THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Huscoke Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

HUSCOKE HOLDINGS LIMITED
和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

(1) VERY SUBSTANTIAL TRANSACTION IN RELATION TO ENTERING INTO OF THE AGREEMENT; (2) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF EQUITY INTEREST IN THE DISPOSAL COMPANY; AND (3) NOTICE OF SGM

Financial Adviser to the Company

VEDA | CAPITAL
智 略 資 本

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

軟庫中華
SBI China Capital

A notice convening the SGM to be held at 3:00 p.m. on Tuesday, 18 October 2022 at Room 2301, 23/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong, is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment meeting or postponement thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

28 September 2022

PRECAUTIONARY MEASURES FOR THE SGM

Please refer to the notice of SGM for measures being taken to try to prevent and control the spread of the COVID-19 at the SGM, including:

- compulsory body temperature checks;
- scan the "LeaveHomeSafe" venue QR code;
- comply with the requirements of the "Vaccine Pass Direction"*;
- compulsory wearing of a surgical face mask (please provide your own mask);
- no refreshment will be served; and
- no souvenirs will be distributed.

* *The definition of "Vaccine Pass Direction" is set out in the Prevention and Control of Disease (Vaccine Pass) Regulation (Chapter 599L of the Laws of Hong Kong).*

Any person who does not comply with the precautionary measures or is subject to any Hong Kong government prescribed quarantine may be denied entry into the meeting venue. The Company will require all attendees to wear surgical face masks before they permitted to attend, and during their attendance of the SGM at all times, and reminds the Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

CONTENTS

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Agreement"	the agreement dated 15 March 2022 (as supplemented by the Supplemental Agreement 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
"Announcement(s)"	announcement(s) of the Company dated 16 November 2020, 9 December 2020, 28 December 2020, 15 April 2021, 22 April 2021, 26 April 2021, 18 January 2022, 19 April 2022, 26 May 2022 and 8 August 2022 in relation to, among other things, (i) the shut-down of the 4.3-meter coking furnace of GRG Huscoke; (ii) the entering into of the Cooperation Agreement and the Agreement; (iii) the Incident and the Investigation Reports; and (iv) the entering into of the Disposal Agreement
"Assets Transfer"	the transfer of 90% of the equity interests of the Target Subsidiary to the New Subsidiary
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	any day (other than a Saturday or a Sunday or a public holiday or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong
"CB Subscription"	the proposed issue of the Convertible Bonds to the Subscriber under the CB Subscription Agreement
"CB Subscription Agreement"	the subscription agreement dated 19 September 2022 and entered into between the Company and the Subscriber in respect of the CB Subscription
"Cinda HK"	China Cinda (HK) Asset Management Co., Limited

"Cinda Facility"	the loan facility in the principal amount of HK$200 million made available by Cinda HK to the Company with the maturity date of 8 July 2022 and interest rate of 10% per annum
"Cinda Shanxi"	China Cinda Asset Management Co., Ltd. Shanxi Branch
"Coking Furnace A"	a 7.1-meter coking furnace numbered 5 to be transferred under the Cooperation Agreement and the Agreement with expected annual production capacity of 600,000 tons of coke
"Coking Furnace B"	a 7.1-meter coking furnace numbered 6 to be transferred under the Cooperation Agreement and 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 of which are listed and traded on the Main Board of the Stock Exchange (stock code: 704)
"Completions"	the Transaction Completion and the completion of the Disposal
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Contingent Liabilities"	the contingent liabilities undertaken by GRG Huscoke
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Convertible Bonds"	the 8% unsecured convertible bonds due 2024 in principal amount of HK$154 million to be issued by the Company to the Subscriber pursuant to the CB Subscription Agreement
"Cooperation Agreement"	the cooperation agreement entered into among GRG Huscoke, Energy Technology and Jinyan Electricity on 26 March 2021
"Credit Reference Center"	Credit Reference Center of the People's Bank of China
"Credit Report"	the corporate credit report of GRG Huscoke obtained from the People's Bank of China (Xiaoyi Branch)
"Da Tong"	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
"Disposal"	the disposal of the Sale Shares and the Sale Loans as contemplated under the Disposal Agreement
"Disposal Agreement"	the conditional disposal agreement dated 26 July 2022 (as supplemented by the Supplemental Disposal Agreement on 7 September 2022) and entered into between the Vendor and Mr. Yang in respect of the Disposal
"Disposal Company"	Joy Wisdom International Limited, a company established in the British Virgin Islands with limited liability
"Disposal Group"	the Disposal Company and its subsidiaries
"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
"Enlarged Group"	the Group as enlarged by the New Group upon Transaction Completion
"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
"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
"Hua Xia Bank"	Hua Xia Bank Co., Limited
"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 loans (including the Possible Loan, the Loans, and the Contingent Liabilities) that were unauthorised and inappropriately conducted by, among others, Jinyan Electricity and the then management of GRG Huscoke, and were not booked in the financial statements of the Group since July 2012
"Independent Board Committee"	the independent board committee of the Company, comprising all the independent non-executive Directors, namely Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Dr. Wang Wei Hsin, established to make recommendation to the Independent Shareholders regarding the Disposal Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "SBI China"	SBI China Capital Hong Kong Securities Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Disposal Agreement and the transactions contemplated thereunder
"Independent Investigation Committee"	the independent investigation committee of the Company, comprising all the independent non-executive Directors, namely Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Dr. Wang Wei Hsin, established to verify and resolve the issues in relation to the Incident
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
"Independent Shareholder(s)"	the Shareholder(s) who do not have a material interest in the Disposal Agreement and the transactions contemplated thereunder
"Investigations"	the investigation and the supplemental investigation conducted by Da Tong in relation to the Incident
"Investigation Reports"	the investigation report dated 17 January 2022 and the supplemental investigation report dated 20 May 2022 reported by Da Tong to the Independent Investigation Committee in relation to the Investigations

"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
"Land"	the land where the Target Assets are built on
"Latest Practicable Date"	26 September 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loans"	the outstanding bank loans of GRG Huscoke
"Minsheng Bank"	China Minsheng Banking Corp., Ltd. Lüliang Branch
"Mr. Yang"	Mr. Yang Ge* (楊戈), the purchaser under the Disposal Agreement and is nominally regarded as the director and legal representative of GRG Husocke as at the Latest Practicable Date
"Mr. Zhao"	Mr. Zhao Xu Guang, an executive Director, the chairman and chief executive officer of the Company
"New Group"	the New Subsidiary and its subsidiaries
"New Subsidiary"	Shanxi Huscoke International Energy Co., Ltd* (山西和嘉國際能源有限公司), a wholly-owned subsidiary of the Company established on 11 May 2022 in the PRC for the purposes of, among others, to control the Target Subsidiary upon Transaction Completion
"Offer Share(s)"	up to 574,142,698 new Share(s) proposed to be issued by way of Open Offer

"Open Offer"	the proposed issue of the Offer Shares by way of open offer at HK$0.212 to be made by the Company on the basis of two (2) Offer Shares for every one (1) existing Share held on the record date
"Outstanding Balance"	the outstanding balance payable by the New Subsidiary to GRG Huscoke, which has the same amount as the Total Receivables
"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 circular, excludes Hong Kong, the Special Administrative Region of Macau and Taiwan
"PRC Legal Opinion"	the legal opinion on the Incident provided by Da Tong pursuant to the laws of the PRC
"Project"	5 million tons of coking and supportive production project
"Restructured Group"	the Group upon Completions, being the Group including the New Group but excluding the Disposal Group
"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
"Sale Loans"	the net amount of the loans owed by the Disposal Company to the Company
"Sale Shares"	the entire equity interest of the Disposal Company
"Self-Investigation"	the self-investigation conducted by GRG Huscoke on, among other matters, its involvement in the Incident

"SGM"	the special general meeting of the Company to be convened for the purpose of, among other things, considering and approving, if thought fit, (i) the transactions contemplated under the Cooperation Agreement and the Agreement; and (ii) the transactions contemplated under the Disposal 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)
"Shun Wang"	Shun Wang Investments Limited, a company incorporated in the British Virgin Islands and the controlling Shareholder as at the Latest Practicable Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Wahen Investments Limited, a company incorporated in the British Virgin Islands and directly wholly-owned by Mr. Zhao, being the subscriber of the Convertible Bonds
"Supplemental Agreement"	the supplemental agreement dated 14 April 2022 entered into among GRG Huscoke, Energy Technology, Jinyan Electricity, the Company and ILNG to clarify that the Agreement was in continuation of the stance underlying the Cooperation Agreement
"Supplemental Disposal Agreement"	the supplemental agreement dated 7 September 2022 entered into between the Vendor and Mr. Yang to supplement the terms of the Disposal Agreement
"Target Assets"	Coking Furnace A and Coking Furnace B
"Target Subsidiary"	Shanxi Jinyan Energy Jiarun Co., Ltd*（山西金岩能源嘉潤有限責任公司）, a subsidiary established on 23 August 2022 with the Target Assets as capital contribution by Energy Technology to engage in operation of the Target Assets
"Total Receivables"	the total receivables owed by Energy Technology and Jinyan Electricity and its related parties to GRG Huscoke

