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## **HUSCOKE RESOURCES HOLDINGS LIMITED**

**和嘉資源控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 704)**

### **ISSUE OF CONVERTIBLE BONDS**

#### **THE CB ISSUE**

On 13 April 2016, the Company entered into the CB Subscription Agreement with Kailuan and pursuant to which, the Company (as the issuer) has conditionally agreed to issue and Kailuan (as the subscriber) has conditionally agreed to subscribe for CB, the principal amount of which will be equivalent to the amount of the Compensations and Interests of approximately HK\$43.3 million accrued up to 31 December 2015.

The Conversion Shares upon conversion of the CB will be allotted and issued under the General Mandate.

The net proceeds from the CB Issue will be used to settle the full amount of the Compensations and Interests Board in the amount of HK\$43,277,093.08 (as at 31 December 2015).

Pursuant to Rule 4 of the Takeovers Code, the CB Issue may involve the issue of Shares and/or convertible securities which may constitute a frustrating action and which may be subject to the Shareholders' approval in general meeting.

The Company has obtained a duly signed written consent by the Subscriber for (i) the arrangement for the settlement of the Compensations and Interests by way of the CB Issue; and (ii) the waiver of the requirement of a Shareholders' meeting to obtain the Shareholders' approval in respect of the CB Issue.

In light of the above, the Company has applied to the Executive and the Executive has granted the waiver from the general requirement to obtain Shareholders' approval in respect of the CB Issue.

## WARNING

**The completion of CB Issue is subject to the fulfilment of a number of conditions precedent set out under the section headed “Conditions precedent” in this announcement, including the Subscription Completion which is subject to, among others, (i) the obtaining of the approval by the Shareholders or Independent Shareholders (as the case may be) at the SGM; (ii) the granting of the Whitewash Waiver by the Executive; and (iii) the Capital Reorganisation becoming effective. Accordingly, the Subscription and the CB Issue may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

References are made to, inter alia, the announcements issued by Huscoke Resources Holdings Limited (the “**Company**”) (i) dated 23 May 2013, 27 March 2014, 10 September 2014, 30 October 2014, 24 November 2014, 29 December 2014, 23 January 2015, 12 February 2015, 18 March 2015, 26 March 2015 and 29 May 2015 and 29 July 2015 (the “**Previous Announcements**”) in relation to, among others, the annual coke sale and purchase agreement (the “**Annual Coke S&P Agreement**”) dated 22 May 2013 entered into among the Company, Kailuan (Hong Kong) International Co. Ltd. (“**Kailuan**”) and Mr. Wu Jixian (“**Mr. Wu**”), a former non-executive director of the Company; and (ii) dated 15 December 2015 (the “**Subscription Announcement**”) in relation to, among others, the subscription agreement dated 27 November 2015 (and as supplemented by a supplemental agreement dated 15 December 2015) entered into between the Company and Shun Wang Investments Limited (the “**Subscriber**”) in respect of the subscription (the “**Subscription**”) of the new shares of the Company (the “**Shares**”) and the application for whitewash waiver by the Subscriber.

Capitalised terms used herein shall have the same meanings as those defined in the Subscription Announcement unless stated otherwise.

Pursuant to the Annual Coke S&P Agreement, Kailuan placed a deposit in the amount of HK\$220.0 million (the “**Deposit**”) to the Company which was secured by, among others, a pledge of an aggregate of 1,157,000,000 Shares (as to 657,000,000 Shares owned by Mr. Wu and as to 500,000,000 Shares held by certain other Shareholders). As at the date of this announcement, the Group is in default of repayment of the unpaid balance of the Deposit under the Annual Coke S&P Agreement in the amount of HK\$120.0 million (the “**Remaining Deposit**”) (and the accrued compensations and interests and default liquidated damages (the “**Compensations and Interests**”) in the amount of approximately HK\$43.3 million as at 31 December 2015) (collectively, the “**Kailuan Loan**”) arising from the entering into of the Annual Coke S&P Agreement.

