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HUSCOKE HOLDINGS LIMITED

和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

SUPPLEMENTAL INDEPENDENT INVESTIGATION REPORT AND CONTINUED SUSPENSION OF TRADING

This announcement is made by Huscoke Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) 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).

References are made to the announcements of the Company dated 28 December 2020, 25 March 2021, 29 March 2021, 31 March 2021, 15 April 2021, 22 April 2021, 26 April 2021, 10 May 2021, 3 June 2021, 7 June 2021, 28 June 2021, 26 July 2021, 19 August 2021, 28 September 2021, 15 October 2021, 21 October 2021, 28 October 2021, 28 December 2021, 4 January 2022, 18 January 2022, 8 February 2022, 17 February 2022, 10 March 2022 and 28 March 2022 in relation to, inter alia, (i) the suspension of trading of the Shares; (ii) the quarterly update announcements; (iii) the delay in publication of audited annual results announcement and despatch of annual report for the year ended 31 December 2020 and the delay in publication of interim results and despatch of interim report for the six months ended 30 June 2021; (iv) the investigation on GRG Huscoke and the Possible Loan; (v) the update on findings of the Independent Investigation Committee in relation to the Incident; (vi) the engagement of an independent internal control adviser; (vii) the Resumption Guidance; and (viii) the delay in publication of annual results announcement and despatch of annual report for the year ended 31 December 2021 (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

Da Tong Law Office of Guang Dong (“**Da Tong**”) conducted a supplemental independent investigation into the Incident (“**Supplemental Investigation**”) at the Independent Investigation Committee’s request to address the observations on the Investigation from the Stock Exchange. On 20 May 2022, Da Tong has completed the Supplemental Investigation and submitted the investigation report (the “**Supplemental Investigation Report**”) to the Independent Investigation Committee. The Independent Investigation Committee has adopted the Supplemental Investigation Report and presented to the Board.

SUMMARY OF FINDINGS OF SUPPLEMENTAL INVESTIGATION

Use of the funds of the loans in the Incident

Upon the review by Da Tong on the funds flow records and statements of bank accounts of GRG Huscoke during the Supplemental Investigation, it is understood that GRG Huscoke transferred the funds of the loan to the business partners of Jinyan Electricity on the drawdown date of the loan in the Incident during the period from October 2012 to October 2014. GRG Huscoke and Jinyan Electricity confirmed to Da Tong by written acknowledgement that the funds of the loan in the Incident have been paid to the business partners of Jinyan Electricity, and then ultimately transferred to Jinyan Electricity on back-to-back basis for the construction of the Five Million Tons Project of Jinyan Electricity. Since the loans in the Incident had expired in succession, GRG Huscoke repeatedly renewed the loans to repay the principal of the initial loan in the Incident, and some of the funds for renewing loans were repaid through back-to-back basis transfer from business partners to GRG Huscoke. Based on the interviews conducted by Da Tong during the Supplemental Investigation, Yang Ge* (楊戈) and He Youlong* (賀有龍), being the then directors of GRG Huscoke, and the handling staff Lei Zhiyuan* (雷志遠) agreed with the above content respectively.

Guarantees provided between GRG Huscoke and Dongyi Coal Electric Aluminum

Upon the investigation and review of relevant contracts by Da Tong, as of 30 November 2020, Dongyi Coal Electric Aluminum provided a guarantee to the loan obligation of GRG Huscoke in the amount of RMB242,926,776.21, with the principal and the interest amounted to RMB 122,500,000 and RMB120,426,776.21 respectively. According to interviews between Da Tong and relevant personnel and the 2021 Credit Report and related guarantee contracts reviewed by Da Tong, apart from the above contract and the maximum guarantee amount of RMB200,000,000 provided by GRG Huscoke for Dongyi Coal Electric Aluminum, there is no other guarantee agreements between GRG Huscoke and Dongyi Coal Electric Aluminum.

Having interviewed with relevant personnel of GRG Huscoke, Da Tong understands that GRG Huscoke and Dongyi Coal Electric Aluminum provided mutual guarantee because of their business relationship where the electricity generated by GRG Huscoke was mainly deployed through the National Development and Reform Commission and sold through network of the Dongyi Coal Electric Aluminum.