"Transaction Completion"	the completion of the transactions contemplated under the Cooperation Agreement and the Agreement
"Valuation Report"	the valuation report dated 28 September 2022 prepared by the Valuer for the valuation of the Target Assets
"Valuer"	Ascent Partners Valuation Service Limited, an independent valuer
"Vendor"	Rich Key Enterprises Limited, a company established in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company
"VSD Long Stop Date"	being 28 January 2023
"VST Long Stop Date"	being 31 December 2022
"Waive"	the waive of the Outstanding Balance to the amount of RMB60,000,000
"Waive Agreement"	the waive agreement dated 26 July 2022 entered into between the New Subsidiary and GRG Huscoke in respect of the Waive
"Zhonghui Anda"	Zhonghui Anda CPA Limited, the auditor of the Company
"%"	per-cent

* *All of the English titles or names of the PRC entities, as well as certain items contained in this circular have been included for identification purpose only and may not necessarily be the official English translations of the corresponding Chinese titles or names. If there is any inconsistency between the English translations and the Chinese titles or names, the Chinese titles or names shall prevail.*

HUSCOKE HOLDINGS LIMITED
和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

Executive Directors
Mr. Zhao Xu Guang *(Chairman and Chief Executive Officer)*
Mr. Wang Yijun

Non-executive Directors
Mr. Wong Siu Hung, Patrick
Mr. Huang Man Yem
Mr. Jiang Jiansheng
Mr. Tang Ching Fai

Independent non-executive Directors
Mr. Lam Hoy Lee, Laurie
Mr. To Wing Tim, Paddy
Dr. Wang Wei Hsin

Registered Office
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10, Bermuda

Principal Office
Room 2301, 23/F
Tower One, Lippo Centre
89 Queensway, Admiralty,
Hong Kong

28 September 2022

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL TRANSACTION
IN RELATION TO ENTERING INTO OF THE AGREEMENT;
(2) VERY SUBSTANTIAL DISPOSAL AND CONNECTED
TRANSACTION IN RELATION TO THE DISPOSAL OF EQUITY
INTEREST IN THE DISPOSAL COMPANY;
AND
(3) NOTICE OF SGM**

I. INTRODUCTION

References were made to the Announcements.

The purpose of this circular is to provide you with, among other things, (i) further details of the transactions contemplated under the Cooperation Agreement, the Agreement and the Disposal Agreement; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the transactions contemplated under the Disposal Agreement; (iii) the letter of advice from the Independent Financial Adviser; and (iv) the notice of SGM and other information as required under the Listing Rules.

II. BACKGROUND

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; and (iii) processing of refined coal into coke for sale, and sale of coke by-products of coke production. The Group has organised into the following operating segments:

Coke trading	purchases and sales of coke and coal.
Coal-related ancillary	washing of raw coal into refined coal for sale and for further processing, and sale of electricity and heat.
Coke production	processing of refined coal into coke for sales, and sale of coke by-products that are generated during coke production.

A. The shut-down and the Cooperation Agreement

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

On 9 December 2020, GRG Huscoke received a notification from the government authority of Xiaoyi city, that the 4.3-meter coking furnace of GRG Huscoke would have to 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 its 4.3-meter coking furnace can continue to produce coking furnace coal gas for generating electricity and heating purposes for domestic consumption of Xiaoyi city, until the completion of the laying and installation of the gas pipe network in Xiaoyi city, which was expected to be completed 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 its 4.3-meter coking furnace must initiate 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 its 4.3-meter coking furnace. After shutting down the 4.3-meter coking furnace of GRG Huscoke in October 2021 and prior to the Transaction Completion, without the Target Assets, the Group has no other coking furnace in operation and as at the Latest Practicable Date, the operation of the Group's coke production segment was ceased.

On 10 June 2022, GRG Huscoke received a notification from the government authority of Xiaoyi city that GRG Huscoke would cease to undertake heating services to the city from 2022 to 2023. Therefore, the existing heating and electricity plant of GRG Huscoke needs to be shut down and removed and the operation of Group's coal ancillary segment was ceased.

The Cooperation Agreement was entered on 26 March 2021 among GRG Huscoke, Energy Technology and Jinyan Electricity for the purposes of, among other matters, entrusting Energy Technology for the construction of a coking furnace with a total estimated investment of RMB600,000,000 that would allow the Group to resume its principal businesses and safeguard both the Company's and the Shareholders' interests as a whole. As at the Latest Practicable Date, 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 transactions contemplated under the Cooperation Agreement will continue and are 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. Discovery of the Incident

On 23 April 2021, it was brought to the attention of the Board from the public information of Taiyuan public resources auction center that GRG Huscoke was suspected to be involved in the Possible Loan.

Having considered that the Possible Loan has never been recorded in the Group's consolidated financial accounts, the Directors promptly reported and formed the Independent Investigation Committee to verify and investigate such loan which ultimately led to the discovery of the Incident. The Independent Investigation Committee had then appointed Da Tong in July 2021 to conduct the Investigations. Additionally, the Board had requested Zhonghui Anda to finish the Company's fiscal years 2020 and 2021 audit. The Board expected Zhonghui Anda, through its independent audit procedure, to verify the impacts caused by the Incident, including the Possible Loan, the Loans and the Contingent Liability on the Group and to adjust the Group's financial statements accordingly.

Since the discovery of the Incident, the Board has been taking corresponding actions to resolve the Incident and to fulfill the Resumption Guidance, including but not limited to,

(i) demanding GRG Huscoke to conduct the Self-Investigation in respect of the Incident, the report of which had been completed on 28 May 2021;

(ii) forming an Independent Investigation Committee to conduct further investigation after assessing the Self-Investigation report;

(iii) assessing the impact of the Incident;

(iv) announcing all the relevant material information of the Investigations from time to time to the market and the Shareholders; and

(v) putting in place remedial and compensation actions to the Incident after careful negotiations and discussions with the parties involved in the Incident and the professional parties engaged by the Company.

C. The Investigations

On 17 January 2022 and 20 May 2022, Da Tong had submitted the Investigation Reports respectively, which sets out the results of the Investigations as summarised below in this section.

The Company was given to understand that Da Tong does not have the statutory force to conduct the Investigations compulsorily, and that the opposing parties have been reluctant to cooperate and provide the information as requested. Da Tong with its power permitted under the PRC law conducted the Investigations through, (i) interviews with the respective directors, senior management and staffs of the Company, GRG Huscoke and Jinyan Electricity; (ii) verified information and documents available and/or provided by relevant banks, Credit Reference Center for obtaining the Credit Report, GRG Huscoke and the Self-Investigation, previous auditors of the Group and public information platforms; (iii) on-site investigation in GRG Huscoke; and (iv) searching and reviewing the relevant contracts, verdicts and documents in relation to the Incident.

Based on facts and findings on the Investigations, GRG Huscoke and Jinyan Electricity confessed during interviews with Da Tong and admitted in writing that since 2012, Jinyan Electricity (9% minority shareholder of GRG Huscoke) had conspired with the 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 (including the Possible Loan, the Loans and the Contingent Liability) without authorization, directly or indirectly used for the construction of the Project, and that such loans were not booked in the financial statements of the Group. Since the loans in the Incident had expired in succession, in the absence of acknowledgement and approval by the Board, GRG Huscoke continued to conceal and hide the Incident from the Group, ignore the formal approval process of the Group and repeatedly renewed the loans to repay the principal of the initial loans in the Incident. The existing Board and senior management of the Company were not aware of, nor participated in or authorised the approval of, the Incident. Jinyan Electricity, as the wrongdoer of the Incident, has expressed its entreaty and agreed to make necessary efforts to actively remedy and compensate the Company. Energy Technology, as a subsidiary of ILNG, 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 that will be elaborated in details in sections below of this circular.

