an increase of approximately 11.1% as compared to the same period of last year. The Group recorded gross profit margin of approximately 16.6% for the year as compared to approximately 16.0% in 2017. Profit for the year and profit attributable to owners of the Company amounted to HK$145,981,000 and HK$128,391,000 respectively, as compared to the profit and profit attributable to owners of the Company of approximately HK$131,913,000 and HK$117,898,000 respectively for the corresponding period in 2017. Basic earnings per share for the year was 4.92 Hong Kong cents, as compared to the basic earnings per share of 4.54 Hong Kong cents in 2017.

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 that produced during the washing of raw coal (the "**Coal-related Ancillary Segment**"); and (iii) processing of refined coal into coke for sale, and sale of coke by-products that are generated during coke production (the "**Coke Production Segment**").

Coke Trading Segment

The Group is engaged in coke and coal trading business and principally operates such business through Herong Resources Limited ("**Herong**"), a wholly-owned company incorporated in Hong Kong, and a PRC subsidiary. The PRC subsidiary operating the raw coal trading recorded a turnover of approximately HK$35,884,000 in the coke trading business in 2018, whilst it recorded a turnover of approximately HK$32,130,000 in 2017, an increase of approximately 11.7%. The Group will still continue to explore the direct coke trading business opportunities in the future.

Coal-related Ancillary Segment

The coal-related ancillary segment relates to the washing process of raw coal to produce refined coal for sale and for further processing, and the sale of electricity and heat that are being generated as by-products during the washing process of raw coal.

The de-capacity policy in the coal industry largely eliminated the old, small-scale, inefficient and high carbon emissions domestic coal miners and caused a decrease supply. Thus, the Group closely monitored the market demands, and strived to improve the high-quality supply capacity. However, the overall business declined slightly due to the supervision of environmental protection issues, and led to the decrease in external sales from approximately HK$109,619,000 in 2017 to approximately HK$91,119,000 in 2018, representing a decrease of approximately 16.9%. The segment loss of approximately HK$232,904,000 in 2018 (2017: segment profit of approximately HK$33,935,000) was mainly due to the provision of impairment loss on property, plant and equipment of approximately HK$268,943,000 (2017: Nil).

Coke Production Segment

Given coke prices had sustained at a high level in 2018, the coke production segment recorded an increase in revenue from approximately HK$1,189,042,000 in 2017 to approximately HK$1,351,046,000 in 2018, representing an increase of 13.6%. With raw material prices of the Group relatively stable, the coke market and price also made segment profit in 2018, which increased from approximately HK$171,015,000 in 2017 to approximately HK$504,755,000 in 2018, including the reversal of impairment loss on property, plant and equipment of approximately HK$367,996,000 (2017: HK$84,977,000).

Selling and Distribution Costs

The selling and distribution costs of the Group were mainly from the Coke Production Segment. It decreased slightly from approximately HK$146,429,000 in 2017 to approximately HK$137,637,000 in 2018, representing a decrease of approximately 6.0%, which was due to the similar long-distance transportation costs incurred to the customers in 2018 as compared to 2017.

Administrative Expenses

The administrative expenses of the Group amounted to approximately HK$103,301,000 in 2018, representing an increase of approximately 23.3% from HK$83,804,000 in 2017. The increase in administrative expenses was mainly attributable to the increase in professional fees and staff costs for expanding potential investment business.

Finance Costs

Finance costs of the Group mainly represented interest expenses of the convertible bonds. The finance costs recorded by the Group decreased to approximately HK$2,200,000 in 2018 from approximately HK$8,015,000 in 2017, which was mainly due to the restructure in relation to the convertible bond issued in November 2016.

CHARGES OVER ASSETS

The Group had no pledged assets, including pledged deposit, as at 31 December 2018 (2017: 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 and maximize shareholders' value.

The Group manages its capital structure and makes adjustments in light of the changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Group may adjust dividend payments 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 for the year ended 31 December 2018.

