

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **HUSCOKE HOLDINGS LIMITED**

### **和嘉控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 704)**

**(I) VERY SUBSTANTIAL TRANSACTION  
IN RELATION TO ENTERING INTO OF THE AGREEMENT;  
AND  
(II) CONTINUED SUSPENSION OF TRADING**

**Financial Adviser to the Company**

**VEDA | CAPITAL**  
**智 略 資 本**

#### **THE AGREEMENT**

The Board is pleased to announce that on 15 March 2022, after trading hour, the Company, GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG have entered into the Agreement, pursuant to which, among other matters, to supplement the terms of the Cooperation Agreement with the inclusion of remedy and compensation actions as a result of the Incident.

**Shareholders and potential investors of the Company should note that the transactions contemplated under the Cooperation Agreement and the Agreement are subject to conditions which may or may not proceed.**

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, as certain applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Cooperation Agreement and the Agreement are more than 100%, such transactions constitute a very substantial transaction of the Company under Chapter 14 of the Listing Rules and therefore are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The above resolution will be required to be voted by way of poll at the SGM.

## **SGM**

The SGM will be convened to consider and, if thought fit, among other things, approve the transactions contemplated under the Cooperation Agreement and the Agreement. A circular containing, among other things, (i) further details of the transactions contemplated under the Cooperation Agreement and the Agreement; (ii) the notice of the SGM; and (iii) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 30 June 2022, so as to allow sufficient time for the Company to prepare all the required information for inclusion in the circular.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholders have a material interest in the transactions contemplated under the Cooperation Agreement and the Agreement, and no Shareholders would have to abstain from voting at the SGM in respect of the transactions contemplated under the Cooperation Agreement and the Agreement.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 29 March 2021, and will remain suspended until further notice.

**Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 28 September 2022. If the Company fails to fulfill all the Resumption Guidance, address all issues arising from time to time causing its trading suspension, and re-comply with the Listing Rules by 28 September 2022, the Stock Exchange is entitled to delist the Company under the Listing Rules.**

**The publication of this announcement and the Transaction Completion do not indicate any decision or conclusion from the Stock Exchange not to delist the Company nor warrant any approval from the Stock Exchange on the Resumption.**

**The publication of this announcement and the Transaction Completion do not indicate any decision or conclusion from the Stock Exchange about the Company's fulfilment of the Resumption Guidance, including compliance with Rule 13.24 of the Listing Rules.**

**The Company will disclose updates on the satisfaction of Resumption Guidance by way of announcement, as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisers.**

## **1. BACKGROUND**

### **A. The Cooperation Agreement**

References were made to the Company's announcements dated 16 November 2020, 9 December 2020, 28 December 2020, 15 April 2021, 15 October 2021 and 22 April 2021, in relation to, among other matters, the shut-down of the 4.3-meter coking furnace of GRG Huscoke and the entering into of the Cooperation Agreement.

On 13 November 2020, the Xiaoyi Municipal Government had discussed in the 73<sup>rd</sup> council meeting to shut down all furnaces with coking chambers that have heights of less than 4.3-meter in the city before the end of 2020.

On 9 December 2020, GRG Huscoke received a formal notification from the government authority of Xiaoyi City, that the 4.3-meter coking furnace of GRG Huscoke would be shut down with effect from 28 December 2020.

On 28 December 2020, GRG Huscoke received a notification from the government authority of Xiaoyi City that 50% of the production capacity of the 4.3-meter coking furnace of GRG Huscoke can continue to produce enough coking coal gas for generating electricity and heat for the purpose of domestic consumption of Xiaoyi City, until the completion of the laying and installation of the gas pipe network in Xiaoyi City in early January 2021.

On 15 April 2021, GRG Huscoke received a notification from the government authority of Xiaoyi City that 50% of the production capacity of the 4.3-meter coking furnace of GRG Huscoke must be commenced with the safety shut-down procedure in accordance with government requirements.

On 15 October 2021, GRG Huscoke received a notification from the government authority of Xiaoyi City to shut-down the remaining 50% of the production capacity of the 4.3-meter coking furnace of GRG Huscoke. GRG Huscoke has commenced the shut-down of the remaining coking furnace in accordance with the requirements.

The Group has no other remaining coking furnace in operation after shutting down the 4.3-meter coking furnace of GRG Huscoke in October 2021. Currently the Group's revenue has been generated from the selling of coke products previously produced and providing thermal energy and electricity energy, which were generated from the power plant of GRG Huscoke which are still operating under the government's request through external purchase of coal.

On 26 March 2021, after trading hour, GRG Huscoke entered into the Cooperation Agreement with Energy Technology and Jinyan Electricity, pursuant to which, GRG Huscoke entrusts Energy Technology for the construction of a coking furnace with a total estimated investment of RMB600,000,000.