Mr. Yang, the then director of GRG Huscoke, also confessed to Da Tong that the then directors and management of GRG Huscoke had been able to conceal the approval of the relevant resolutions in respect of the bank loans from Mr. Wong Siu Hung, Patrick, being one of the three directors of GRG Huscoke and a non-executive Director as it only requires two-third of the signatures of directors of GRG Huscoke for the approval of resolutions. All the loan contracts were signed by Mr. Yang, Wu Jixian* (吳際賢) and Lei Zhiyuan* (雷志遠), who were either a director or a financial staff of GRG Huscoke at the material time, respectively. The Investigation Reports also reported that Da Tong has not discovered any information and documents in relation to the authorization from the Group to approve the Incident made by GRG Huscoke, nor discovered any relevant documents in respect of the Incident from the Group to authorize or approve the Incident made by GRG Huscoke, and that no relevant documents were found in relation to the Incident from GRG Huscoke to be reported to the Group.

Da Tong mentioned in the Investigation Reports that upon conducting a telephone enquiry with the Bureau of Administration for Commerce and Industries of the Shanxi Province, it was given to understand that GRG Huscoke was restricted to change the business registration and to replace the chairman and legal representative of GRG Huscoke under the legal enforcement by the court. As a result, the Board suspended Mr. Yang from performing any duties and responsibilities in GRG Huscoke since 22 December 2021, except for specific authorization by the Company under special circumstance. Given that the duties of Mr. Yang 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.

As such, having considered that (i) no sign or record in respect of the loans involved in the Incident was shown in the previous audit reports of the Company or being found by the previous auditors during their previous audit procedures; (ii) the Incident was intentionally hidden from the Directors by the then management of GRG Huscoke by the way of undermining the regular corporate governance structure and bypassing the regular internal control procedures of the Group; and (iii) based on the Investigation Reports, Da Tong did not discover any information or documents in relation to the authorization from the Group to approve the Incident made by GRG Huscoke, nor discovered any relevant documents in respect of the Incident from the Group to authorize or approve the Incident made by GRG Huscoke, and that no relevant documents were found in relation to the Incident from GRG Huscoke to be reported to the Group, the Directors are of the view that the Incident was beyond the control of the Directors and the inability to discover or identify the Incident was due to reasons other than the negligence of the Directors' duties and insufficiency of the Directors' competency.

D. Remedial actions

Da Tong has issued the PRC Legal Opinion together with the Investigations Reports and suggested to the Board and the Independent Investigation Committee the followings:

(i) Legal actions could be considered to take against the responsible party, including potential civil liability and suspected criminal responsibilities, if the party and its liabilities could be clarified through further verification of the evidence and facts;

(ii) The Company could comprehensively consider the loss, and could negotiate remedial measures and compensation plans with GRG Huscoke, Jinyan Electricity and relevant responsible parties;

(iii) The Company could comprehensively consider the cost-effectiveness of remedial measures, compensation plans and legal actions; and

(iv) The Company could reserve all the rights to take legal actions against relevant responsible parties.

The Company was further advised by Da Tong that conducting further investigation by law enforcement authorities and taking criminal legal actions against the relevant parties, namely Jinyan Electricity and relevant personnel of GRG Huscoke would usually take at least two years. The Directors consider that opting for the criminal legal approach would eliminate the possibility of any negotiation between the Company and relevant parties in respect of any settlement arrangement for the Incident.

Alternatively, the Independent Investigation Committee understood from Da Tong that since the Incident did not cause any offense on national public power, it is permitted under the PRC law for the Company to reach a civil settlement arrangement with the relevant parties involved in the Incident without reporting the Incident as a crime case to legal authorities. The Investigation Reports enabled the Independent Investigation Committee to (i) conclude the basic facts and the legal nature of the Incident; (ii) determined the total amount involved in the Incident; and (iii) assess the impact on the Company's business operation and financial position, and provide sufficient material information and basis for the Company to assess possible settlement arrangement in favour of the Company and the Shareholders as a whole.

In light of the above and having considered the 18-month time frame for the fulfillment of all the Resumption Guidance for resumption of trading of the Shares, the Board and the Independent Investigation Committee consider that it is in the interests of the Company and the Shareholders as a whole for the Company to explore and put in place remedy and compensation actions relating to the Incident as follows:

(i) Entering into the Agreement

In continuation of the substance underlying the Cooperation Agreement and as part of the remedy and compensation actions set out in favour of the Group as a result of the Incident, on 15 March 2022, after trading hours, the Company, GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG have entered into the Agreement pursuant to which (i) Energy Technology will transfer 90% equity interests in the Target Subsidiary which holds the Target Assets to the New Subsidiary, i.e. the Assets Transfer; and (ii) the Total Receivables owed by Energy Technology and Jinyan Electricity to GRG Huscoke will be offset. There will be no cash inflow of the Group for the abovementioned compensation. Further details of the Agreement and the transaction contemplated thereunder are set out in the section headed "III. SUMMARY OF THE AGREEMENT" in this letter.

(ii) Entering into the Disposal Agreement to dispose the Disposal Group and carve out GRG Huscoke from the Group, while reserving all the rights to take legal actions against relevant responsible parties

As an extension of the remedy plan for the Incident and in order to resolve the adverse impact arisen from the Incident from the Group, facilitate the Group's operation and to further strive for the interest of the Company and the Shareholders as a whole, on 26 July 2022, after trading hours, the Company and Mr. Yang have entered into the Disposal Agreement to dispose of the Disposal Group and carve out GRG Huscoke, being one of the entities involved in the Incident. Aside from GRG Huscoke, other main entities involved in the Incident include Jinyan Electricity and Jianeng Coal Chemical.

With reference to the remedy and compensation arrangement in respect of the Agreement as set out in the above, since the New Subsidiary will receive the equity interests in the Target Subsidiary at the expense of offsetting the Total Receivables payable from Energy Technology to GRG Huscoke, the abovementioned transactions will incidentally result in the Outstanding Balance payable by the New Subsidiary to GRG Huscoke in the same amount as the Total Receivables. To facilitate the Disposal, on 26 July 2022, after trading hours, the New Subsidiary and GRG Huscoke entered into the Waive Agreement in respect of the Waive in the interest of the Company and the Shareholders as a whole.

Further details of the Disposal Agreement and the Waive Agreement are set out in the section headed "IV. SUMMARY OF THE DISPOSAL AGREEMENT" in this letter.

E. Liabilities arisen from the Incident

As at 31 July 2022, the total liabilities arisen from the Incident comprise the outstanding balance of the Possible Loan borrowed by GRG Huscoke in the amount of RMB311,239,312, the Loans borrowed by GRG Huscoke with accrued interests in the amount of RMB368,643,472 and the Contingent Liabilities, being the recognised part of the Contingent Liabilities at the fair value at the date of providing the guarantee originates from accounting treatment, undertaken by GRG Huscoke in the amount of RMB70,446,967.

The Possible Loan

On 15 October 2014, GRG Huscoke had the first credit transaction with Lüliang Rural Credit Union*（呂梁市農村信用合作社聯合社）in respect of the Possible Loan which was not recorded or booked in the financial statement of the Group at the same time. The aggregate principal amount of the Possible Loan was RMB122,500,000 and the borrowing period was from 20 April 2015 to 18 April 2016. Subsequently, on 29 December 2020, Lüliang Rural Credit Union*（呂梁市農村信用合作社聯合社）disposed the Possible Loan as a non-performing asset to Cinda Shanxi.

On 6 January 2021, Cinda Shanxi entrusted Taiyuan Public Resources Auction Center to conduct an auction of the debt of the Possible Loan as a non-performing asset. On 11 January 2021, the Possible Loan was successfully purchased by Shanxi Zhengbenyuan in its bidding at the consideration of RMB25,500,000. On 15 March 2022, GRG Huscoke, as the purchaser, has reached an agreement with Shanxi Zhengbenyuan, as the vendor, to purchase the debt of the Possible Loan at the consideration of RMB25,500,000, being the same bidding consideration paid by Shanxi Zhengbenyuan in purchasing the debt of the Possible Loan. 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. Immediately after such payment, GRG Huscoke will be released from the obligation from the Possible Loan. As at 31 July 2022, the Possible Loan borrowed by GRG Huscoke was in the amount of RMB311,239,312.

As at the Latest Practicable Date, GRG Huscoke has not settled the consideration of the Possible Loan in the amount of RMB25,500,000.