Guarantees provided by GRG Huscoke

According to the 2021 Credit Report and related guarantee contracts reviewed by Da Tong, the guarantees provided by GRG Huscoke are as follows:

Warrantees	Credit Granting Institution	Guarantee Amount (RMB)	Opening Date	Maturity Date
Shanxi Dongyi Coal Electric Aluminum Group Company Ltd* (山西東義煤電鋁集團有限公司)	China Minsheng Banking Corp., Ltd. Taiyuan Dayingpan Branch	200,000,000	23 December 2016	25 May 2023
Xiaoyi Jinyan Thermal Electric Company Ltd* (孝義市金岩熱電有限公司)	Lüliang Xiaoyi Huitong Country Banking Corp., Ltd.	4,500,000	30 November 2020	10 November 2021

According to the 2021 Credit Report and related guarantee contracts reviewed by Da Tong, the following guarantee responsibilities have expired and not been recorded in the 2021 Credit Report.

Warrantees	Credit Granting Institution	Guarantee Amount (RMB)	Opening Date	Maturity Date
Xiaoyi Jinyan Logistics Company Ltd* (孝義市金岩物流有限公司)	Lüliang Xiaoyi Huitong Country Banking Corp., Ltd.	14,550,000	30 October 2020	11 October 2021
Xiaoyi Jinyan Building Materials Company Ltd* (孝義市金岩新型建材有限公司)	Lüliang Xiaoyi Huitong Country Banking Corp., Ltd.	4,650,000	30 October 2020	11 October 2021

Shanxi Dongyi Coal Electric Aluminum Group Company Ltd* (山西東義煤電鋁集團有限公司) (“**Dongyi Coal Electric Aluminum**”) is a company established in the PRC with limited liability and is principally engaged in electricity, metallurgy, chemical industry, building materials, logistics trading and vocational education. As at the date of the Supplemental Investigation Report, Dongyi Coal Electric Aluminum is held as to 60% by Mu Jinhui* (穆錦輝), 33.33% by Li Dongmei* (李冬梅), and 6.67% by Mu Jinyao* (穆錦瑤).

Xiaoyi Jinyan Thermal Electric Company Ltd* (孝義市金岩熱電有限公司) (“**Jinyan Thermal Electric**”) is a company established in the PRC with limited liability and is principally engaged in coal washing and heating and electricity generation. As at the date of the Supplemental Investigation Report, Jinyan Thermal Electric is held as to 60% by Jinyan Electricity, 20% by Wen Kezhong* (溫克忠), and 20% by Liu Yanping* (劉艷萍).

Xiaoyi Jinyan Logistics Company Ltd* (孝義市金岩物流有限公司) (“**Jinyan Logistics**”) is a company established in the PRC with limited liability and is principally engaged in logistics and transportation. As at the date of the Supplemental Investigation Report, Jinyan Logistics is held as to 51% by Jinyan Electricity and 49% by Wen Kezhong* (溫克忠).

Xiaoyi Jinyan Building Materials Company Ltd* (孝義市金岩新型建材有限公司) (“**Building Materials**”) is a company established in the PRC with limited liability and is principally engaged in the production of building materials. As at the date of the Supplemental Investigation Report, Building Materials is held as to 90% by Jinyan Electricity and 10% by Wen Kehong* (溫克紅).

Based on relevant corporate information inspected by Da Tong, Jinyan Electricity is one of the shareholders of Jinyan Thermal Electric, Building Materials, Jinyan Logistics and GRG Huscoke.

Identity of the staff of GRG Huscoke who obtained the 2020 Credit Report

According to the 2020 Credit Report, it was showed that GRG Huscoke did not have any loan record. Upon conducting interviews with relevant personnel of GRG Huscoke and reviewing relevant information, Da Tong confirmed that the staff who assisted Ernst & Young China in obtaining the 2020 Credit Report was a former staff from the financial department of GRG Huscoke, whom was responsible for contacting with the banks and going through formalities, and had resigned on 31 December 2021.

Ernst & Young (“**Ernst & Young Hong Kong**”), being the auditor of the Company during the financial years between 2010 and 2017, had resigned as the Company’s auditor in November 2018. Ernst & Young China, being a separate legal entity from Ernst & Young Hong Kong, was engaged to conduct internal audit for GRG Huscoke in 2020 upon having completed proper check of the potential conflict of interest before the engagement. Accordingly, Independent Investigation Committee is of the view that there is no potential conflict-of-interest issue in the internal audit conducted by Ernst & Young China in 2020.

