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HUSCOKE RESOURCES HOLDINGS LIMITED

和嘉資源控股有限公司

(To be renamed as “Huscoke Holdings Limited”)

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

**MAJOR TRANSACTION:
CHANGE OF INDEBTEDNESS TO THIRD-PARTY
BY A NON-WHOLLY OWNED SUBSIDIARY
AND
DISCLOSURE PURSUANT TO RULES 13.13 AND
13.15 OF THE LISTING RULES
AND
RESUMPTION OF TRADING**

On 31 December 2018 (after trading hours), the Board was notified that the JV Subsidiary has on 31 December 2018 entered into the Agreement with Energy Technology, Jinyan Electricity, Xiaoyi ILNG and the Personal Guarantor, pursuant to which Energy Technology shall replace Jinyan Electricity to repay all outstanding indebtedness owed 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 Energy Technology. The Company will seek Shareholders’ approval necessary for the exercise of the Conversion Right by the JV Subsidiary at the SGM pursuant to Rule 14.76(2) of the Listing Rules.

As the relevant percentages exceed 25% but all below 100%, the entering into of the Agreement and the exercise of the Conversion Right constitute major transaction on the part of the Company under Chapter 14 of the Listing Rules and shall be subject to, among others, the approval of the Shareholders at the SGM.

A circular containing, among other matters, further details of the Agreement, Energy Technology and notice of the SGM, will be despatched to the Shareholders as soon as practicable on or before 8 March 2019.

Trading in the shares of the Company on the Stock Exchange has been halted with effect from 9:00 a.m. on 2 January 2019 pending the release of this announcement. Application has been made by the Company to resume the trading of its shares on the Stock Exchange with effect from 9:00 a.m. on 4 January 2019.

This announcement is made by Huscoke Resources Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) pursuant to Chapter 14 and Rules 13.13 and 13.15 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that on 31 December 2018 (after trading hours), the Board was notified that 山西金岩和嘉能源有限公司 Shanxi Jinyan Huscoke Energy Company Limited* (the “**JV Subsidiary**”) has on 31 December 2018 entered into a debt transfer with a conversion right agreement (the “**Agreement**”) with 山西金岩能源科技有限公司 Shanxi Jinyan Energy Technology Company Limited* (“**Energy Technology**”), 孝義市金岩電力煤化工有限公司 Xiaoyi Jinyan Electricity Coke Chemical Company Limited* (“**Jinyan Electricity**”), 孝義市愛路恩濟天然氣製造有限公司 Xiaoyi ILNG Natural Gas Production Company Limited* (“**Xiaoyi ILNG**”) and 溫克忠 Wen Kezhong* (the “**Personal Guarantor**”).

Relevant background

The JV Subsidiary is a company established in the People’s Republic of China (“**PRC**”) and is an indirect 90%-owned subsidiary of the Company and is principally engaged in coal-related ancillary business, coke production and coke trading business.

Energy Technology is a company established in the PRC and is principally engaged in coke production and coke trading business. It is committed to a coke project (the “**Project**”) located in Xiaoyi City, Shanxi Province of the PRC. The total production capacity of the Project is 5 million tons of coke per year. The project will be constructed in two phases: phase one includes coking furnaces with coke production capacity of 2.5 million tons/year (“**Phase 1 Project**”); and phase two includes coking furnaces with coke production capacity of 2.5 million tons/year (“**Phase 2 Project**”). Energy Technology stated that Phase 1 Project will reach full capacity in the second quarter of 2019 and will generate cash flow. A supervisor of Energy Technology is a director of the JV subsidiary.

Jinyan Electricity is 9% minority shareholder of the JV Subsidiary.

Xiaoyi ILNG is the controlling shareholder of Energy Technology and beneficially owns 96% equity interests of Energy Technology.

As at 30 June 2018, all outstanding indebtedness in relation to the current accounts of Jinyan Electricity and its related parties were amounted to the JV Subsidiary in the sums of RMB402,303,023 (the “**Outstanding Sums**”). The above current accounts receivables were mainly aroused from trading transactions of JV Subsidiary and the relevant breakdowns are set out below:

	<i>RMB</i>
Jinyan Electricity	365,826,230.00
Three subsidiaries belonged to the same group of Jinyan Electricity	35,546,078.00
Two related companies of Jinyan Electricity	<u>930,715.00</u>
 Total	 <u><u>402,303,023.00</u></u>

The JV Subsidiary, Jinyan Electricity and Energy Technology have on 6 March 2018 entered into a repayment agreement, pursuant to which Jinyan Electricity agreed to repay RMB50 million per months after Phase 1 Project having reached full production capacity. Energy Technology has provided corporate guarantee in favour of the JV Subsidiary to secure the obligations of Jinyan Electricity.