The Loans

GRG Huscoke had (i) the first loan transaction with the Hua Xia Bank on 27 June 2012 and the first unrecorded borrowing occurred on 17 September 2013; and (ii) the first loan transaction with Minsheng Bank on 27 May 2011 and the first unrecorded borrowing occurred on 15 October 2012. As at 31 July 2022, the Loans with accrued interests amounted to RMB368,643,472, comprising the Loans with accrued interests from Minsheng Bank of RMB134,558,363 and Loans with accrued interests from Hua Xia Bank of RMB234,085,109.

The outstanding bank Loans from Minsheng Bank have been treated as a non-performing asset and are being auctioned. Jinyan Electricity is participating in the bidding process of the auction and is expected to purchase the Loans from Minsheng Bank at the consideration of approximately RMB35,000,000. GRG Huscoke will settle it with Jinyan Electricity at the same bidding consideration paid by Jinyan Electricity, being the same settlement method of the Possible Loan as mentioned in the above.

GRG Huscoke is in negotiation with Hua Xia Bank and Energy Technology in respect of the loan assignment of the Loans from Hua Xia Bank, upon which the legal borrower position of GRG Huscoke will be assigned to Energy Technology and GRG Huscoke will be released from the obligation from the Loans from Hua Xia Bank.

Contingent Liabilities

The guarantees provided by GRG Huscoke are as follows:

Debtor	**Credit Granting Institution**	**Guarantee Amount** *(RMB)*	**Opening Date**	**Maturity Date**	**Ending Date of Ongoing Guarantee Period**
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	24 May 2025
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	repaid by debtor
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 *(note)*	30 October 2020	11 October 2021	repaid by debtor
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 *(note)*	30 October 2020	11 October 2021	repaid by debtor

Note: According to Da Tong, these guarantees provided by GRG Huscoke had been expired and so they were removed from the Credit Report.

As at 31 July 2022, the Contingent Liabilities, being the recognised part of the Contingent Liabilities at the fair value at the date of providing the guarantee originates from accounting treatment, undertaken by GRG Huscoke is RMB70,446,967. None of the Contingent Liabilities have been materialised as at the Latest Practicable Date.

III. SUMMARY OF THE AGREEMENT

In continuation of the substance underlying the Cooperation Agreement and as part of the remedy and compensation action set out in favour of the Group as a result of the Incident, on 15 March 2022, after trading hours, the Company, GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG have entered into the Agreement pursuant to which (i) Energy Technology is obligated to bear all the investment and construction costs of the Target Assets and will unconditionally transfer 90% equity interests in the Target Subsidiary which holds the Target Assets to the New Subsidiary, i.e. the Assets Transfer; and (ii) the Total Receivables owed by Energy Technology and Jinyan Electricity to GRG Huscoke will be offset. There will be no cash inflow of the Group for the abovementioned compensation.

Date 15 March 2022

Parties
(i) GRG Huscoke;
(ii) Energy Technology;
(iii) Jinyan Electricity;
(iv) the Company; and
(v) ILNG

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.

Further details regarding the information of the parties to the Agreement is set out in the section headed "VII. INFORMATION OF THE PARTIES TO THE AGREEMENT AND THE DISPOSAL AGREEMENT" in this letter.

Compensation arrangement

The consideration of the compensation of the Incident to the Company was determined after arms' length negotiations between the Company, GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG with reference to the total amount of the Total Receivables, which will be principally off-set and settled by transferring 90% of the equity interests of the Target Subsidiary (which holds the Target Assets) from Energy Technology to the New Subsidiary.

Basis of the compensation arrangement

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. As at 31 July 2022, the total liabilities with the accrued interests arisen from the Incident amounted to RMB679,882,784 and the Contingent Liabilities undertaken by GRG Huscoke amounted to RMB70,446,967.

Pursuant to the Debt Transfer Agreement, Energy Technology agrees to undertake all the current accounts and interests payable owed by Jinyan Electricity and its related parties to GRG Huscoke. As at 31 July 2022, the Total Receivables amounted to RMB1,370,479,341, comprising (i) the receivables owed by Energy Technology to GRG Huscoke in the amount of RMB40,822,750; (ii) the receivables owed by Jinyan Electricity and its related parties to GRG Huscoke in the amount of RMB649,773,811; and (iii) recognised liabilities arising from the Incident, being the Possible Loan and the Loans in the total amount of RMB679,882,784. As at the Latest Practicable Date, none of the Contingent Liabilities has been materialised and the Total Receivables does not include any Contingent Liabilities. Under the circumstances that should the Contingent Liabilities have been materialised and are to be recognised, Energy Technology and Jinyan Electricity will be obligated to compensate the Contingent Liabilities to GRG Huscoke by way of increasing the Total Receivables in the same amount as the materialised and/or recognised Contingent Liabilities.

Pursuant to the Agreement, after arm's length negotiations between the Company and Energy Technology, the Company will have 90% equity interests in the Target Subsidiary (which holds the Target Assets) and as Energy Technology possesses the necessary government licenses and public auxiliary facilities 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 which allows the Target Assets to operate, it will hold the remaining equity interests of the Target Subsidiary as a minority shareholder. The Land, where the Target Assets are built on is owned by Xinweitun Village Committee in Xiaoyi City in Shanxi Province* (山西省孝義市新尉屯村委會). Energy Technology, the main operator of the Project on the Land, had obtained the permission and operation rights to operate coke furnaces on the Land from Xinweitun Village Committee in Xiaoyi City in Shanxi Province. Upon Asset Transfer, the right of use of the Land to operate, among other things, the Target Assets will also be shared by the Target Subsidiary, and accordingly, an annual renting cost of RMB81,900 will be responsible to be paid by the Target Subsidiary to Energy Technology for the right to operate the Target Assets on the Land up to 31 March 2041. Correspondingly, the right in use of the public auxiliary facilities built on the Land in respect of the Project as mentioned in the section headed "Summary of the Target Assets" below will be shared by the Target Assets with Energy Technology. Upon Asset Transfer, since there are no other costs associated with the using the public auxiliary facilities and the relevant government licenses required to be paid by Energy Technology to the owner of the Land, Energy Technology has agreed and is obligated under the Agreement to grant the Company the right of use of the public auxiliary facilities at no charge within the useful life of the equipment (i.e. around 30 years). The relevant government licenses possessed by Energy Technology for the operation of the Target Assets include construction permit, environmental evaluation, safety production evaluation and pollutant discharge permit. Save for the pollutant discharged permit which needs to be renewed in 2025, all of the abovementioned licenses had no expiry date. According to the terms of the Agreement, as part of the compensation arrangement to the Group, Energy Technology is obligated under the Agreement to ensure that the Group will be able to operate the Target Assets with all the necessary licenses and approvals, and the Company will not bear any cost for the renewal of any of the licenses. The Company and Energy

Technology will also enter into a shareholder agreement upon Transaction Completion, pursuant to which the Energy Technology, as a 10% minority shareholder of the Target Subsidiary, will ensure to provide all the necessary licenses and approvals for the operation of the Target Subsidiary. Energy Technology will be treated as breaching of the Agreement and the shareholder agreement should the operation of the Target Assets and/or the Target Subsidiary were to be affected by, *inter alia*, using rights of the Land, the public auxiliary facilities and the relevant operating licenses, and the Group will take appropriate actions towards Energy Technology as and if necessary.

Save for the above, the Group's operation in the Target Subsidiary will be independent from Energy Technology. The Company and Energy Technology have verbally agreed to enter into a shareholder agreement upon Transaction Completion (such that the New Subsidiary will have become the controlling shareholder of the Target Subsidiary) to forfeit the rights of Energy Technology to nominate member to the board (and the voting rights) and senior management of the Target Subsidiary such that all the directors of the Target Subsidiary will solely be appointed by the Company.

Pursuant to the Agreement, in the event that the value of the New Subsidiary's interest in the Target Subsidiary 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 unlikely event that the value of the New Subsidiary's interest in the Target Subsidiary is less than the amount of the Total Receivables, Energy Technology and Jinyan Electricity is obligated to negotiate with the Company other compensation proposals to make up such difference and to compensate the Company and GRG Huscoke. As set out in Appendix IV of this circular, the appraised value of the Target Assets was approximately RMB1,686,163,640 as at 31 July 2022. The value of the 90% equity interests in the Target Subsidiary represents a premium of approximately RMB147,343,129 over the amount of the Total Receivables as at 31 July 2022. The said premium will be treated as unconditional compensation of the Incident to the Company and GRG Huscoke. Having considered that (i) 90% of the equity interests in the Target Subsidiary represents a premium over the total of the Total Receivables as at 31 July 2022; (ii) if otherwise, the Group would be compensated as described in the above, the Board is of the view that the compensation arrangement is fair, reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Transaction Completion is conditional upon the satisfaction of the following conditions precedent:

(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 such as subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; 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.