As at the date of this announcement, the Cooperation Agreement has not been terminated but the terms of which were modified and supplemented by the terms of the Agreement as a result of the Incident. The transaction under the Cooperation Agreement will continue and is subject to the terms of the Agreement. In case of any discrepancies between the terms of the Cooperation Agreement and those of the Agreement, the terms of the Agreement shall prevail.

## **B. The Incident and the Investigation**

Reference was also made to the Company's announcement on 26 April 2021, in relation to, among other matters, that the Board has noticed the Incident. As at the date of this announcement, Da Tong Law Office, the independent PRC legal adviser of the Company, has investigated the Incident and gathered the basic facts, the legal nature and the total amount involved in the Incident, and has issued an investigation report and the PRC legal opinion relating to the Incident. The investigation report and the PRC legal opinion were accepted by the independent investigation committee of the Company and the Board. As at the date of this announcement, Da Tong Law Office is conducting a supplemental investigation on the Incident, and a supplemental report to the investigation report, including further details of the facts in relation to the Incident will be disclosed by the Company to the Shareholders and potential investors of the Company as and when appropriate and in accordance with the Listing Rules and the Resumption Guidance.

As disclosed in the announcement of the Company dated 18 January 2022, based on facts and findings on the Investigation by Da Tong Law Office, the Incident started from July 2012, the then management and relevant personnels of GRG Huscoke concealed the Company from the Incident and excluded the relevant loans, being the Possible Loan, the Loans and the Contingent Liabilities, from the financial statements of the Group for the first time. For nearly ten years thereafter, Jinyan Electricity, (9% minority shareholder of GRG Huscoke), conspired with then directors and management of GRG Huscoke with the cooperation of Jianeng Coal Chemical (1% minority shareholder of GRG Huscoke), deliberately ignored the formal approval process and financial control measures of the Group, leveraged the assets and credit of the Group to conduct loans from the banks without authorisation, and misappropriated of the major funds directly or indirectly used for the construction of the Project. Moreover, it was speculated that since July 2012, GRG Huscoke and Jinyan Electricity had ignored the standardized control measures formulated by the Company, deliberately and systematically concealed the credit information from the Company, and misappropriately and used the funds without authorisation until the Company discovered the Possible Loan. The existing Board and senior management of the Company were not aware of, nor participated in or authorised the approval of the Incident.

Based on the understanding of the Company, the Project was initially owned and constructed by Jinyan Electricity, and in May 2016, in light of its project management and financial needs, Jinyan Electricity had formed Energy Technology for the purpose of holding the Project. According to the records from the Administrative Department for Industry and Commerce, and the equity transfer

agreement between Jinyan Electricity and ILNG, Jinyan Electricity took the Project as the in-kind contribution of the registered capital of Energy Technology in June 2016 and subsequently sold all its interest in Energy Technology to ILNG in the same month. Since then, Jinyan Electricity had not leveraged any new credit of GRG Huscoke to support the construction of the Project and Energy Technology had been continuing the construction of the Project without the use of the misappropriate funds from the Incident. In light of the above, Energy Technology is solely a project company, an operator and current beneficial owner of the Project after the Incident had taken place. Accordingly, subject to the supplemental investigation conducted by Da Tong Law Office, the Company is of the view that Energy Technology should not be considered as a wrongdoer involved in the Incident.

With reference to the announcement of the Company dated 18 January 2022, Jinyan Electricity, as the wrongdoer of the Incident, has expressed its entreaty and made necessary efforts to actively remedy and compensate the Company. Energy Technology, as the current beneficial owner of the Project, is cooperating and implementing the remedial and compensation plan for the Company and GRG Huscoke on behalf of Jinyan Electricity after its negotiation with the Company and Jinyan Electricity. After reviewing the PRC legal opinion from Da Tong Law Office, the Board has discussed the remedial measures and compensation plan with the relevant parties within the framework permitted by law and has entered into the Agreement (please refer to the sections below in this announcement for more details) to protect and enhance the interests of the Shareholders and the Company. Further details of the results of the investigation report and the PRC legal opinion are set out in the announcement of the Company dated 18 January 2022.

## **2. THE AGREEMENT**

The Board is pleased to announce that on 15 March 2022, after trading hour, the Company, GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG have entered into the Agreement, pursuant to which, among other matters, to set out the principal terms supplement the terms of the Cooperation Agreement with the inclusion of remedy and compensation actions as a result of the Incident.

The key terms of the Agreement are set out as below,

<b>Date</b>	15 March 2022
<b>Parties</b>	(i) GRG Huscoke; (ii) Energy Technology; (iii) Jinyan Electricity; (iv) the Company; and (v) ILNG

## **A. Information on the parties**

### **(i) GRG Huscoke**

GRG Huscoke is a company established in the PRC with limited liability and is principally engaged in coal-related ancillary business, coke production and coke trading business.

