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HUSCOKE HOLDINGS LIMITED

和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

**ENTERING INTO OF NON-LEGALLY BINDING
FRAMEWORK AGREEMENT IN RELATION TO
THE ACQUISITION OF INTEREST IN THE TARGET COMPANY**

This announcement is made by Huscoke Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 25 June 2018, 24 December 2018 and 3 January 2019 (the “**Announcements**”) in relation to, among others, the entering of the Letter of Intent, the entering of the MOU with the Target Company and entering into of the Agreement. Capitalised terms used herein shall have the same meanings as defined in the Announcements unless the context requires otherwise.

As disclosed in the announcement of the Company dated 25 June 2018, on 25 June 2018, the Group and the Target Company and Fine Chemical entered into the Letter of Intent whereby the Company may invest directly or via a fund structure to the Project Companies through acquisition or subscription of a portion of their share capital.

As disclosed in the announcement of the Company dated 24 December 2018, on 24 December 2018, the Company entered into the MOU with the Target Company in respect of a possible investment in the Target Company through acquisition or subscription of not more than 30% of its share capital.

As disclosed in the announcement of the Company dated 3 January 2019, the JV Subsidiary has on 31 December 2018 entered into the Agreement with the Target Company, Jinyan Electricity, Xiaoyi ILNG and the Personal Guarantor, pursuant to which the Target Company

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 Target Company.

The Board is pleased to announce that on 18 March 2019, the Company entered into a framework agreement (the “**Framework Agreement**”) with the JV Subsidiary and the Target Company, pursuant to which the Company, the JV Subsidiary and/or designated company within the Group intend to gradually invest in the Target Company through a series of acquisition or subscription such that the Company will be interested in not less than 51% of the enlarged share capital of the Target Company or having significant control of the Target Company.

THE FRAMEWORK AGREEMENT

Date: 18 March 2019 (after trading hours)

Parties:

- (i) The Company
- (ii) The JV Subsidiary
- (iii) Target Company

The JV Subsidiary is a company established in the 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.

The Target Company 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 coke production capacity of the Project is over 5 million tons per year. The Project will be constructed in two phases: phase one includes coking furnaces with coke production capacity of 2.54 million tons per year (“**Phase 1 Project**”); and phase two includes coking furnaces with coke production capacity of 2.53 million tons per year (“**Phase 2 Project**”). The Target Company stated that Phase 1 Project will reach full capacity in the second quarter of 2019 and will generate cash flow. A supervisor of the Target Company is a director of the JV Subsidiary.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, save as disclosed in the Announcements, the Target Company and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules.

Major terms of the Framework Agreement

Pursuant to the Framework Agreement, the Company, the JV Subsidiary and/or designated company within the Group intend to gradually invest in the Target Company through a series of acquisition or subscription such that the Company will be interested in not less than 51% of its enlarged share capital of the Target Company or having significant control of the Target Company and the Target Company intends to procure its shareholder(s) to sell its issued share capital or to issue new shares pursuant to its articles of association. All parties agreed that the valuation of the Target Company is approximately RMB3.333 billion, of which shall be subject to adjustment, with reference to the audited net asset value of the Target Company and/or valuation from an independent valuer, whichever is lower.

Subject to the entering into of the relevant formal agreements, the investments shall be conducted in the following manners:

1. Cash subscription

The Company and/or the designated company within the Group intend to invest not more than RMB 500 million to the Target Company in cash, to subscribe for not more than 16% of the enlarged issued share capital of the Target Company,

2. Exercise of the Conversion Right

Upon the approval of the Shareholders at the SGM of the Company on the Agreement, the JV Subsidiary intends to convert all or part of the Outstanding Sums into not more than 12% of the enlarged issued share capital of the Target Company,

3. Asset swap

The JV Subsidiary intends to transfer all or part of the coking facility and other assets with production capacity of 600,000 tons coke per year to the Target Company for subscription of shareholdings in the Target Company. The actual value of asset swap will be determined by the valuation from independent valuer,

4. Further acquisition(s) and/or subscription(s)

The consideration shall be satisfied by way of cash and/or consideration shares and/or convertible bond to be issued by the Company for acquisition and/or subscription of shareholdings in the Target Company. For the avoidance of doubt, the issuance and allotment of new consideration shares by the Company under such further acquisition(s) and/or subscription(s) will comply with the relevant requirements of the Listing Rules and will not cause a change of the control of the Company.