As at the Latest Practicable Date, none of the conditions has been fulfilled or waived.

Save for condition (iii) that 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 VST Long Stop Date (i.e. 31 December 2022), the Company and/or GRG Huscoke may request to extend the VST Long Stop Date for 6 months (i.e. to 30 June 2023). The Company has received indication from Shun Wang, being the controlling Shareholder, that it will vote for the resolutions in respect of the entering into of the Agreement. Therefore, the Directors are certain that the Company will be able to obtain Shareholders' approval in respect of the entering into the Agreement.

Given that Shun Wang, being the controlling Shareholder has indicated that it will vote for the resolutions in respect of the entering into of the Agreement, in the unlikely event that the resolutions in relation to the entering into of the Agreement being voted down at the SGM, the Group will not proceed with the transactions contemplated under the Agreement and the Company may not be able to satisfy the Resumption Guidance which could result in the Shares being delisted by the Stock Exchange.

Energy Technology has unconditionally agreed to hand over the ownership of the Target Assets to the Group in view of (i) the sizable amount involved in the Incident; (ii) the severity of the financial impact imposed on to the Group; and (iii) the Group to not opting for taking any criminal legal actions. Accordingly, should the conditions precedent set out in the Agreement could not be satisfied or waived (as the case may be) on or before 30 June 2023, especially in the situation that the Shares being delisted by the stock Exchange (other than the voting down by the shareholder), the Company may request Energy Technology by way of a notice to proceed and transfer the ownership of the Target Assets under the name of the Target Subsidiary within 15 days of the date of the notice.

Information of the New Subsidiary

The New Subsidiary is a company incorporated in the PRC with limited liabilities and is wholly-owned by the Company. The New Subsidiary is principally engaged in the sales of coke, coal-related products and chemical products.

Information of the Target Subsidiary

As at the Latest Practicable Date, the Target Subsidiary has been established for the purpose of holding the Target Assets. Upon Transaction Completion, 90% equity interests of the Target Subsidiary will be owned by the New Subsidiary. The Target Subsidiary is principally engaged in coke production and sales.

Financial information of the Target Subsidiary

Since the Target Subsidiary was established on 23 August 2022 and is pending for the construction of the Target Assets, the Target Subsidiary has not recorded any revenues, expenses, profits and losses for the period from the date of establishment to the Latest Practicable Date. The unaudited total assets and total liabilities of the Target Subsidiary as at the Latest Practicable Date were HK$Nil and HK$Nil respectively. The unaudited net asset of the Target Subsidiary as at the Latest Practicable Date was approximately HK$Nil.

More details of the financial information of the Target Subsidiary are set out in Appendix III to this circular.

Summary of the Target Assets

The Target Assets will be the principal assets of the Restructured Group. Summary of the principal assets are as follows:

Target Assets	**Coking Furnace A** 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) **Coking Furnace 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) **Shared rights in use of the public auxiliary facilities** (coal charging cars, pusher machines, coke transfer cars, wet quenching cars, crane systems for dry quenching and by-product recovery plants of coke furnace gas (COG) treatment)
Location	Xiaoyi city, Shanxi province, the PRC
Production	Aggregate annual production capacity being not less than 1,200,000 tons of coke

Due to the outbreak of COVID-19 pandemic across the PRC since the beginning of 2022, stricter preventive measures and containment measures has been implemented in the PRC, such as lockdown, traffic controls and restrictions of the people flow, resulting intermittent suspension of the construction and a logistic disruption of the machinery parts and construction materials of the Target Assets. Members of the Board and the senior management of the Company, namely Mr. Wang Yijun, Mr. Tang Ching Fai, Mr. Jiang Jiansheng, Mr. Chiu Chun Tak, whom are also the proposed directors and senior management of the Target Subsidiary, having complied with the local quarantining measures, have visited the construction site of the Target Assets periodically from March 2022 to August 2022. The Company has also conducted updates regularly with the management of Energy Technology to monitor the construction status of the Target Assets. The Board observed that COVID-19 pandemic has caused logistic disruptions of the machinery parts and construction materials of the Target Assets to be delivered to Energy Technology and the crowd management has notably decreased the total number of workers that are allowed to attend work or stay in the construction site during the same time as (i) they were unable to work and/or tested positive in nucleic acid test or had close contacts (such as sharing same working and resting area) to those who tested positive in nucleic acid tests and would have to quarantine away from the work site; or (ii) they returned to Shanxi province from other places in the PRC and would have to quarantine away from the work site.

The results of the above circumstances have disrupted and hold back the whole construction schedule and progress of the Target Assets. The Directors noted from their visit that, the constructions of the Target Assets are under the final stage of installation and acceptance work. As at the Latest Practicable Date, to the best of the estimation of the Company after having detailed discussions with Energy Technology, the constructions of the Target Assets are expected to be completed by late November 2022 (as shown in the expected timetable below) and the Target Subsidiary shall commence its operation immediately after the Transaction Completion through the Coking Furnace A and commence to heat up the Coking Furnace B to the designated temperature for coke production.

As at the Latest Practicable Date, save for the disruptions relating to the COVID-19 pandemic that might affect the schedule of the construction of the Target Assets, the Board does not foresee other factors that could potentially cause Energy Technology to be unable to complete the construction of the Target Assets. Given the current expected completion date is around two months away, the Board expected that (i) the time and arrangement to negotiate, conclude and implement an effective transitional arrangement with Energy Technology, under the current pandemic related measures may not be cost-effective; and (ii) should there be any agreed transitional period that allows the Target Subsidiary to temporarily resume its operation, without the legal ownership of the coking furnaces, i.e. the Target Assets, there might be potential disputes and legal risks if the Company insisted to enter into legal-binding contracts or agreement with customers in respect of the sales of coke when the production capacity of the Group has not been ensured and the legal obligation of the Group cannot be fulfilled. In addition, according to the market practices, the Group does not have a suitable entity for entering into any contracts and agreements before having an existing production capacity. Therefore, no transitional arrangement has been agreed or arranged between the Company and Energy Technology.

As at the Latest Practicable Date, the Coking Furnace A has been constructed and is currently undergoing the heating process. The Coking Furnace B's main body has been formed and its completion is pending on the delivery and installment of certain iron component parts, such as, furnace armor, door and switches, that may take up to two months to install and the placement of the flue pipe and flue bricks in the furnace that takes approximately 20 days to complete. After the above said installations, the construction of the Coking Furnace B will be completed and will begin the heating process which takes around one to two months to reach full capacity operation. It is expected that immediately after the obtaining of the Target Assets, the Target Subsidiary will commence its operation through the Target Asset A and will gradually increase its production capacity along with the Coking Furnace B reaching its designated temperate. Set out below is the expected timetable and steps required in reaching the completion of the construction of the Coking Furnace B. Once the constructions of the Target Assets are completed, the Target Assets will be contributed in kind to the Target Subsidiary by Energy Technology and the legal titles of the Target Assets will be registered under the name of the Target Subsidiary as capital contribution with business registration documents at local Market Supervision and Administration (市場監督管理局).

Remaining steps	**Status**
Construction of the Coking Furnace A and commencement of the heating up of the Coking Furnace A	Completed
Construction of the main body of the Coking Furnace B	Completed
Receiving all the outstanding iron components and install the relevant iron components into the main body of the Coking Furnace B	before 30 September 2022
Commencement the placement of the flue bricks of the Coking Furnace B	before 30 September 2022
Completing the placement of the flue bricks of the Coking Furnace B	by 20 October 2022
Completing the installations of iron components of the Coking Furnace B	by 20 November 2022
Completing the set up and preparation of the public auxiliary facilities of the Target Assets (such as pusher machines, coal loaders, quenching car)	by 20 November 2022

Remaining steps	Status
Completion of the constructions of the Target Assets	by 20 November 2022
Company performs acceptance check on the Target Assets	by 30 November 2022
Completing the injection of the Target Assets into the Target Subsidiary	by 9 December 2022
Completing the share transfer of the Target Subsidiary	by 16 December 2022
Transaction Completion	16 December 2022
Commencing the operation of the Coking Furnace A and commencement of the heating up of the Coking Furnace B	Around 16 December 2022
Commence operation of the Coking Furnace B (earliest)	Around 16 February 2023

Transaction Completion and the Assets Transfer

The Asset Transfer shall 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) and will be performed under the New Subsidiary and the Target Subsidiary. The Transaction Completion will take place simultaneously upon the Asset Transfer having taken effect. The Company's interest in the Target Subsidiary will offset the Total Receivables and there is no cash inflow for the abovementioned compensation. Upon Transaction Completion, the Group will be able to resume its coke and coal related business operation through the Target Assets. The Target Assets allow the Group to meet the environmental standard of the PRC, improve the production quality of its coke products and double its production scale.