As at the date of this announcement, GRG Huscoke is held as to 90% by the Company indirectly, 9% by Jinyan Electricity and 1% by Jianeng Coal Chemical. Jianeng Coal Chemical was held as to 51.03% by Mr. Zhang Wenjun\* (張文俊), a director of GRG Huscoke and 48.97% by Ms. He Xiao Ying\* (賀小英).

### **(ii) Energy Technology**

Energy Technology is a company established in the PRC with limited liability and is principally engaged in coke production and coke trading business. Energy Technology has entered into the Agreement since (i) it is the current beneficial owner of the Project and is willing to return the beneficial interest arisen from the Incident after negotiation with the Company and Jinyan Electricity even though it is not participated in the Incident; and (ii) as the subsidiary of ILNG, it will repay ILNG's debt to Jinyan Electricity on behalf of ILNG.

As at the date of this announcement, Energy Technology is held as to 96% by ILNG, 2% by Mr. Yang Linhai\* (楊林海), 1.8% by Mr. Wu Tangjun\* (武堂俊) and 0.2% by Shenzhen Jinyang Equity Investment Management Company Limited\* (深圳晉陽股權投資管理有限公司).

### **(iii) Jinyan Electricity**

Jinyan Electricity is a company established in the PRC with limited liability and is principally engaged in distribution of coke, coal and related products. Jinyan Electricity is a minority shareholder which is held as to 9% of the equity interests of GRG Huscoke.

As at the date of this announcement, Jinyan Electricity was held as to 60% by Mr. Wen Kezhong\* (溫克忠), 30% by Mr. Wen KeXiao\* (溫克效) and 10% by Ms. Wen Kehong\* (溫克紅).

### **(iv) The Company**

The Company is a company established in the Bermuda with limited liability. The Group is principally engaged in (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 generated as by-products produced during the washing of raw coal; and (iii) processing of refined coal into coke for sale, and sale of coke by products of coke production.

(v) **ILNG**

ILNG is a company established in the PRC with limited liability and is principally engaged in the development of natural gas projects. ILNG is a controlling shareholder which beneficially owns 96% of the equity interests of Energy Technology. ILNG entered into the Agreement as the controlling shareholder of Energy Technology and a debtor of Jinyan Electricity.

As at the date of this announcement, ILNG is held as to 25% by Mr. Liu Huilin\* (劉惠林), 25% by Mr. Guo Rui\* (郭銳), 25% by Mr. Cheng Liming\* (成黎明) and 25% by Mr. Ma Haifeng\* (馬海峰).

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Energy Technology, Jinyan Electricity, ILNG and the ultimate beneficial owner(s) of each of them and their respective associates and their ultimate beneficial owners are Independent Third Parties not connected with the Company and its connected persons.

Save for the Agreement and the Debt Transfer Agreement, there is not any side agreement, understanding or arrangement (formal or informal, legally binding or not) between (i) the Company (including its connected persons under the Listing Rules) and (ii) each of Jinyan Electricity, Energy Technology, ILNG (including their respective directors and beneficial owners) in connection with the transaction contemplated under the Agreement.

**B. Liabilities from the Incident**

Pursuant to the Agreement, the outstanding principal, accrued interests and related financial losses of GRG Huscoke arising from the Incident (i.e. recognised liabilities and unrecognised contingent liabilities undertaken by GRG Huscoke) will be jointly borne by Energy Technology and Jinyan Electricity, which shall be subject to the figure audited by the auditor appointed by the Company.

As at the date of this announcement, the total liabilities, comprising the balance of the Possible Loan and the Loans of GRG Huscoke with accrued interests in the amount of RMB660,497,064 and the Contingent Liabilities undertaken by GRG Huscoke in the amount of RMB204,500,000, are illustrated below,

**Outstanding bank loans of GRG Huscoke**

<b>Loans (Note 1)</b>	<b>Principal amount (RMB)</b>	<b>Interests payable (RMB)</b>	<b>Total amount (RMB)</b>
The Possible Loan (Note 2)	122,500,000	176,163,503	298,663,503
Bank Loans from Minsheng Bank	99,970,000	32,173,885	132,143,885
Bank Loans from Hua Xia Bank	197,837,000	31,852,676	229,689,676
<b>Total</b>			<b>660,497,064</b>

**Contingent liabilities undertaken by GRG Huscoke  
Credit Granting Institution**

**Principal Amount  
(RMB)**

China Minsheng Banking Corp., Ltd. Taiyuan Dayingpan Branch	200,000,000
Lüliang Xiaoyi Huitong Country Banking Corp., Ltd.	4,500,000
<b>Total</b>	<b>204,500,000</b>

Notes:

- The amounts of the above liabilities were ascertained based on, including but not limited to, (i) the corporate credit report from the People's Bank of China; (ii) the transfer announcement of Cinda Shanxi; (iii) the debt assignment agreement entered into between Cinda Shanxi and Shanxi Zhengbenyuan; (iv) the relevant debt agreements of the Incident; and (v) the relevant bank statements of the Incident. The total amount of liabilities are prepared by the accounting department of GRG Huscoke, subsequently reviewed by the financial controller of the Group and will be audited by Zhonghui Anda according to the Hong Kong Financial Reporting Standard.*
- References were made to the Company's announcements dated 3 June 2021 and 18 January 2022. During the course of audit for the financial year of 2020 in April 2021, the Company and Zhonghui Anda, being the current auditor of the Company, discovered that the Possible Loan was auctioned and disclosed as a non-performing loan on the public information platform of Taiyuan Public Resources Auction Center, prior to which the existing Board and senior management of the Company were not aware of, nor participated in or authorised the approval of the Possible Loan. Based on the transfer announcement in Taiyuan Public Resources Auction Center made by Cinda Shanxi, as of 30 November 2020, the principal of debt to be assigned amounted to RMB122,500,000 and its interest amounted to RMB120,426,776.21. On the basis of the debt assignment agreement entered into between Cinda Shanxi and Shanxi Zhengbenyuan on 11 January 2021, Cinda Shanxi entrusted Taiyuan Public Resources Auction Center to conduct an auction of the debt of the Possible Loan on 6 January 2021 and the Possible Loan was successfully purchased by Shanxi Zhengbenyuan in its bidding at the consideration of RMB25,500,000.*

As GRG Huscoke is the legal borrower of the Possible Loan and the Loans, GRG Huscoke has to undertake the recognised liabilities arising from the Incident and will be compensated by increasing the same amount as such recognised liabilities in GRG Huscoke's receivables owed by Energy Technology. As at the date of this announcement, the Total Receivables include occurred and recognised liabilities, being the Possible Loan and the Loans. Under the circumstances that the Contingent Liabilities have occurred and are to be recognised, Energy Technology and Jinyan Electricity will be obligated to compensate the Contingent Liabilities to GRG Huscoke by the way of increasing GRG Huscoke's receivable owed by Energy Technology in the same amount as the Contingent Liabilities.



Pursuant to the Agreement, Energy Technology and Jinyan Electricity are obligated to coordinate and facilitate debt negotiations between GRG Huscoke and its creditors to settle the Possible Loan, the Loans and the Contingent Liabilities undertaken by GRG Huscoke arising from the Incident in the following manner:

- (i) On 15 March 2022, GRG Huscoke, as the purchaser, has reached an agreement with Shanxi Zhengbenyuan, as the vendor, to purchase the Possible Loan in the consideration of RMB25,500,000, being the same bidding consideration paid by Shanxi Zhengbenyuan in purchasing the debt of the Possible Loan in the auction on 6 January 2021. After arm's length negotiations, the consideration of the Possible Loan in the amount of RMB25,500,000 was agreed to be paid by GRG Huscoke on or before 31 December 2022 and that immediately after such payment, GRG Huscoke will be released from the obligation from the Possible Loan, representing a deduction in debt in the amount of RMB285,275,981 and a gain simultaneously in the amount of RMB259,775,981. As mentioned in the above, Jinyan Electricity and Energy Technology are jointly liable to compensate GRG Huscoke for the liability it undertakes by the way of increasing GRG Huscoke's receivable owed by Energy Technology by the same amount of the liability. As for the Possible Loan, the compensation amounts to RMB285,275,981.
- (ii) The outstanding bank loans from Minsheng Bank have been treated as a non-performing asset and is being auctioned. It is expected that Jinyan Electricity will participate in the bidding process of the auction and the Company will settle it with Jinyan Electricity or another purchaser (if any) in the same way as mentioned in (i) above.
- (iii) In relation to the settlement of the outstanding bank loans from Hua Xia Bank, GRG Huscoke is currently negotiating with Hua Xia Bank with the assistance of Jinyan Electricity, details of the settlement will be disclosed as and when available.

It is expected that the repayment obligations of GRG Huscoke from the Possible Loan, the Loans and the Contingent Liabilities would be released upon completions of the respective settlement as and when available.

As at the date of this announcement, GRG Huscoke, with the assistance of Energy Technology and Jinyan Electricity, is still in negotiations with the creditors of GRG Huscoke in order to reach agreement on settlement proposals similar to the one proposed with the Possible Loan, details of which will be provided as and when available.

