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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
NEW FRAMEWORK AGREEMENT IN RELATION TO
THE ACQUISITION OF INTEREST IN THE TARGET COMPANY**

Reference are made to the announcements of the Company dated 25 June 2018, 24 December 2018, 3 January 2019 and 18 March 2019 (the “**Announcements**”) in relation to, among others, the entering of the Letter of Intent, the entering of the MOU with the Target Company, the entering into of the Agreement and the entering into of the Framework 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.

As disclosed in the announcement of the Company dated 18 March 2019, the Company entered into 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 Board is pleased to announce that after trading hour, on 5 November 2019, the Company entered into a framework agreement (the “**New Framework Agreement**”) with the JV Subsidiary, Jinyan Electricity, Xiaoyi Jianeng Coal Chemical Technology Development Company Limited* (孝義市嘉能煤化科技開發有限公司) (“**Jianeng Coal**”), the Target Company, Xiaoyi ILNG, Mr. Yang Linhai* (楊林海) and Mr. Wu Tangjun* (武堂俊), pursuant to which the Company and/or designated company within the Group intend to acquire and to subscribe for the share capital of the Target Company such that the Company will be interested in a controlling shareholding stake of more than 50% of the enlarged share capital of the Target Company.

THE NEW FRAMEWORK AGREEMENT

Date: 5 November 2019 (after trading hour)

Parties:

- (i) The Company
- (ii) The JV Subsidiary
- (iii) Jinyan Electricity
- (iv) Jianeng Coal
- (v) Target Company
- (vi) Xiaoyi ILNG
- (vii) Mr. Yang Linhai*
- (viii) Mr. Wu Tangjun*

The Information of the Parties

The JV Subsidiary is a company established in the PRC with limited liability 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.

Jinyan Electricity is a company established in the PRC with limited liability and is a minority shareholder which beneficially owns 9% of equity interests of the JV Subsidiary.

Jianeng Coal is a company established in the PRC with limited liability and is a minority shareholder which beneficially owns 1% of equity interests of the JV Subsidiary.

The Target Company is a company established in the PRC with limited liability 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**”). A supervisor of the Target Company is a director of the JV Subsidiary.

Xiaoyi ILNG is the controlling shareholder of the Target Company and beneficially owns 96% equity interests of the Target Company.

Mr. Yang Linhai* is a minority shareholder of the Target Company and beneficially owns 2% equity interests of the Target Company.

Mr. Wu Tangjun* is a minority shareholder of the Target Company and beneficially owns 1.8% equity interests of the Target Company.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, save as disclosed in the Announcements, each of Jinyan Electricity, Jianeng Coal, the Target Company, Xiaoyi ILNG and their respective ultimate beneficial owner(s) and Mr. Yang Linhai* and Mr. Wu Tangjun* are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules.

Major business terms of the New Framework Agreement

Pursuant to the New Framework Agreement, the Company and/or designated company within the Group intend to acquire and to subscribe for the share capital of the Target Company such that the Company and/or designated company will be interested in a controlling shareholding of more than 50% of its enlarged share capital of the Target Company.

Pursuant to the New Framework Agreement, the parties shall negotiate and enter into formal agreement(s) pursuant to the major business terms, as set out under the New Framework Agreement. Subject to the entering into of the relevant formal agreement(s), the major business terms are as follows (among others):

1. Equity Merger

- (a) The Target Company intends to issue shares capital to acquire 90% of the entire issued share capital of the JV Subsidiary held by the Company. Upon completion, the JV Subsidiary will become a subsidiary of the Target Company;
- (b) Jinyan Electricity, the Target Company and the JV Subsidiary intend to update the Outstanding Sums of the debt transfer with a conversion right agreement dated 31 December 2018 from RMB402,303,023 as at 30 June 2018 to RMB448,087,108 (inclusive of interest) as at 30 June 2019 and the JV Subsidiary shall be entitled with a conversion right to convert the indebtedness into not less than 12% of the enlarged issued share capital of the Target Company. The final conversion percentage will be subject to the valuation of the Target Company;
- (c) The Target Company intends to assess the market value of 600,000 tons per year coke production capacity and operating assets of the JV Subsidiary as reference for the equity consideration of the JV Subsidiary;
- (d) The parties agree to determine equity consideration of the JV Subsidiary and Target Company with reference to audited net assets of the parties (which prepared under Hong Kong Generally Accepted Accounting), assessed market price and negotiated price of the aforesaid assets; and
- (e) The parties agree the Company to acquire the controlling shares of the Target Company upon completion of the equity merge.