IV. SUMMARY OF THE DISPOSAL AGREEMENT

On 26 July 2022, after trading hours, the Vendor and Mr. Yang have entered into the Disposal Agreement, pursuant to which, among other matters, the Vendor conditionally agreed to sell and Mr. Yang conditionally agreed to acquire the Sale Shares, representing the entire equity interest of the Disposal Company, and the Sale Loans, representing the entire amount of the loan owed by the Disposal Company to the Company which amounted to HK$643,185,000 as at 30 June 2022, for a cash consideration of HK$1.

Date: 26 July 2022

Parties: (i) The Vendor, as the vendor; and

(ii) Mr. Yang, as the purchaser.

As at the Latest Practicable Date, Mr. Yang is still nominally regarded as a legal representative and the chairman of the board of GRG Huscoke and is a connected person of the Company.

Further details regarding the information of the parties to the Disposal Agreement is set out in the section headed "VII. INFORMATION OF THE PARTIES TO THE AGREEMENT AND THE DISPOSAL AGREEMENT" in this letter.

Assets to be disposed

The Sale Shares, representing the entire equity interest of the Disposal Company, and the Sale Loans, representing the net amount of shareholder loans owed by the Disposal Company to the Company which amounted to HK$642,852,705 as at 31 July 2022.

Consideration

The consideration for the Disposal is HK$1, which shall be payable by Mr. Yang to the Vendor.

Basis of consideration

The consideration for the Disposal was determined based on arm's length negotiations between the parties to the Disposal Agreement with reference to, including but not limited to, (i) the ceased operation of GRG Huscoke which is also one of the main entities involved in the Incident; (ii) the net liabilities of the Disposal Group of HK$733,481,761 as at 31 July 2022; (iii) the Sale Loans in the amount of HK$642,852,705 as at 31 July 2022; and (iv) the Waive as set out in the sub-section headed "The Waive Agreement" below. Having considered that above, the Board is of the view that the consideration of the Disposal is on normal commercial terms fair, reasonable and in the interests of the Company and the Shareholders as a whole.

The Waive Agreement

As mentioned in the above, pursuant to the Agreement, (i) Energy Technology will transfer 90% equity interests in the Target Subsidiary which holds the Target Assets to the New Subsidiary, i.e. the Assets Transfer; and (ii) the Total Receivables owed by Energy Technology and Jinyan Electricity to GRG Huscoke will be offset. Since the New Subsidiary will receive the equity interests in the Target Subsidiary at the expense of offsetting the Total Receivables payable to GRG Huscoke, the abovementioned transactions will incidentally result in the Outstanding Balance payable by the New Subsidiary to GRG Huscoke in the same amount as the Total Receivables.

To facilitate the Disposal and as an intergroup arrangement, on 26 July 2022, the New Subsidiary and GRG Huscoke entered into the Waive Agreement, pursuant to which GRG Huscoke will waive the New Subsidiary the Outstanding Balance to a remaining amount of RMB60,000,000, which was arrived at after arm's length negotiations and with reference to the expected amount required for the settlement of the Possible Loan and the Loans from Minsheng Bank by the Group through GRG Huscoke namely (i) the consideration of the Possible Loan in the amount of RMB25,500,000 agreed to be paid by GRG Huscoke for releasing its obligation from the Possible Loan; and (ii) the expected consideration in the amount of approximately RMB35,000,000 to be paid by GRG Huscoke for the settlement of the Loan from Minsheng Bank. The remaining amount of the Outstanding Balance of RMB60,000,000, which represents the amount for GRG Huscoke to settle the Possible Loan and the Loans, will be payable by the New Subsidiary to GRG Huscoke within 5 years after the Waive. In avoidance of doubt, (i) the Waive Agreement is not part of the Cooperation Agreement, the Agreement or the Disposal Agreement; and (ii) the remaining amount of the Outstanding Balance will be capped at RMB60,000,000, irrespective of any changes to be made in the amount of the Total Receivables, including but not limited to, the materialisation of any of the Contingent Liabilities in the future. After the Waive, GRG Huscoke will then settle the Possible Loan and the Loans and the Group will in exchange receive the Target Assets. Moreover, the Waive will facilitate the Disposal to carve out GRG Huscoke from the Group. In light of the abovementioned benefits to be received by the Group, in particular that the Waive will (i) significantly reduce the Outstanding Balance borne by the New Subsidiary from the Total Receivables in the amount of approximately RMB1,370 million to a reduced amount of RMB60 million; (ii) facilitate the transfer of the Target Assets to the New Subsidiary, which will then allow the Group to have material control of the Target Assets; (iii) facilitate the Disposal to carve out GRG Huscoke from the Group which will result in the removal of all the audit modifications relating to GRG Huscoke (as set out in paragraph headed "VIII. REASONS FOR AND BENEFITS OF THE ENTERING INTO THE AGREEMENT AND THE DISPOSAL AGREEMENT" in this letter, the Company is willing to bear RMB60,000,000 under the Waive Agreement), and therefore, the Board is of the view that the entering into the Waive Agreement is fair, reasonable and in the interests of the Company and the Shareholders as a whole.

The Waive is conditional upon the satisfaction of the following:

(i) the transactions contemplated under the Cooperation Agreement and the Agreement having completed; and

(ii) the Total Receivables owed by Energy Technology and Jinyan Electricity to GRG Huscoke having been set off.

None of the conditions above can be waived by the New Subsidiary or GRG Huscoke. As at the Last Practicable Date, none of the conditions above has been fulfilled.

Conditions precedent

The Disposal is conditional upon the satisfaction of the following:

(i) the passing of necessary resolution(s) by the Shareholders at the SGM approving the Disposal Agreement and the transactions contemplated thereunder;

(ii) the Company having complied with the requirements under the Listing Rules in respect of the transactions contemplated under the Disposal Agreement such as subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules;

(iii) the transactions contemplated under the Cooperation Agreement and the Agreement having completed; and

(iv) GRG Huscoke having completed the Waive.

None of the conditions above can be waived by the Purchaser or the Vendor. As at the Latest Practicable Date, none of the conditions above has been fulfilled. If the conditions are not fulfilled on or before the VSD Long Stop Date (or such later date as the parties may agree), the Disposal Agreement shall cease and terminate and thereafter neither party to the Disposal Agreement shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

The Company has also received indication from Shun Wang, being the controlling shareholder, that it will vote for the resolutions in respect of the entering into of the Disposal Agreement. Therefore, the Directors are certain that the Company will be able to obtain the Shareholders' approval in respect of the Disposal Agreement.

In avoidance of doubt, the Transaction Completion, the Waive and the Disposal are not inter-conditional but the completions of the Waive and the Disposal are subject to the Transaction Completion. As mentioned in the above, the completion of the Disposal is also subject to the completion of the Waive.

It should also be noted that none of the Transaction Completion, the Waive or the Disposal are dependent on or conditional upon Resumption.

Information on the Disposal Company

The Disposal Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Disposal Company is wholly-owned by the Vendor and is the legal and beneficial owner of 90% of the entire equity interests of the GRG Huscoke.

The unaudited consolidated financial information of the Disposal Group for the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 are as follows:

	For the years ended 31 December		For the six months ended 30 June
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue	1,176,982	866,602	15,662
Profit/(Loss) before taxation	(473,771)	9,663	(37,601)
Profit/(Loss) after taxation	(478,770)	(6)	(37,601)

The unaudited total assets and total liabilities of the Disposal Group as at 30 June 2022 were approximately HK$1,784 million and HK$2,524 million respectively, which has already taken into account the assets and liabilities relating to the Incident, namely the Total Receivables, the Possible Loan, the Loans and the Contingent Liabilities. The unaudited net liabilities of the Disposal Group as at 30 June 2022 was approximately HK$740.31 million.