### **C. Receivables**

On 15 March 2022, GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG have entered into the Debt Transfer Agreement and pursuant to which, Energy Technology agrees to undertake all the current accounts and interests payable owed by Jinyan Electricity and its related parties to GRG Huscoke. Under the circumstances that the Contingent Liabilities have occurred and are to be recognised, Energy Technology and Jinyan Electricity will be obligated to compensate the Contingent Liabilities to GRG Huscoke by the way of increasing GRG Huscoke's receivable owed by Energy Technology in the same amount as the Contingent Liabilities. Pursuant to the Debt

Transfer Agreement, the total receivables owed by Energy Technology to GRG Huscoke will be amounted to RMB1,287,723,263 as at 31 December 2021, comprising (i) the receivables owed by Energy Technology to the Company as at 31 December 2021 in the amount of RMB17,780,029; (ii) the receivables owed by Jinyan Electricity and its related parties to the Company as at 31 December 2021 in the amount of RMB629,620,578; and (iii) the Possible Loan and the Loans in the total amount of RMB640,322,656 as at 31 December 2021. Pursuant to the Debt Transfer Agreement, from 1 January 2022, the Total Receivables will be subject to an annual interest rate of 5% payable by Energy Technology to GRG Huscoke. The actual amount of the Total Receivables at the Transaction Completion will be audited by the auditor appointed by the Company and according to the Hong Kong Financial Reporting Standard.

#### **D. Target Assets**

In continuation of the substance underlying the Cooperation Agreement and as part of the compensation of the Incident to the Company and GRG Huscoke, pursuant to the Agreement, Energy Technology will unconditionally transfer the Target Assets to the Company as described in the sub-section headed “Assets Transfer” in this announcement.

Summary of the Target Assets are as follows,

<b>Target Assets</b>	<p><b>Coking Furnace A</b> 7.1-meter top-loading coking furnace (Model 56-hole HT50-710 7.1-meter regenerative top-loading coking furnace, civil construction and related coking ancillary construction)</p> <p><b>Coking Furnace B</b> 7.1-meter top-loading coking furnace (Model 56-hole HT50-710 7.1-meter regenerative top-loading coking furnace, civil construction and related coking ancillary construction)</p>
<b>Location</b>	Xiaoyi City, Shanxi Province, the PRC
<b>Production</b>	Aggregate annual production capacity being not less than 1,200,000 tons of coke

The aggregate value of the Target Assets is estimated to be approximately RMB1,700,000,000 based on the investment that has been made by Energy Technology. The Company will appoint an independent valuer to appraise the value of the Target Assets. In the event that the value of the Target Assets is higher than the amount of the Total Receivables, it has been agreed that such difference will be treated as unconditional compensation of the Incident to the Company and to GRG Huscoke. In the event that the value of the Target Assets is less than the amount of the Total Receivables, Energy Technology and Jinyan Electricity will then negotiate with the Company other compensation proposals to make up such difference and to compensate the Company and GRG Huscoke. The valuation of the Target Assets will be completed and disclosed by the time of the despatch of circular as referred in the section headed “DESPATCH OF THE CIRCULAR AND

THE SGM”.

The constructions of Coking Furnace A and Coking Furnace B are set to be completed on or before 15 June 2022 and 15 July 2022 respectively, or such later dates if the constructions are to be delayed due to the COVID-19 pandemic or any force majeure events. Immediately after the completion of the constructions of the Target Assets but prior to the completion of the Assets Transfer, Energy Technology will outsource the operation of the Target Assets to the Company at no charge and all the revenue generated from the Target Assets will belong to the Company as part of the compensatory proposals.

#### **E. Conditions precedent**

The Transaction Completion is conditional on,

- (i) the GRG Huscoke having obtained its shareholders’ approval and the Company having obtained the Shareholders’ approval of the transactions contemplated under the Cooperation Agreement and the Agreement;
- (ii) the Company having complied with the requirements under the Listing Rules in respect of the transactions contemplated under the Cooperation Agreement and the Agreement; and
- (iii) GRG Huscoke and the Company having completed the due diligence investigation on the transactions contemplated under the Cooperation Agreement and the Agreement and being reasonably satisfied with the results thereof.

Save for condition (iii) can be waived by GRG Huscoke or the Company, none of the abovementioned conditions can be waived by any parties to the Agreement. In the event that the Resumption is not approved by the Stock Exchange, the Transaction Completion shall also not be subject to condition (ii) of the above.

If the conditions precedent set out above are not fulfilled or waived (as the case may be) on or before the Long Stop Date (i.e. 31 December 2022), the Company and/or GRG Huscoke may request to extend the Long Stop Date for 6 months (i.e. to 30 June 2023). In the event that the conditions precedent set out above are not fulfilled or waived (as the case may be) on or before 30 June 2023, the Company and/or GRG Huscoke will have the rights to request Energy Technology by way of a notice to proceed and complete the Assets Transfer within 15 days of the date of the notice.

**Shareholders and potential investors of the Company should note that the transactions contemplated under the Cooperation Agreement and the Agreement are subject to conditions which may or may not proceed.**

## **F. Transaction Completion**

### **Assets Transfer**

Upon signing of the Agreement, Energy Technology will take the Target Assets as the in-kind contribution of the registered capital to establish the Target Subsidiary, a wholly-owned subsidiary principally engaged in coke production business with the Target Assets (i.e. the value of the Target Assets is equal to the equity value of the Target Subsidiary). A wholly-owned subsidiary will be established and fully controlled by the Company for the purpose of holding the equity interests of the Target Subsidiary and coke production with the Target Assets after the Transaction Completion.