The Group's principal financial instruments comprise convertible bonds and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, amounts due from non-controlling Shareholder, cash and bank balances, trade payables, and other payables and accruals, which arise directly from its operations. The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees the various policies for managing these risks and they are summarized below.

The Group uses gearing ratio to monitor its capital conditions regularly, which is being computed as net debts divided by the adjusted capital plus net debts. Net debts include trade payables, other payables, accruals and deposits received, other borrowings, convertible bonds, net of cash and bank balances. Capital include the convertible bonds issued in 2016 and equity attributable to owners of the Company. The gearing ratio as at 31 December 2018 was 64% (31 December 2017: 62%).

As at 31 December 2018, the equity attributable to owners of the Company amounted to HK$513,001,000 (31 December 2017: HK$376,868,000). The equity attributable to owners of the Company was approximately HK$0.19 per share for the year ended 31 December 2018 (31 December 2017: HK$0.15 per share).

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities and current ratio were HK$74,822,000 (31 December 2017: HK$26,541,000) and 0.92 (31 December 2017: 0.96) respectively as at 31 December 2018.

As at 31 December 2018, the Group's cash and bank balances amounted to HK$18,894,000 (31 December 2017: HK$69,655,000). The Group's total other borrowings and convertible bonds amounted to HK$18,188,000 (31 December 2017: HK$18,188,000) and HK$43,526,000 (31 December 2017: HK$41,427,000) respectively.

As of 31 December 2018 and 2017, the Group had no bills payable.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has adopted the following measures:

(a) On 13 February 2019, the Company and Rontac Resources Company Limited, the holder of the 2017 Convertible Bonds with principal amount of HK$43,277,000, entered into an agreement to extend the maturity date of the 2017 Convertible Bonds for one year to 31 August 2020 with all other terms and conditions remain unchanged. The extension is subject to approval of shareholders at a special general meeting held on 9 April 2019.

(b) The directors will consider to improve the financial position of the Group (i) enlarge the capital base of the Company by conducting fund raising exercises such as share placement or (ii) obtain bank facilities when necessary.

(c) Management has used its best endeavor to improve the Group's operating results to attain positive operating cash flows. The Group's operation has been recovering in light of continuous improved market demand for coke production in the PRC during the year. A gross profit of approximately HK$245,821,000 (2017: HK$212,983,000) was recorded for the year ended 31 December 2018. The Group continued to generate net cash inflows from its operations during the year ended 31 December 2018. The directors of the Company believe that the recovery momentum will continue and the operation will keep contributing positive cash inflows to the Group in the foreseeable future.

(d) Included in the current liabilities of the Group as at 31 December 2018 is an amount of approximately HK$214,700,000 (2017: HK$199,108,000) in relation to contract liabilities from contracts with customers within HKFRS 15, majority of which will be recognised as revenue when the performance obligation is satisfied. Taking into account the estimated costs to be incurred in generating such revenue with reference to gross profit ratio of around 16% for current year, the management considered there is no other cash outflow impact to the Group for such amount in the foreseeable future.

OPERATING LEASE AND CAPITAL COMMITMENTS

As at 31 December 2018, the Group had operating lease commitments of HK$34,123,000 (2017: HK$10,579,000).

As at 31 December 2018, the Group didn't have any authorised, contracted, but not provided for capital commitments (2017: HK$3,355,000) in respect of plant and equipment acquisitions.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by the three-tier risk management approach. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with each business or transaction. The management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the audit committee of the Company, with the professional advices and opinions from external professional consultant by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defense are effective through constant inspection and monitoring.

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. 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's fair value interest rate risk relates primarily to short term cash and bank balances. The Group is also exposed to cash flow interest rate risk through the impact of interest rate changes on deposits. To minimize the fair value interest rate risk, the Group keeps its borrowings with a fixed rate of interest. The 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 RMB, United States dollars ("**USD**") and Hong Kong dollars ("**HKD**"). 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 2018, the Group did not have any significant contingent liabilities which have not been provided for in the financial statements (2017: 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 2018, the Group had approximately 1,400 employees (December 2017: approximately 1,500 employees), with 20 staff stationing in Hong Kong and the rest are senior management and workers in Mainland China. The Group's staff costs amounted to approximately HK$95,317,000 for the year ended 31 December 2018 and approximately HK$73,999,000 was recorded in 2017.