The JV Subsidiary, Energy Technology and Jinyan Electricity had on 6 March 2018 and 31 August 2018 entered into a pledge agreement and supplemental agreement respectively, pursuant to which Jinyan Electricity and Energy Technology undertake to bear and provide corporate guarantees for repayment of the sums owed by Jinyan Electricity and its related parties to the JV Subsidiary and to pledge part of the fixed assets under the Phase 1 Project as security.

In order to deal with the indebtedness relationship among the JV Subsidiary, Energy Technology and Jinyan Electricity, Energy Technology agrees to replace Jinyan Electricity to repay all Outstanding Sums and relevant interest and fees and Energy Technology and its shareholders will grant a right to the JV Subsidiary such that the JV Subsidiary shall be entitled to convert all or part of the indebtedness into new shares of Energy Technology or existing shares of Energy Technology held by Xiaoyi ILNG.

THE AGREEMENT

Date: 31 December 2018 (after trading hours)

Parties:

- (i) The JV Subsidiary
- (ii) Jinyan Electricity
- (iii) Energy Technology

(iv) Xiaoyi ILNG

(v) The Personal Guarantor

The relevant background of the parties to the Agreement has been set out in the section headed “Relevant Background” above. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, save as disclosed, each of Jinyan Electricity, Energy Technology, Xiaoyi ILNG and their respective ultimate beneficial owner(s) and the Personal Guarantor are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules.

Set out below is the major terms of the Agreement.

Major terms of the Agreement

Pursuant to the Agreement, Energy Technology shall replace Jinyan Electricity to repay all outstanding indebtedness owed by Jinyan Electricity to the JV Subsidiary. The total outstanding indebtedness shall be the Outstanding Sums and the repayment scope shall include the total indebtedness together with interest, default payments, fees such as enforcement fees and legal fees. As at 30 June 2018, the Outstanding Sums amount RMB402,303,023.

Energy Technology agrees to pay the JV Subsidiary interest in the rate of 5% per annum based on the outstanding indebtedness amount on a 360-day per year basis.

The term of the advance (the “**Term**”) shall be not more than one year from the closing date of the Agreement. The outstanding principal and interest shall be repayable on the maturity date.

Subject to the mutual consent of the JV Subsidiary and Energy Technology, Energy Technology may early repay all or part of the outstanding amounts with not less than 21 days written notice.

Taking into consideration of the business prospect of Energy Technology, the JV Subsidiary is of the view that it is in the interests of the Company and its shareholders to have Energy Technology to replace Jinyan Electricity to repay all the outstanding indebtedness owed to the JV Subsidiary and the interest rate is on normal commercial terms.

Collaterals and guarantee

Xiaoyi ILNG agrees to pledge 12% share capital of Energy Technology as security for repayment. Upon completion of registration of the pledge of the 12% share capital of Energy Technology, the JV Subsidiary shall release the pledge of Phase 1 Project assets under pledge agreement and supplemental agreement dated 6 March 2018 and 31 August 2018.

The Personal Guarantor and Xiaoyi ILNG unconditionally and irrevocably guarantee the performance of Energy Technology under the Agreement and shall fully indemnify the JV Subsidiary for any obligations, liabilities, damages, fees and costs as a result of non-performance on the part of Energy Technology under the Agreement.

Condition

The transfer of indebtedness shall be subject to the condition that the Company, the ultimate holding company of the JV Subsidiary, having complied with the relevant requirements under the Listing Rules and completed the relevant procedures.

The Agreement shall be with effect from and completed on the date of fulfilment of the condition precedent.

As the relevant percentages exceed 25% but all below 100%, the entering into of the Agreement constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and shall be subject to, among others, the approval of the shareholders of the Company (the “**Shareholders**”) at the special general meeting of the Company (the “**SGM**”) to be convened and held to approve the Agreement and the transactions contemplated thereunder.

Conversion right

The JV Subsidiary shall be entitled during the Term to convert all or part of the indebtedness into new shares of Energy Technology or existing shares of Energy Technology held by Xiaoyi ILNG and Energy Technology and Xiaoyi ILNG undertake to assist the JV Subsidiary to convert the indebtedness upon the exercise of the conversion right (the “**Conversion Right**”) by the JV Subsidiary.

The JV Subsidiary shall be entitled to subscribe for new shares to be issued by Energy Technology or to acquire the existing shares of Energy Technology held by Xiaoyi ILNG during the Term and the conversion price shall be on the entire value of Energy Technology of not more than RMB3,333 million. Unless otherwise adjusted in accordance with the terms of the Agreement, the JV Subsidiary shall be entitled to convert the indebtedness (i.e. the Outstanding Sums) into not more than 12% of the enlarged issued share capital of Energy Technology.