The unaudited consolidated financial information of the Disposal Group was prepared by aggregating the results, assets and liabilities of the entities comprising the Disposal Group after eliminating transactions and balances between the entities comprising the Disposal Group.

More details of the financial information of the Disposal Group are set out in Appendix V to this circular.

Completion of the Disposal

The completion of the Disposal is expected to take place within 7 Business Days after the fulfillment (or waiver) of the conditions (or such later date as the parties to the Disposal Agreement may agree) mentioned above.

The net proceeds from the Disposal is intended to be used for the Group's general working capital.

Upon completion of the Disposal, members of the Disposal Group will cease to be subsidiaries of the Group and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

The Supplemental Disposal Agreement

On 7 September 2022, after trading hours, the Vendor and Mr. Yang have entered into the Supplemental Disposal Agreement pursuant to which the parties agreed to include additional terms to supplement the terms of the Disposal Agreement. Summary of the additional terms under the Supplemental Disposal Agreement are set out below:

(i) the parties shall proceed with the completion of the Disposal with reference to the consolidated financial accounts of the Disposal Group as at the date of the completion of the Disposal;

(ii) on the date of completion of the Disposal, the Vendor shall provide or facilitate the provision of the consolidated financial accounts of the Disposal Group as at the date of the completion of the Disposal to Mr. Yang;

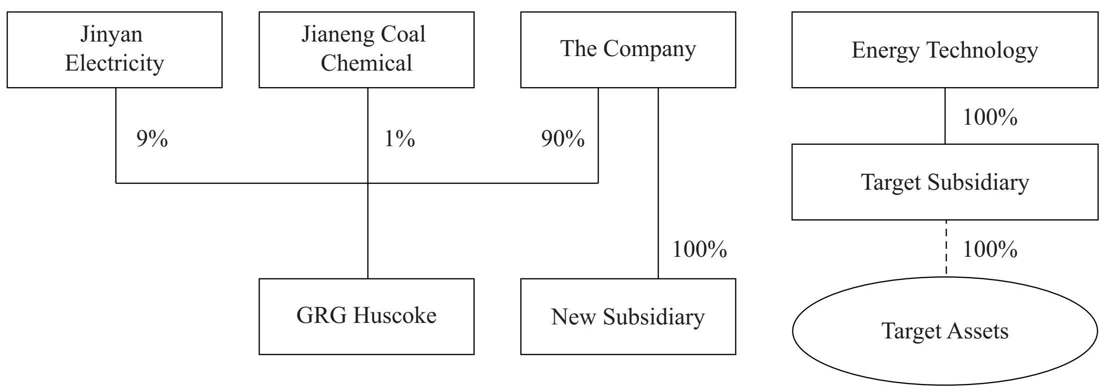
(iii) the Vendor shall undertake that the consolidated financial accounts of the Disposal as mentioned in (ii) above are true; and

(iv) Mr. Yang shall undertake that he shall accept all the profit or loss generated by the Disposal Group between 30 June 2022 and the date of completion of the Disposal, as reflected on the respective financial accounts of the Disposal Group as at 30 June 2022 and as at the date of completion of the Disposal respectively.

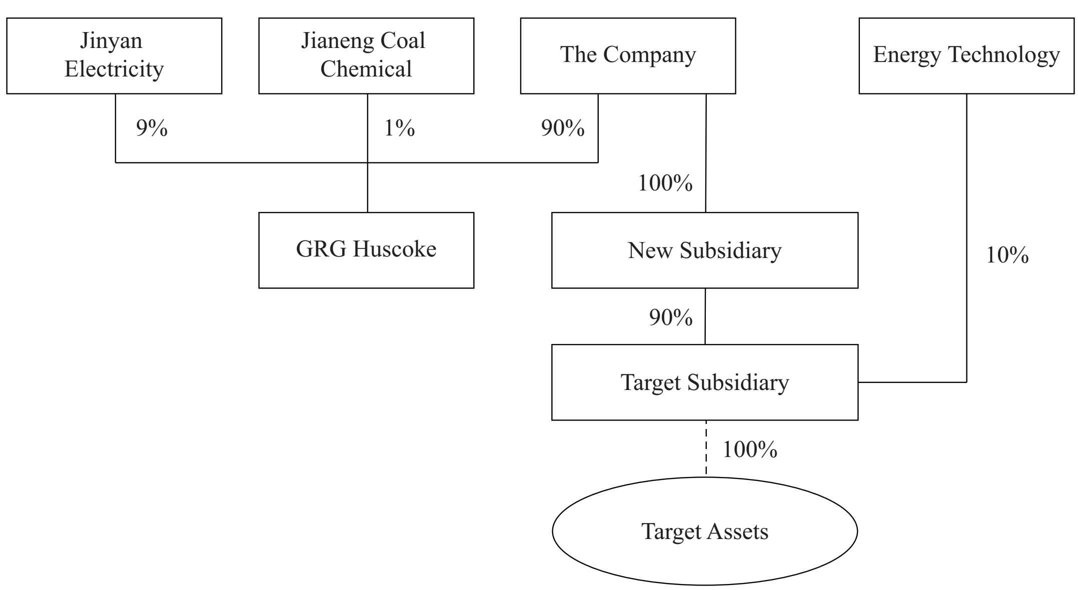
V. SIMPLIFIED CORPORATE STRUCTURES

The corporate structures of the Target Subsidiary with the Target Assets and the New Subsidiary (i) as at the Latest Practicable Date; (ii) after the Transaction Completion but before the completion of the Disposal; and (iii) after the Completions are set out below:

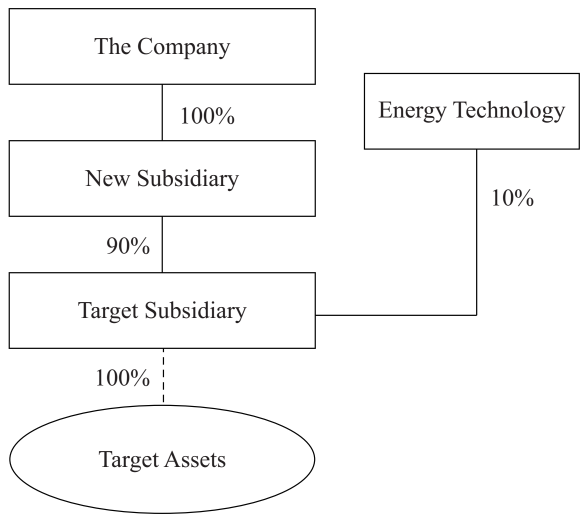
(i) As at the Latest Practicable Date (i.e. before the Transaction Completion and the completion of the Disposal)



(ii) After the Transaction Completion but before the completion of the Disposal



(iii) After the Completions



VI. BUSINESS MODEL OF THE RESTRUCTURED GROUP

Upon Completions, the Target Subsidiary will be controlled by the Restructured Group which is expected to continue its coke productions through the Target Assets with the same workforces to handle the general operations of the Target Assets as described in the sub-sections above. There will be no fundamental changes in the Restructured Group's principal business as compared to that of the Group and the business model of the Restructured Group will be as follows:

1) Purchase of raw materials and catalysts for coke production;

2) High temperature carbonization with the use of the coking furnaces and to refine coal into coke;

3) Finished coke products will be distributed and sold to the different steel companies; and

4) Other coke by-products such as tar oil, sulfuric acid, ammonium sulfate and crude benzene, etc. will be sold in the domestic market.

Having replacing and upgrading its coking furnaces with the Target Assets, the Restructured Group will expand and further develop the Group's existing businesses through the Target Assets and the maximum annual production capacity of the Restructured Group will increase from 600,000 tons of coke before operation was suspended to 1,200,000 tons of coke upon Transaction Completion. The Restructured Group will also upgrade standard of the coking furnaces from 4.3 meters height to 7.1 meters height which surpasses the current national standard of at least 6.0 meters and complies with the industrial and environmental requirement in the PRC. The finished products and by-products of the Restructured Group's coke production, with better grade and enhanced value, are targeted to be sold to the similar group of target customers (i.e. steel companies) as the Group.

The inventories, source of supply, suppliers and manpower required in operating the Target Assets will be principally retained from those in GRG Huscoke. As at the Latest Practicable Date, the New Subsidiary has retained around 250 employees from GRG Huscoke including production workers for coke furnace operation, procurement and sales teams and back office staff. The Company expects that current staff members of GRG Huscoke are sufficient for the operation of the Target Subsidiary and will recruit more staffs depending on the actual operation need.