Employees are remunerated according to job nature and market trends, with built-in merit component incorporated in annual increment and year-end performance bonus to reward and motivate individual performance. Up to the date of the announcement, there are 6,400,000 share options outstanding under the share option scheme.

PROSPECTS

Looking forward into 2019, the potency of policies such as production restriction for environmental protection may sustain. Affected by environmental protection policies, capacity utilization in the coke industry will continue to keep the operation at a low level. And at the same time, Shanxi province encourages the coke enterprises to either "Close the Small and Upgrade to the Large" and supports using advanced capacity to replace outdated capacity. The gradual release of new capacity may lead to a phased mismatch of coke supply. The continuous demands of downstream steel industry will give a strong support to coke price. At the same time, the series of policies such as industrial optimization of coke industry and ultra-low emission will significantly increase capacity elimination in the coke industry, improve industry concentration and capacity utilization, in which it will offer favorable support in cost control and profit distribution.

On the other hand, owing to the promulgation of various government environmental policies, restriction on production for environmental protection to be regular in coke industry and amid increasing regulation requirements from the PRC government towards the coke industry, the Group will face tougher challenges and pressure in its production operation. We may continue to increase our effort in environmental protection and production safety and respond to the call for "the Battle for a Blue Sky" to ensure domestic environmental and production requirements are complied with.

In order for the Group to achieve sustainable development and business growth, the management has been actively exploring investment opportunities related to its existing businesses, so as to expand our production scale, upgrade production technology and enhance environmental standard. In addition, we will commence new businesses that have competitive advantages and development potentials in other sectors, so as to improve business competitiveness and create a stable profit stream in the long-run and generates long-term investment return for Shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save and except as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2018.

Code Provision A.2.1

Code provision A.2.1 of 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 deviation is noted by the Board and the Directors consider the dual role is essential as Mr. Zhao provides the Company with strong and consistent leadership and facilitates the implementation and execution of the business strategies while the Group re-build and develop its business with his leadership in Board, and thus achieves the Company's objectives efficiently and effectively in response to the changing environment. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

Code Provision A.6.7

Code provision A.6.7 of CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meeting and develop a balanced understanding of the views of shareholders. A non-executive Director and two independent non-executive Directors were unable to attend the special general meeting of the Company held on 5 February 2018, an independent non-executive Director was unable to attend the annual general meeting of the Company held on 5 June 2018 and a non-executive Director and an independent non-executive Director were unable to attend the special general meeting of the Company held on 7 November 2018 due to other business engagements. These constitute deviations from code provision A.6.7 of the CG Code.

Code Provision D.1.4

Code provision D.1.4 of the CG Code requires that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for 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 of the Listing Rules as its own code of conduct regarding securities transaction by the Directors of the Company (the "**Model Code**").

Having made specific enquiry of the Directors of the Company, all Directors of the Company confirmed that they had complied with the required standard as set out in the Model Code during the year ended 31 December 2018.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. To Wing Tim, Paddy who also acts as Chairman of the committee, Mr. Lam Hoy Lee, Laurie and Dr. Wang Wei Hsin, and one non-executive Director, Mr. Huang Man Yem.