Upon completion of the investments by the Group, the Company, the JV Subsidiary and/or the designated company within the Group shall hold not less than 51% of enlarged share capital and/or having significant control of the Target Company.

Conditions precedent

The possible acquisitions as contemplated under the Framework Agreement will be subject to the following conditions and the condition precedent of the relevant formal agreement(s):

- (1) The Company being satisfied with all necessary due diligence results on the Target Company, including but not limited to all aspects of business, finance and legal due diligence;
- (2) The Company having obtained all necessary consents, approvals and permits, including regulatory authorities in respect of the possible transactions;
- (3) The Company being satisfied with the structure of investments and transactions contemplated under the Framework Agreement;
- (4) Completion of valuation on the Target Company by a valuer approved by the Company to its satisfaction; and
- (5) The Company having obtained the required financing for the possible transactions.

Estimate timeframe for the possible acquisition

All parties agree the entering into of relevant formal agreement(s) within the following dates (or such later date as the parties thereto may agree in writing):

Possible transactions	Date
Cash subscription	Not later than 30 days from the date of the Framework Agreement
Exercise of the Conversion Right	Not later than 1 year of the closing date of the Agreement
Asset Swap	Not later than 2 years from the date of the Framework Agreement
Further acquisition(s) and/or subscription(s)	Not later than 2 years from the date of the Framework Agreement

Business Integration

The JV Subsidiary and the Target Company agreed to gradually integrate the existing coke production business of the Company of 600,000 tons coke per year with coke production business of the Project of 5 million tons coke per year coking project in due course, including but not limited to:

- (i) The JV Subsidiary and the Target Company agreed to strengthen the cooperation in coke production and sales, and develop marketing and sales network jointly;

- (ii) The JV Subsidiary agreed to provide its own coke oven capacity for the Phase 2 Project establishment support, of which the Phase 2 Project will be completed on or before the end of 2020;
- (iii) The Target Company agreed the normal operations of coke production in the JV Subsidiary until the establishment of the Phase 2 Project, and agreed to assist the transition from its coke production to the Phase 2 Project production; and
- (iv) The Target Company agreed to provide the necessary support to the JV Subsidiary for its existing coke production upgrading, environmental standard improvements and coke production technology enhancement.

For the avoidance of doubt, save and except for confidentiality, contract documents, governing laws, and third party rights, the Framework Agreement is a non-legally binding agreement setting out the general principles of the possible transactions between the parties. Detailed terms and conditions of the transactions contemplated under the Framework Agreement will be subject to the entering into of the formal agreement(s) between the parties.

Reasons for and benefits of the entering into the Framework Agreement

The JV Subsidiary is principally engaged in coke production business with a production capacity of 600,000 tons coke per year whereas the Target Company is committed to a coke production project with capacity of over 5 million tons coke per year. The Board considers that the possible acquisitions could integrate both coke production businesses of the JV Subsidiary and the Target Company to provide synergies and upgrade the existing coke production business of the JV Subsidiary. Overall, it could provide an opportunity to expand production scale, production technology enhancement, improvements of the environmental standard and operational efficiency of the JV Subsidiary so as to strengthen profitability and maintain sustainable development of the Group.

LISTING RULES IMPLICATION

The possible transactions as contemplated under the Framework Agreement, if materialised, may constitute notifiable transactions for the Company under Chapter 14 of the Listing Rules. The Company will make further announcement as and when appropriate and comply with all applicable requirements under the Listing Rules.

The Board wishes to emphasize that the Framework Agreement does not constitute legally binding commitment in respect of the possible transactions contemplated thereunder and save and except for the Agreement, no formal agreement has been entered into between the parties and the possible transactions contemplated thereunder may or may not be proceeded. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.

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

Hong Kong, 18 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, 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.