With reference to the shareholding structure of GRG Huscoke, it has been agreed that Energy Technology will unconditionally transfer not less than 90% of the equity interests of the Target Subsidiary (subject to the value of the Target Assets) to the New Subsidiary as the compensation of the Incident to the Company and GRG Huscoke. The Company's interest in the Target Subsidiary will offset the Total Receivables and there will be no cash inflow for the abovementioned compensation.

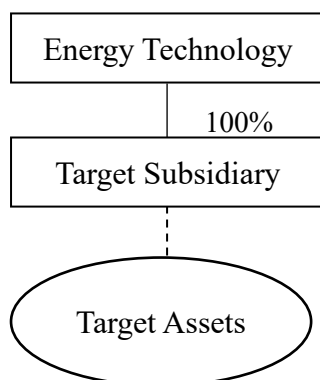
Upon completion of the Assets Transfer, the New Subsidiary will be the controlling shareholder which beneficiary owns not less than 90% of the equity interest of the Target Subsidiary holding the Target Assets and the remaining equity interests of the Target Subsidiary will be remained with Energy Technology. Given (i) that the aggregate value of the Target Assets is estimated to be approximately RMB1,700,000,000 and 90% equity interests of the Target Subsidiary would indicate a value of approximately RMB1,530,000,000, which is greater than the sum of the Total Receivables and the Contingent Liabilities; (ii) that Energy Technology will have a supporting role in the Target Subsidiary's operation (as disclosed in the paragraph below); and (iii) Energy Technology is an experienced coke production enterprise with abundant resources in the coke production industry, the Board is of the view that it is reasonable and justifiable to transfer 90% of the equity interest of the Target Subsidiary to the Company. The operation of coke production in GRG Huscoke will cease and the Company will resume its coke production and trading business through the New Subsidiary and the Target Subsidiary. The completion of the Assets Transfer will be completed within 15 days upon the date of the conditions precedent set out under the Agreement are satisfied or waived (as the case may be).

Upon the completion of the Assets Transfer, the board of the Target Subsidiary will comprise five directors, of whom four directors will be appointed by the Company and one director will be appointed by Energy Technology. A new management team will be recruited by the board of the Target Subsidiary. The business model of the Target Subsidiary will be principally the same to that of GRG Huscoke and the majority of the existing workforces of GRG Huscoke will be retained for the operation of the Target Assets, and suitable new workforces may be recruited if necessary. Energy Technology is obligated to provide all the supporting services and auxiliary facilities required for the coke production of the Target Assets such as water and electricity supply, sewage and waste treatment, warehousing and transportation, dry quenching and processing of the coke by products and coke oven gas.

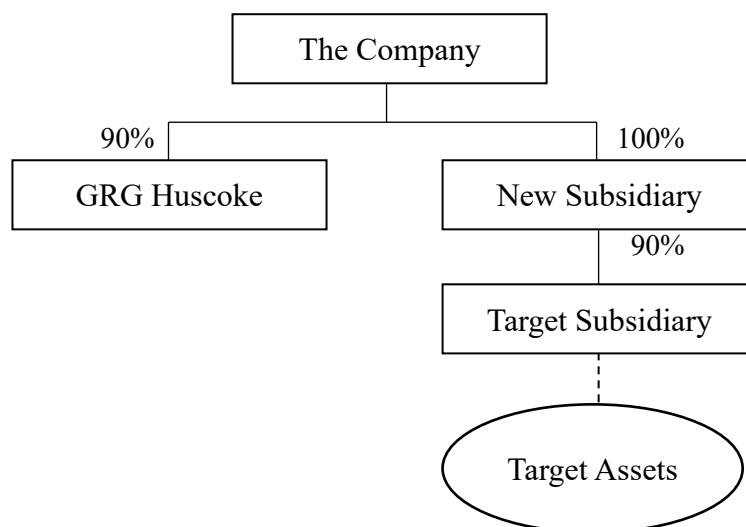
## Simplified corporate structure

The corporate structure of the Target Subsidiary with the Target Assets and the New Subsidiary before and after the Transaction Completion is set out below:

Before the Transaction Completion,



After the Transaction Completion,



## G. Obligations and undertakings

Energy Technology is obligated to provide all the supporting services and auxiliary facilities which are required for coke production of the Target Asset.

Jinyan Electricity undertakes that apart from the liabilities discovered in the Investigation, there are not any unrecorded liabilities in existence to be undertaken by GRG Huscoke.