Litigation and enforcement in relation to the Incident

Based on relevant judgements inspected by Da Tong in relation to the financial loan case between GRG Huscoke and Minsheng Bank, the High People’s Court of Shanxi Province rendered the judgement that (i) GRG Huscoke shall repay the principal and interest of the Loan in the sum of RMB109,694,558.23 as of 21 June 2019 to Minsheng Bank; (ii) GRG Huscoke shall repay the agreed interest and penalty interest from 22 June 2019 to the date of full repayment of the outstanding principal amount of the Loan, based on the principal of RMB99,970,000 to Minsheng Bank; (iii) Minsheng Bank shall be entitled to the priority of compensation for the forest land use right of Qiantong New Energy with an area of 1076.19 Mu located in Anze County, Linfen City, Shanxi Province. Upon the enforcement of the right of pledge by Minsheng Bank, Qiantong New Energy shall have the right to recover compensation against GRG Huscoke; and (iv) Jinyan Electricity, Building Materials, Energy Technology, Yang Ge* (楊戈), Wen Kezhong* (溫克忠) and Liu Yanping* (劉豔萍) shall have the right to recover compensation against GRG Huscoke upon the enforcement of joint and several repayment liabilities. Please refer to the announcement of the Company dated 21 October 2021 for further details.

According to the enquiries and investigations through public information approaches made by Da Tong, except for the financial loan case between GRG Huscoke and Minsheng Bank as mentioned in the above, as at the date of the Supplemental Investigation Report, there is no other litigation or enforcement of the Incident related to GRG Huscoke has been identified.

Duties of the chairman and legal representative of GRG Huscoke

According to the relevant documents of GRG Huscoke reviewed by Da Tong, Yang Ge* (楊戈) has submitted a resignation application to the Company on 22 October 2021, and suspended his duties as the chairman and legal representative of GRG Huscoke since 22 December 2021 accordingly. Upon making a telephone enquiry of Bureau of Administration for Commerce and Industries of the Shanxi Province, Da Tong understood that GRG Huscoke was restricted to change the business registration to replace the chairman and legal representative of GRG Huscoke under the legal enforcement by the court. However, since 22 December 2021, except for specific authorisation by the Company under special circumstance, Yang Ge* (楊戈) has been ceased to perform any duties and responsibilities in GRG Huscoke.

Given that the duties of Yang Ge* (楊戈) have been suspended and GRG Huscoke has ceased its business operation, the temporary unchanged business registration shall not have any negative impact on GRG Huscoke.

Knowledge of the Directors of the Company on the Incident

Wong Siu Hung, Patrick (黃少雄), non-executive Director of the Company, was appointed as a director of GRG Huscoke in 2016. Upon conducting interviews with relevant personnels of GRG Huscoke, Da Tong understood that the directors of GRG Huscoke who participated in the approval of the Incident included Yang Ge* (楊戈), Shi Tieshan* (史鐵山), He Youlong* (賀有龍), Zhang Wenjun* (張文俊) and Lei Xiaozhong* (雷孝忠), while Wong Siu Hung, Patrick (黃少雄) did not acknowledge or participate in the approval and signing of relevant resolutions, and GRG Huscoke did not keep relevant board minutes. Wong Siu Hung, Patrick (黃少雄) stated that he was not involved in the approval of the Incident and had no knowledge of the Incident. In view of the above, Wong Siu Hung, Patrick (黃少雄) was not aware of the

loans and guarantees involved in the Incident and did not sign any relevant documents or resolutions before the publication of the announcements of the Company dated 26 April 2021 and 3 June 2021.

Interviews with relevant personnel of GRG Huscoke

The relevant personnel of GRG Huscoke interviewed by Da Tong in the Supplemental Investigation included Yang Ge* (楊戈), Shi Tieshan* (史鐵山), He Youlong* (賀有龍), Zhang Wenjun* (張文俊), Wong Siu Hung, Patrick (黃少雄), Wang Zhengyu* (王正瑜) and Lei Zhiyuan* (雷志遠).

The then general manager of GRG Huscoke, Liu Weidong* (劉衛東) and its director, Shi Tieshan* (史鐵山) were unable to participate in the interviews with Da Tong during the previous Investigation. Upon inspecting of relevant resolutions, Da Tong found out that GRG Huscoke had passed a resolution at the board meeting on 15 June 2017 in relation to that Shi Tieshan* (史鐵山), in succession to Liu Weidong* (劉衛東), was appointed as the general manager. Liu Weidong* (劉衛東) had resigned from GRG Huscoke, and GRG Huscoke did not keep his contact, therefore the interview could not be arranged. Shi Tieshan* (史鐵山) was interviewed by Da Tong during the Supplemental Investigation and expressed that he was hospitalised for surgery during the previous Investigation and therefore could not be interviewed by Da Tong previously, and he is aware of the Incident.