In connection with the above matters, on 13 April 2016, the Company entered into a subscription agreement (the “**CB Subscription Agreement**”) with Kailuan and pursuant to which, the Company (as the issuer) has conditionally agreed to issue and Kailuan (as the subscriber) has conditionally agreed to subscribe for the convertible bonds of the Company (the “**CB**”), the principal amount of which will be equivalent to the amount of the Compensations and Interests of HK\$43,277,093.08

accrued up to 31 December 2015 (the “**CB Subscription**”). The CB will have the right to convert into 721,284,884 new Shares (the “**Conversion Shares**”) of HK\$0.1 each (assuming that the Capital Reorganisation (in respect of the Subscription) not having become effective). Pursuant to the CB Subscription Agreement, subject to the completion of the CB Issue, the amount of Compensations and Interests accrued from 1 January 2016 and thereafter will also be waived. Detailed terms of the CB are set out in the section headed “Principal Terms of the CB” in this announcement.

Furthermore, the Remaining Deposit will be fully settled from the proceeds of the Subscription.

## **THE CB SUBSCRIPTION AGREEMENT**

<b>Date</b>	13 April 2016 (after trading hours)
<b>Parties</b>	(1) The Company (as the issuer); and  (2) Kailuan (as the subscriber).

Kailuan is a company incorporated in March 2010 with limited liability, and, as at the date of this announcement, the holder of security interest in approximately 25.55% of the issued Shares with no voting rights as part of the security for the Deposit placed pursuant to the Annual Coke S&P Agreement.

### **Principal terms of the CB**

Issuer	: the Company
Principal amount	: principal amount of HK\$43,277,093.08
Coupon rate	: 2.5% per annum on the outstanding principal amount of the CB
Term	: the first anniversary of the date of issue of the CB (which may be extended for one (1) year subject to agreement between the Company and the holder of the CB in writing) (the “ <b>Maturity Date</b> ”)
Conversion Price (the “ <b>Conversion Price</b> ”)	: the initial Conversion Price of HK\$0.06 per Conversion Share, subject to adjustments in the event set out and in accordance with the terms and conditions of the CB
Adjustment Events	: the Conversion Price shall from time to time be adjusted upon the consolidation or sub-division of Shares only

- Conversion Period : the period commencing from the seventh Business Day immediately prior to and exclusive of the Maturity Date up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the Maturity Date of the CB (the “**Conversion Period**”)
- Conversion rights : the holder of the CB will have the right to (i) at any time during the Conversion Period to convert up to 50% of the principal amount of the CB registered in its name into Conversion Shares (which shall be credited as fully paid up) exercisable at its sole and absolute discretion; and (ii) convert up to the 50% balance of the principal amount of the CB registered in its name into Conversion Shares (which shall be credited as fully paid up) at any time during the Conversion Period subject to the consent of the Company
- Conversion restrictions : the holder of the CB may exercise the rights attached to the CB to convert into Conversion Shares only if such conversion will not (i) trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the CB and parties acting in concert with it and/or (ii) cause the Company to be unable to meet the minimum public float requirement under Rule 8.08 of the Listing Rules
- Ranking : the Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue
- Transferability : the CB shall be freely transferable by the Subscriber in whole or in part (in multiples of HK\$1,000,000 (or such lesser amount as may represent the entire principal amount thereof) of the outstanding principal amount of the CB to any party with the prior written notification to the Company provided that any transfer of the Bond to connected persons of the Company shall be subject to compliance with the applicable Listing Rules
- Voting : the CB shall not carry any voting rights
- Listing : no application will be made by the Company for the listing of the CB on the Stock Exchange; and application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares
- Mandate : the Conversion Shares upon conversion of the CB will be allotted and issued under the general mandate (the “**General Mandate**”) granted at the annual general meeting of the Company held on 30 June 2015

## Conditions precedent

Completion of the CB Issue is conditional upon:

- (i) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Conversion Shares;
- (ii) the Company having obtained all the required consents and approvals in respect of the CB Subscription Agreement and the transactions contemplated thereunder;
- (iii) the Subscriber having obtained all the required consents and approvals in respect of the CB Subscription Agreement and the transactions contemplated thereunder;
- (iv) the Executive having granted the waiver and such approval not having been revoked or withdrawn as at the completion date of the CB Issue, and for any conditions imposed thereon (if applicable) being satisfied in full;
- (v) resolutions being passed by the Shareholders (as appropriate) in SGM (other than those who are required to abstain from voting or to vote in favour of the relevant resolutions) as required by the bye-laws of the Company, the Listing Rules, the Takeovers Code and the relevant applicable laws in respect of, among other things, to approve the CB Subscription Agreement and the transactions contemplated thereunder, if applicable; and
- (vi) completion of the transactions contemplated under the Subscription Agreement including but not limited to, the Capital Reorganisation becoming effective and the repayment of the unpaid balance of the Deposit under the Annual Coke S&P Agreement

If the above conditions precedent are not fulfilled on or before 4:00 p.m. on 31 May 2016 (the “**CB Long Stop Date**”), the CB Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

Pursuant to Rule 4 of the Takeovers Code, the CB Issue may involve the issue of Shares and/or convertible securities which may constitute a frustrating action and which may be subject to the Shareholders’ approval in general meeting. Rule 4 of the Takeovers Code stipulates that once a bona fide offer has been communicated to the Board or the Board has reason to believe that a bona fide offer may be imminent, no action which could effectively result in an offer being frustrated, or in the Shareholders being denied an opportunity to decide on the merits of an offer, shall be taken by the Board in relation to the affairs of the Company without the approval of the Shareholders in general meeting and in particular, the Board must not, without such approval, among others, issue or agree to issue any Shares and/or create, issue or grant, or permit the creation, issue or grant of, any convertible securities, options or warrants in respect of the Shares.

The Company has also obtained a duly signed written consent by the Subscriber for (i) the arrangement for the settlement of the Compensations and Interests by way of the CB Issue; and (ii) the waiver of the requirement of a Shareholders' meeting to obtain the Shareholders' approval in respect of the CB Issue.

In light of the above, the Company has applied to the Executive and the Executive has granted the waiver from the general requirement to obtain Shareholders' approval in respect of the CB Issue.

### **Completion of CB Issue**

Completion of CB Issue shall take place on the third Business Day following the fulfillment of all conditions precedent set out above, or such other date as the Company and Kailuan may agree in writing.

### **Conversion Price**

The Conversion Price of HK\$0.06 represents:

- (i) the equivalent to the closing price of HK\$0.06 per Share as quoted on the Stock Exchange on the date of this announcement; and
- (ii) a premium of approximately 7.14% over the average of the closing prices of the Share as quoted on the Stock Exchange over the last 5 trading days up to and including the date of this announcement of approximately HK\$0.056 per Share;

### **Conversion Shares**

As at the date of this announcement, the Company has 4,528,126,292 Shares in issue. Based on the initial Conversion Price of HK\$0.06 per Conversion Share, a total of 721,284,884 Conversion Shares (representing (i) approximately 15.93% of the existing issued share capital of the Company; and (ii) approximately 13.74% of the issued share capital of the Company as enlarged by the allotment and issuance of the Conversion Shares) will be issued upon full conversion of the CB. The aggregate nominal value of the Conversion Shares shall be HK\$72,128,488.4.

The Conversion Shares upon conversion of the CB will be allotted and issued under the General Mandate.

Pursuant to the terms and conditions of the CB, the Conversion Price shall only be adjusted upon the consolidation or sub-division of Shares, which are corporate exercises controllable by the Company. The Company will comply with the relevant Listing Rules in connection with the CB Issue.

## SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are (i) the shareholding structure of the Company as at the date of this announcement; and (ii) upon Subscription Completion (including all the underlying transactions) and immediately after full conversion of the CB:

Shareholders	As at the date of this announcement		Upon Subscription Completion (including the underlying transactions) and immediately after full conversion of the CB (Note 1)	
	No. of Shares	Approx. %	No. of Shares	Approx. %
The Subscriber	—	—	1,400,000,000	57.15
Mr. Wu (Note 2)	657,000,000	14.51	131,400,000	5.36
Kailuan (Note 3)	—	—	144,256,976	5.89
<i>Directors</i>				
Gao Jianguo (Note 4)	250,062,000	0.55	5,012,400	0.20
To Wing Tim Paddy (Note 5)	1,160,000	0.03	232,000	0.01
Public Shareholders	3,844,904,292	84.91	768,980,858	31.39
<b>Total</b>	<b>4,528,126,292</b>	<b>100.00</b>	<b>2,449,882,234</b>	<b>100.00</b>