Energy Technology and Jinyan Electricity are obligated and have undertaken to:

- (i) ensure the ownership and property of the Target Assets are free of disputes and defects;
- (ii) ensure the Target Asset shall remain intact and under the state of normal operation;
- (iii) provide all the materials and information about the Target Assets truthfully and completely;  
and
- (iv) coordinate and facilitate debt negotiations between GRG Huscoke and its creditors to settle the Loans and the Contingent Liabilities undertaken by GRG Huscoke arising from the Incident.

#### **H. Breach and responsibilities**

The Agreement is legally-binding. If any party to the Agreement fails to comply with its obligations or undertakings, or has given any representations or warranties which were untrue, inaccurate, incomplete or misleading or had material omission, the relevant party would be in breach of the Agreement, and shall pay damages to the non-breaching party for any economic loss directly resulting from such breach.

If Energy Technology and/or Jinyan Electricity failed to perform the obligations or undertakings as set out under the Agreement, they will be considered as in breaching of the Agreement and, additional to the Assets Transfer, shall be obligated to pay 8% of the Total Receivables annually to GRG Huscoke as penalties. For the avoidance of doubt, the penalties will not affect the authority of the Company and GRG Huscoke to require Energy Technology and/or Jinyan Electricity to continue performing the obligations or undertakings as set out under the Agreement.

#### **I. Reasons for and benefits of the entering into the Agreement**

The transactions contemplated under the Cooperation Agreement and the Agreement are principally for the purpose of resolving the continuing business development of the Company and the financial burden undertaken by GRG Huscoke as a result of the Incident, including but not limited to, (i) Energy Technology and Jinyan Electricity agreed to bear all the financial burden for the Company and GRG Huscoke as a result of the Incident; (ii) the Assets Transfer as part of the compensation to remedy the financial impact of the Company due to the Incident; and (iii) the Target Assets to replace the Company's existing coking furnaces (has been shut-down due to local environmental regulations) that enhances the operation level of the Company's principal businesses in coke production. The Company has solid experience and expertise plus comparative advantage of coke production, so it is capable to manage and operate the Target Assets efficiently and keep the original business relationship with the current customer bases of GRG Huscoke. The Company will resume its coke production and trading business through the New Subsidiary and the Target Subsidiary.

The Agreement will supplement the terms of the Cooperation Agreement, pursuant to which, GRG Huscoke entrusts Energy Technology for the construction of the new coking furnace with a total estimated investment of RMB600,000,000. As compared to the construction of a new coking furnace as set out under the Cooperation Agreement, the Target Assets are considered to be near-finished and can be delivered to the Company in a shorter period of time. Accordingly, the Board is of the view that the entering into of the Agreement will allow the Group to utilize the assets of GRG Huscoke more efficiently in return for more favorable terms to satisfy the operational demand of coke production.

Based on the above, the Board considers that the entering into of the Agreement is the most efficient solution to resume the coke production business of the Company and the Target Assets will increase total coke production of the Group, while effectively resolving the Incident and actively facilitating the Resumption on the premise of fully protecting the rights and interests of the Shareholders. The Board considers that the entering of the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

### **3. IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, as certain applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Cooperation Agreement and the Agreement are more than 100%, such transactions constitute a very substantial transaction of the Company under Chapter 14 of the Listing Rules and therefore are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules and the relevant resolution(s) will be required to be voted by way of poll at the SGM.

### **4. DESPATCH OF THE CIRCULAR AND THE SGM**

The SGM will be convened to consider and, if thought fit, among other things, approve the transactions contemplated under the Cooperation Agreement and the Agreement. A circular containing, among other things, (i) further details of the transactions contemplated under the Cooperation Agreement and the Agreement; (ii) the notice of the SGM; and (iii) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 30 June 2022, so as to allow sufficient time for the Company to prepare all the required information for inclusion in the circular.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholders have a material interest in the transactions contemplated under the Cooperation Agreement and the Agreement, and no Shareholders would have to abstain from voting at the SGM in respect of the transactions contemplated under the Cooperation Agreement and the Agreement.

### **5. CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 29 March 2021, and will remain suspended until further notice.

**Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 28 September 2022. If the Company fails to fulfill all the Resumption Guidance, address all issues arising from time to time causing its trading suspension, and re-comply with the Listing Rules by 28 September 2022, the Stock Exchange is entitled to delist the Company under the Listing Rules.**

**The publication of this announcement and the Transaction Completion do not indicate any decision or conclusion from the Stock Exchange not to delist the Company nor warrant any approval from the Stock Exchange on the Resumption.**

**The publication of this announcement and the Transaction Completion do not indicate any decision or conclusion from the Stock Exchange about the Company’s fulfilment of the Resumption Guidance, including compliance with Rule 13.24 of the Listing Rules.**

**The Company will disclose updates on the satisfaction of Resumption Guidance by way of announcement, as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisers.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein,