Interviews with Directors of the Company about the interests in the Incident

Upon conducting interviews with relevant personnel of GRG Huscoke and reviewing relevant documents and information, Da Tong has not discovered any information or documents which suggests that the Directors of the Company have interests in the Incident. In light of the findings of the Report, the Directors of the Company did not authorise or approve GRG Huscoke to carry out the relevant loans or guarantees, nor did they receive a report on the Incident from GRG Huscoke before the year of 2021. Therefore, there is no interest of the Incident existing in the current members of the Board of the Company, which is in line with the objective circumstances.

Comparison of 2021 Credit Report and Information of the Loans

GRG Huscoke has explained that some contracts found in the Investigation were not recorded in the 2021 Credit Report, and it was mainly due to that (i) these contracts were not practical financing contracts; (ii) no actual withdrawals had been made; and (iii) no credit had been used. According to the interviews with relevant personnels conducted by Da Tong and the 2021 Credit Report, which was printed and retrieved at the People's Bank of China Xiaoyi Branch under the witness of Da Tong, the 2021 Credit Report was objectively and neutrally integrated and summarised by the Credit Reference Center of the People's Bank of China, providing that the then credit status of GRG Huscoke was in line with the objective situation.

Communications with previous auditors of the Company

Da Tong has contacted and made enquiries with previous auditors of the Company through different approaches. Both Mazars CPA Limited and BDO Limited were unable to respond to the enquiries from Da Tong due to the confidentiality principle to the client and the auditing firm policy. Da Tong has contacted Ernst & Young Hong Kong through various known approaches, and as at the date of the Supplemental Investigation Report, no relevant reply has been received.

Involvement of Energy Technology in the Incident

Having reviewed relevant corporate information and government approval documents, Da Tong found out that Jinyan Electricity established Energy Technology in May 2016 to reorganise its then existing coking assets. In June 2016, Jinyan Electricity and ILNG entered into the Equity Transfer Agreement, which Jinyan Electricity agreed to transfer all of its legally holding equity interests in Energy Technology to ILNG. Energy Technology changed its business registration in June 2016, and Jinyan Electricity ceased to have interest in Energy Technology. Since then, the project entity of the Five Million Tons Project had been changed to Energy Technology,

and ILNG had become the controlling shareholder of Energy Technology. In light of the findings of the Supplemental Investigation Report, Energy Technology had not yet been established at the time when the funds of the loan in the Incident were transferred to the business partners of Jinyan Electricity. Therefore, there is no information or document providing that Energy Technology was informed of and participated in the Incident except through the Agreement.

SUFFICIENCY OF THE INVESTIGATION AND THE SUPPLEMENTAL INVESTIGATION

The Independent Investigation Committee believes that Da Tong has taken appropriate and necessary actions to complete the Investigation and the Supplemental Investigation, and issued the Report of the Investigation and the Supplemental Investigation Report based on its legal expertise. Given that Da Tong doesn't have statutory force to investigate compulsorily, the Investigation and the Supplemental Investigation were mainly conducted based on the information and documents available from public information and provided by the Company, GRG Huscoke, Jinyan Electricity and other third party, and the interviews with the management and staff of GRG Huscoke and the Company. Moreover, as mentioned in the announcement of the Company dated 19 April 2022, the Company has reached an agreement with responsible entities regarding the implementation of the remedy and compensation plan within the framework permitted by law on the premise of fully protecting the legal rights of the Company and based on the principle of protecting and seeking for the best interests of shareholders of the Company. Therefore, the Independent Investigation Committee is of the view that Da Tong has taken all necessary investigation methods within the scope permitted under the PRC Law in the Investigation and Supplemental Investigation, and concluded the basic facts, the legal nature and the total amount involved in the Incident, as the factual basis to reach agreements with the remedy and compensation action of the Incident. As such, the Independent Investigation Committee considers that the findings of the Report and the Supplemental Investigation Report have completed the investigations of the Incident.

CONTINUED SUSPENSION OF TRADING

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

The Board will continue to assess and monitor the impact of the suspension of trading on the operation and financial performance of the Group. The Company will take appropriate measures as necessary and make further announcements as and when appropriate and in accordance with the Listing Rules.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 26 May 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 purposes only*