The exercise of the Conversion Right by the JV Subsidiary shall be subject to the following conditions:

- (1) completion of all necessary due diligence results on Energy Technology, including but not limited to all aspects of business, finance and legal due diligence and the obtaining of valuation of Energy Technology and such results are to the satisfaction of the JV Subsidiary;

- (2) the JV Subsidiary having obtained all necessary consents and approval for the transaction; and
- (3) all necessary approval, consents and permits from the Stock Exchange having been obtained.

The Company will seek Shareholders' approval necessary for the exercise of the Conversion Right by the JV Subsidiary at the SGM pursuant to Rule 14.76(2) of the Listing Rules.

Energy Technology and the Personal Guarantor unconditionally and irrevocably grant the Conversion Right to the JV Subsidiary under the Agreement and shall not refuse the exercise of the Conversion Right by the JV Subsidiary in the event that the aforesaid conditions have been fulfilled.

In the event that Energy Technology conducted any share transfer or increase in capital during the Term, the JV Subsidiary shall be entitled to adjust the conversion price based on the lowest valuation of such share transfer or capital increase.

As disclosed in the consolidated financial statements of Energy Technology, Energy Technology had not recorded any turnover for the year ended 31 December 2017 and the net loss before taxation and net loss after taxation for the financial year ended 31 December 2017 were RMB97,032 and RMB97,032 respectively. The total assets and net asset value of Energy Technology as at 31 December 2017 were RMB3,639,251,626 and RMB3,201,463,430 respectively.

REASONS FOR ENTERING INTO OF THE AGREEMENT

The Group is principally engaged in three business segments, namely: (i) trading of coke; (ii) washing of raw coal into refined coal for sale and for further processing, and the sale of electricity and heat which are generated with by-products produced during washing of raw coal; and (iii) processing of refined coal into coke for sale, and sale of coke by-products that are generated during coke production.

The Directors consider that the Agreement represents an opportunity for the JV Subsidiary to deal with the Outstanding Sums. Energy Technology stated that Phase 1 Project will reach full capacity in the second quarter of 2019 and will generate cash flow. In light of the business prospect of Energy Technology together with the collaterals, guarantee and undertakings given by Xiaoyi ILNG and the Personal Guarantor under the Agreement, the Directors consider that the interests of the Group will be secured.

In light of the business prospect of Energy Technology, the Company considers that the Conversion Right represents a potential investment opportunity for the Group and will seek Shareholders' approval for the exercise of the Conversion Right at the SGM.

The Directors consider that the Agreement is entered into upon normal commercial terms following arm's length negotiations between the JV Subsidiary and the relevant parties and that the terms and conditions of the Agreement (including the terms of the Conversion Right) are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

LISTING RULES IMPLICATION

The Agreement involves the replacement of Jinyan Electricity of the outstanding indebtedness by Energy Technology. As the relevant percentages exceed 25% but all below 100%, the entering into of the Agreement constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and shall be subject to, among others, the approval of the Shareholders at the SGM.

As the replacement of Jinyan Electricity of the outstanding indebtedness by Energy Technology as contemplated under the Agreement exceeds 8% of the Group's total asset after the closing of the agreement, the Company is under a general disclosure obligation under Rules 13.13 and 13.15 of the Listing Rules to disclose the details of such advance.

As the actual monetary value of the total consideration payable upon exercise of the Conversion Right as contemplated under the Agreement and all other relevant information will be known and disclosed to the Shareholders by way of the circular to be despatched to the Shareholders, it is reasonable and cost effective for the Company to seek Shareholders' approval necessary for the exercise of the Conversion Right at the SGM in accordance with Rule 14.76(2) of the Listing Rules.

As the relevant percentages exceed 25% but all below 100%, the entering into of the Agreement and the exercise of the Conversion Right constitute major transaction on the part of the Company under Chapter 14 of the Listing Rules and shall be subject to, among others, the approval of the Shareholders at the SGM.

To the best belief, information and knowledge of the Directors, after making reasonable enquiries, no Shareholders have a material interest in the Agreement and/or the Conversion Right and are required to abstain from voting at the SGM.

GENERAL

In light of the time for preparation of all necessary information to be included in the circular, the circular containing, among other matters, further details of the Agreement, Energy Technology and the SGM will be despatched to the Shareholders as soon as practicable on or before 8 March 2019.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been halted with effect from 9:00 a.m. on 2 January 2019 pending the release of this announcement. Application has been made by the Company to resume the trading of its shares on the Stock Exchange with effect from 9:00 a.m. on 4 January 2019.

By the order of the Board of
Huscoke Resources Holdings Limited
Zhao Xu Guang
Chairman and Executive Director

Hong Kong, 3 January 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, Patrick 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.