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Agreement”	the agreement dated 15 March 2022 (as supplemented on 14 April 2022) entered into among GRG Huscoke, Energy Technology, Jinyan Electricity, the Company and ILNG to supplement the Cooperation Agreement and to set out, among other matters, the settlement arrangement in favor of the Group as a result of the Incident
“Assets Transfer”	the transfer of not less than 90% of the equity interests (subject to Targets’ Asset Value) of the subsidiary holding the Target Assets to the New Subsidiary
“Board”	the board of Directors
“Cinda Shanxi”	China Cinda Asset Management Co., Ltd. Shanxi Branch
“Coking Furnace A”	a 7.1-meter coking furnace numbered 5 and to be constructed under the Agreement with expected annual production capacity of 600,000 tons of coke



“Coking Furnace B”	a 7.1-meter coking furnace numbered 6 and to be constructed under the Agreement with expected annual production capacity of 600,000 tons of coke
“Company”	Huscoke Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 704)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contingent Liabilities”	the contingent liabilities undertaken by GRG Huscoke
“Cooperation Agreement”	the cooperation agreement entered into between GRG Huscoke, Energy Technology and Jinyan Electricity on 26 March 2021
“Da Tong Law Office”	Da Tong Law Office of Guang Dong, the independent PRC legal adviser of the Company to perform the Investigation in relation to the Incident
“Debt Transfer Agreement”	the debt transfer agreement entered into among GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG on 15 March 2022 (as supplemented on 14 April 2022)
“Director(s)”	the director(s) of the Company
“Energy Technology”	Shanxi Jinyan Energy Technology Company Limited* (山西金岩能源科技有限公司), a company established in the PRC with limited liability and is principally engaged in coke production and coke trading business
“GRG Huscoke”	GRG Huscoke (Shanxi) Limited* (山西金岩和嘉能源有限公司), a company established in the PRC with limited liability and is an indirect 90% owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“ILNG”	Xiaoyi ILNG Natural Gas Production Company Limited* (孝義市愛路恩濟天然氣製造有限公司), a company established in the PRC with limited liability

“Incident”	the incident that involves the speculation by the Company that the relevant management and personnel of GRG Huscoke to misappropriately conduct loans from the banks without authorization and to exclude such loans from the financial statements of the Group since July 2012, (i.e. the Possible Loan and the Loans)
“Investigation”	the investigation of the Incident conducting by Da Tong Law Office of Guang Dong, the Group’s PRC independent legal adviser
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Jianeng Coal Chemical”	Xiaoyi Jianeng Coal Chemical Technology Development Company Limited* (孝義市嘉能煤化科技開發有限公司), a company established in the PRC with limited liability
“Jinyan Electricity”	Xiaoyi Jinyan Electricity Coke Chemical Company Limited* (孝義市金岩電力煤化工有限公司), a company established in the PRC with limited liability and is a 9% minority shareholder of GRG Huscoke
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	the outstanding bank loans of GRG Huscoke
“Long Stop Date”	being 31 December 2022
“New Subsidiary”	a new wholly-owned subsidiary to be established by the Company to hold the control of the Target Subsidiary
“Possible Loan”	the loan in the aggregate principal amount of RMB122.50 million borrowed by GRG Huscoke from Lüliang Rural Credit Union* (呂梁市農村信用合作社聯合社) on 15 October 2014 that was not previously recorded on the financial statements of the Group
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Special Administrative Region of Macau and Taiwan
“Project”	5 million tons of new coking and supportive production project constructed by Jinyan Electricity with the misappropriated use of the Possible Loan, the Loans and the Contingent Liabilities
“Resumption”	the resumption of trading of the Shares on the Stock Exchange

“Resumption Guidance(s)”	the resumption guidance(s) set out by the Stock Exchange on the Company from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened for the purpose of, among other things, considering and approving, if thought fit, the transactions contemplated under the Cooperation Agreement and the Agreement
“Shanxi Zhengbenyuan”	Shanxi Zhengbenyuan Trading Company Ltd* (山西正本源貿易有限公司)
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	Coking Furnace A and Coking Furnace B
“Target Subsidiary”	a new subsidiary to be established with the Target Assets as capital contribution by Energy Technology to engage in operation of the Target Assets, the control of which will be transferred to the Company
“Transaction Completion”	the completion of the transactions contemplated under the Cooperation Agreement and the Agreement
“Total Receivables”	the total receivables owed by Energy Technology and Jinyan Electricity and its related parties to GRG Huscoke
“%”	per-cent

By order of the Board  
**Huscoke Holdings Limited**  
**Au Wing Sze**  
*Company Secretary*

Hong Kong, 19 April 2022

*As at the date of this announcement, the Board comprises Mr. Zhao Xu Guang (Chairman) and Mr. Wang Yijun as executive Directors; Mr. Wong Siu Hung, Patrick, Mr. Huang Man Yem, Mr. Jiang Jiansheng and Mr. Tang Ching Fai 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 purpose only*