The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 2018.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended 31 December 2018 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Mazars CPA Limited, to the amounts set out in the Group's consolidated financial statements. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Mazars CPA Limited on this preliminary results announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the Company independent auditor's report from Mazars CPA Limited, the external auditor of the Group, on the Group's consolidated financial statements for the year ended 31 December 2018:

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Accounting for interest in an associate

The Group has not accounted for its interest in an associate, EDB Holding Limited ("**EDB**"), using the equity method in the consolidated financial statements for the year ended 31 December 2018. As explained in note 15 to the consolidated financial statements, as EDB has not yet completed the audit of its consolidated financial statements for the year ended 31 December 2018 prepared in accordance with HKFRSs, the management could not obtain reliable audited financial information of EDB and its subsidiaries to account for the Group's interest in EDB using the equity method in accordance with Hong Kong Accounting Standard ("**HKAS**") 28 *Investments in Associates and Joint Ventures*. This investment was accounted for on cost basis.

The consolidated financial statements therefore do not comply with HKAS 28 so far to account for the Group's interest in associate using the equity method. Had the Group's interest in EDB been accounted for using the equity method, certain elements in the consolidated financial statements would have to be adjusted. The effects on this non-compliance however have not been determined.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

For the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Wednesday, 5 June 2019 and a notice of annual general meeting will be published and despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of Members of the Company will be closed from 31 May 2019 (Friday) to 5 June 2019 (Wednesday), both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting of the Company to be held on 5 June 2019 (Wednesday), share transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 30 May 2019 (Thursday).

EVENTS AFTER REPORTING PERIOD

(a) In February 2019, the Group and Rontac Resources Company Limited as the holder of the Convertible Bond in the principal amount of HK$43,277,093 entered into a Conditional Extension Letter. Pursuant to Extension letter, the Maturity Date of the 2016 Convertible bond be further extended for one year to 31 August 2020.

(b) On 24 December 2018, the Group entered into the non-legally binding memorandum of understanding with 山西金岩能源科技有限公司 Shanxi Jinyan Energy Technology Company Limited ("**Energy Technology**") in respect of a possible investment in the Energy Technology through acquisition or subscription of not more than 30% of its share capital.

On 31 December 2018, the 山西金岩和嘉能源有限公司 (the "**JV Subsidiary**") has entered into the Agreement with the Energy Technology, 孝義市金岩電力煤化工有限公司 ("**Jinyan Electricity**"), 孝義市愛路恩濟天然氣製造有限公司 and 温克忠, pursuant to which the Energy Technology shall replace Jinyan Electricity to repay all outstanding indebtedness owned by Jinyan Electricity to the JV Subsidiary. The outstanding indebtedness shall be the Outstanding Sums which amount RMB402,303,023 as at 30 June 2018. Under the Agreement, the Conversion Right is granted to the JV Subsidiary. Upon full exercise of the Conversion Right, the JV Subsidiary shall be entitled to convert the indebtedness into not more than 12% of the enlarged issued share capital of the Energy Technology. The Group will seek the required shareholder approval at the special general meeting in accordance with Rule 14.76(2) of the Listing Rules for the exercise of the conversion rights of the JV Subsidiary.

On 18 March 2019, the Group entered into a framework agreement with the JV Subsidiary and the Energy Technology, pursuant to which the Group, the JV Subsidiary and/or designated company within the Group intend to gradually invest in the Energy Technology through a series of acquisition or subscription such that the Group will be interested in not less than 51% of the enlarged share capital of the Energy Technology or having significant control of the Energy Technology.

PUBLICATION OF FINAL RESULTS AND 2018 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

The annual report for the financial year 2018 will be made available on the websites of the Stock Exchange and the Company, and will be dispatched to the Shareholders selected printed copies as corporate communication.

For environmental and cost reasons, Shareholders are encouraged to elect to receive Shareholders documents electronically. You may at any time send written notice to the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong specifying your name, address and request to change your choice of language or means of receipt of all Shareholders documents from now on.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to the shareholders of the Company for their continued support and sincerely thank the Directors and staffs for their dedication and diligence. I also wish to take this opportunity to express my gratitude to the Group's customers, suppliers, bankers and convertible bonds holders for their ongoing support.

By Order of the Board
Huscoke Holdings Limited
So Chiu Fung
Executive Director

Hong Kong, 28 March 2019

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