2. Cash subscription

The Company intends to invest not more than RMB 1 billion to the Target Company in cash, to subscribe the new issued share capital of the Target Company.

3. Issuance of convertible bond or consideration shares

The Company intends to issue consideration shares or convertible bond for acquisition of shareholdings owned by Xiaoyi ILNG in the Target Company.

Xiaoyi ILNG has to designate an entity to be approved by the Company which can lawfully hold the convertible bond or conversion shares of the convertible bond or consideration shares to be issued by the Company in accordance with PRC law and regulations.

For the avoidance of doubt, the issuance and allotment of new consideration shares by the Company shall not exceed 19.9% of the enlarged share capital of the Company and there will be no change in the Controlling Shareholder of the Company.

4. Operation management

- (a) the Target Company will become a sino-foreign equity joint venture in accordance with the relevant laws and regulations of the PRC; and
- (b) the Target Company and Xiaoyi ILNG intend to make profit guarantees in favour of the Company. Details of the profit guarantee will be further negotiated by the parties.

Upon completion of the transactions, the Company and/or the designated company within the Group shall hold a controlling shareholding of more than 50% of enlarged share capital of the Target Company. The Target Company shall then become a subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statement.

Pursuant to the New Framework Agreement, the Framework Agreement dated 18 March 2019 entered into between the Company, the JV Subsidiary and the Target Company as disclosed in the announcement of the Company dated 18 March 2019 will be superseded and terminated. In the event of any inconsistency between the New Framework Agreement and the Framework Agreement, the New Framework Agreement shall prevail.

Due Diligence and Valuation

The Group and the Target Company shall appoint third-party professional institutions (including but not limited to legal counsel, financial adviser, auditor and/or valuer) to conduct due diligence on the business operation, assets and liabilities and financial status of the Target Company and the JV subsidiary respectively, and conduct valuation of the Target Company and the JV Subsidiary respectively. The Target Company and the JV Subsidiaries should provide all necessary assistance and information to complete the relevant due diligence and valuation.

Conditions precedent

The parties will enter into formal agreement(s) subject to the following conditions precedent :

- (1) The Company being satisfied with all necessary due diligence results on the Target Company and the Target Company being satisfied with all necessary due diligence results on the JV Subsidiary;
- (2) The Company having complied with the provisions and requirements under the Listing Rules ;
- (3) The Target Company having obtained all necessary consents, approvals and permits from all its creditors to the transaction;

- (4) The parties being satisfied with the feasible structure of transactions contemplated under the New Framework Agreement;
- (5) Completion of valuation on the Target Company and the JV Subsidiary by a recognized valuer(s); and
- (6) The Company having completed all necessary financing activities for the transactions.

Reasons for and benefits of the entering into the New 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 merger between the JV Subsidiary and the Target Company and acquisition of the Target Company by the Group could provide synergies and enlarge the existing coke production business of the Company. Overall, it could provide an opportunity to expand production scale, production technology enhancement, improvements of the environmental standard of the Company so as to strengthen profitability and maintain sustainable development of the Group.

LISTING RULES IMPLICATION

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

The Board wishes to emphasize that the possible transactions as contemplated under the New Framework Agreement subject to, among others, the conditions precedent being fulfilled and formal agreement(s) being entered into. No formal agreement has been entered into between the parties in respect of the New Framework Agreement 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
Husoke Holdings Limited
So Chiu Fung
Executive Director

Hong Kong, 5 November 2019

As at the date of this announcement, the Board comprises Mr. Zhao Xu Guang (Chairman), Mr. Li Qinghua, Mr. So Chiu Fung and Mr. Wang Yijun 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.

** For identification purposes only*