### Notes:

- Completion of CB Issue is subject to, among others, the Subscription Completion and the underlying transactions including but not limited to, Capital Reorganisation
- Mr. Wu beneficially owned 657,000,000 Shares and was interested in Convertible Bonds in the aggregate principal amount of HK\$582 million, which were convertible into 1,455,000,000 Shares. References are made to the announcements of the Company dated 5 November 2015 and 3 February 2016, Mr. Wu signed a placing agreement with a Hong Kong licensed (Type 1) placing agent and agreed the placing agent to procure on a best effort basis to sell all the Convertible Bonds until the end of placing period on 20 April 2016.
- Forthwith upon the Capital Reorganisation having become effective, the 722,950,383 Conversion Shares will be consolidated into 144,590,077 Consolidated Shares.
- Gao Jianguo, an executive Director, beneficially owned 25,062,000 Shares and was granted Options entitling to subscribe for a maximum of 25,000,000 Shares upon exercise of the Options in full.
- Among the 1,160,000 Shares held by To Wing Tim, Paddy, an independent non-executive Director, 300,000 Shares were held by him as beneficial owner and 860,000 Shares were held by his spouse, Leung Yuet Mel.

## **REASONS FOR THE CB ISSUE AND USE OF PROCEEDS**

The net proceeds from the CB Issue will be used to settle the full amount of the Compensations and Interests Board in the amount of approximately HK\$43.3 million (as at 31 December 2015). The Board is of the view that it is advantageous due to the following reasons:

- (i) pursuant to the Annual Coke S&P Agreement, the interest rate of the Kailuan Loan is 13% per annum on the Remaining Deposit of HK\$120.0 million, whereas the coupon rate of the CB is 2.5% per annum on the Compensations and Interests of approximately HK\$43.3 million up to 31 December 2015;
- (ii) as Kailuan has agreed to waive all the interest accrued from 1 January 2016, the Company can save the interest expenses accrued from 1 January 2016 and thereafter;
- (iii) as compared to the settlement of the Compensations and Interests by way of cash, the CB Issue will not adversely affect the cash position of the Group in the short to medium term; and
- (iv) the conversion restrictions attached to the CB will restrict the holder of the CB from exercising its conversion right which will result in any implications under Rule 26 of the Takeovers Code and/or Rule 8 of the Listing Rules.

Based on the above, the Board considers that the CB Issue are fair and reasonable and in the interests of the Shareholders as a whole.

## **EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS**

Save for the Subscription as announced by the Company on 15 December 2015, the Company did not raise any funds from other equity fund-raising activities in the preceding twelve months immediately before the date of this announcement.



## WARNING

The completion of CB Issue is subject to the fulfilment of a number of conditions precedent set out under the section headed “Conditions precedent” in this announcement, including the Subscription Completion which is subject to, among others, (i) the obtaining of the approval by the Shareholders or Independent Shareholders (as the case may be) at the SGM; (ii) the granting of the Whitewash Waiver by the Executive; and (iii) the Capital Reorganisation becoming effective. Accordingly, the Subscription and the CB Issue may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

By order of the Board  
**Huscoke Resources Holdings Limited**  
**Li Baoqi**  
*Executive Director*

Hong Kong, 13 April 2016

*As at the date of this announcement, the executive Directors of the Company are Mr. Gao Jianguo and Mr. Li Baoqi, the independent non-executive Directors of the Company are Mr. Lam Hoy Lee, Laurie, Mr. Lau Ka Ho and Mr. To Wing Tim, Paddy.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*

*As at the date of this announcement, Mr. Zhao Xu Guang is the sole director of the Subscriber.*

*The Subscriber accepts full responsibility for the accuracy of the information (other than that relating to the Group) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of its knowledge, opinions expressed in this announcement (other than those expressed by the Group) have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*

*In the case of any inconsistency, the English text of this announcement shall prevail over its Chinese text.*