The board and senior management of the Target Subsidiary

Upon Transaction Completion, the board of the Target Subsidiary will comprise three directors, of whom will be appointed by the Company. As at the Latest Practicable Date, a tentative management team has been formed for the operation of the Target Subsidiary and the operation of the Target Assets. Information of the members of the proposed directors and senior management of the Target Subsidiary is summarised as follows,

1. Mr. Tang Ching Fai ("Mr. Tang")

Mr. Tang is proposed to be appointed as the chairman of the board and the general manager of the Target Subsidiary. Mr. Tang has been also appointed as a non-executive Director since 6 April 2022. Mr. Tang is a management economist holding a Doctor of Economics from Graduate School of Chinese Academy of Social Sciences. He has been engaging in various industries with over 30 years of working experience in energy investment and equity management. He acts as the general manager of China Coal Holch Capital Management Co., Ltd.*(中煤厚持資本管理有限公司) since 2018. Mr. Tang was the head of the treasury department of China Rural Trust Development Corporation*(中國農村信託發展公司) from 1990 to 1994, and served as the vice president of Jinnuo Investment Co., Ltd.*(金諾投資有限公司) from 2001 to 2005. He was the strategic vice president of Alcatel China Co., Ltd.*(阿爾卡特中國有限公司) from 2005 to 2007, and served as the chairman of Tianjin Wanjing Hongcheng Real Estate Co., Ltd.*(天津萬景宏城置業有限公司) from 2007 to 2010. He was the chairman of Beijing Bajianfang Consulting Company*(北京八間房諮詢公司) from 2010 to 2015, and served as the deputy secretary general of China Association of Equity Investment Funds*(中國股權投資基金協會) from 2015 to 2018.

2. Mr. Jiang Jiansheng ("Mr. Jiang")

Mr. Jiang is proposed to be appointed as a director of the Target Subsidiary. Mr. Jiang has been appointed as a non-executive Director since 15 January 2020. Mr. Jiang has served as a senior consultant and general manager of Inner Mongolia Andeli Chemical Co., Ltd.*(內蒙古安德力化工有限公司) since 2018. Mr. Jiang respectively served as deputy general manager, chief engineer of the chemical sector, director of the coal-to-liquids project and senior consultant of Inner Mongolia Yitai Coal Oil Production Plant*(內蒙古伊泰煤制油廠). Mr. Jiang also served as chemical process design engineer and dean of the design and research institute of Yanchang

Petroleum Shaanxi Xingping Fertilizer Plant*（延長石油陝西興平化肥廠）(now known as Yanchang Petroleum Shaanxi Xinghua Group Company*（延長石油陝西興化集團公司）) from 1984 to 2005. Mr. Jiang was the chairman of the National Nitrogen Fertilizer Association, the chairman of Technical Committee of the National Chemical Synthetic Ammonia Design Technology Center Station, a member of a committee on standardization of Coal Fuel of National Energy Administration, a member of the professional committee on Coal Chemical Utilization of The Chemical Industry and Engineering Society of China, a member of Technical Committee of the National Gas Purification Information Centre, an expert of the Coal Chemical Industry Expertise Committee of China Petroleum and Chemical Industry Federation and evaluation expert of the China Development Bank, etc. Mr. Jiang holds a professional qualification of inorganic chemical engineering in chemical engineering and bachelor degree in engineering at Inner Mongolia University of Technology. Mr. Jiang is a senior engineer in professor-level and a registered chemist in chemical process design.

3. Mr. Wang Yijun ("Mr. Wang")

Mr. Wang is proposed to be appointed as a director of the Target Subsidiary. Mr. Wang has been appointed as an executive Director since 10 July 2019. Mr. Wang has over 20 years of coke related trading experience. He served as a director and general manager of Shanxi Yiling Investment Inc.* （山西億量投資有限公司）from March 2010 to November 2018. Mr. Wang also served as chief executive director of Shanxi Zhongrui Group*（山西中瑞集團）and general manager of Shanxi Zhongrui Trading Company Limited*（山西中瑞貿易有限公司）from August 1999 to March 2010. Mr. Wang holds a professional qualification in industrial and civil architecture at Taiyuan University.

4. Mr. Chiu Chun Tak ("Mr. Chiu")

Mr. Chiu is proposed to be appointed as the financial controller of the Target Subsidiary. Mr. Chiu has also served as the financial controller of the Group since 1 January 2022. He graduated from the Hong Kong Polytechnic University majoring in accounting. He has over 30 years of experience in overseeing accounting, auditing, corporate finance, merger and acquisition, taxation and company secretarial business. He is a Hong Kong practicing CPA and a fellow member of Hong Kong Institute of Certified Public Accountants. Mr. Chiu was the founder of C.T. Chiu & Co., CPA and has also worked in a multinational company.

The Board is of the view that the proposed directors and senior management of the Target Subsidiary are competence and suitable candidates for the operation and development of Target Subsidiary. It is expected that they can utilize their expertise and experience to facilitate the production and operation of the Target Subsidiary, among them Mr. Tang can utilize his management expertise and experience in energy investment and equity management and Mr. Jiang can make use of his profession and technological knowledge in coke production. Mr. Wang can leverage his coke related trading experience with local distribution channels and business network with suppliers, clients and local government in Shanxi province. In addition, Mr. Chiu as the proposed financial controller can utilize his profession and experience in accounting and auditing and will be able to supervise the Target Subsidiary directly to strengthen the internal control and financial management of the Target Subsidiary.

Mr. Yang, being the legal representative and the director of the GRG Huscoke, was mainly responsible for supervision and monitoring of GRG Huscoke and reporting of results of the GRG Huscoke to the Board but without involvement on the hands-on operations of GRG Huscoke. The workers retained by the Group, including the production workers, sales and back-office employees have various years of working experience on their daily operation tasks and are considered to be suitable in operating the coke production of the Target Subsidiary. Furthermore, the Group has also appointed directors and senior management with coke production related experience to in charge of the operation of the Target Subsidiary. The new management and the experienced workers are considered to be capable of managing the daily operation, production and the customers and suppliers of the Target Subsidiary.

In light of the above, the Directors are of the view that the change in the board and senior management of the Target Subsidiary will not affect the Restructured Group's business, including its ability to source and resource customers and suppliers (including its previous customers and suppliers) and generate revenue and profit in support of the operation.

Customers and Suppliers

The finished coke products produced by the Restructured Group are expected to have better grade and quality as compared to those previously produced by GRG Huscoke. The potential major customers of coke are expected to be large-scale steel manufactures within Shanxi province and adjacent provinces while the potential major customers of other coke by-products such as tar oil, sulfuric acid, ammonium sulfate and crude benzene are expected to be local manufactures or trader in the chemical industry within Shanxi province.

With the solid experience in coke production and coke trading through the operation of GRG Huscoke for more than ten years, the Group has built up a coke related business network, has maintained business relationships with the previous customers and has established a brand name within Shanxi and surrounding provinces. The potential customers of the Restructured Group are reached and marketed by direct marketing through the sales teams, referral by the previous customers and through online commodity trading platforms. The selling price of coke and its by-products is based on prevailing market prices in Shanxi province, with reference to the factors such as volume, quality and transportation cost.

The principal raw material used for coke production is coking coal which is purchased from external coal suppliers within Shanxi province. The potential suppliers of the Restructured Group would be mostly similar to the previous suppliers of the Group. The Group has built up a coke related business network within Shanxi province and maintained long-term business relationships with local major suppliers. The raw material is purchased by the procurement teams on the basis of actual production needs and procurement plan. The purchasing price of coking coal is based on prevailing market prices in Shanxi province, with reference to the factors such as volume, quality and transportation cost. The suppliers generally grant the Company a credit term of 30 to 60 days or require the Company to pay upon or before delivery.

The increase in volume of coke producing and supplying through the Target Assets shall provide the Restructured Group competitive edges and attract large-scale steel manufacturers within the Shanxi and adjacent provinces as these manufacturers generally desire to enter into contracts with coke suppliers with coke production capacity located within the Shanxi province in order to secure stable and large block of raw coke supply for its high consumption rate of cokes in producing their steel products. Currently, the Directors are exploring business cooperation opportunities with certain steel companies that consume high volume of coke products annually and the sales team retained by the Group has been maintaining their communication with the previous suppliers and customers of GRG Huscoke.

As at the Latest Practicable Date, the Group does not have any ongoing agreement or business arrangement with any of the Group's previous customers or suppliers. The Group will continue to explore coke-related business opportunities and engage discussions with its previous and potential customers. Having considered (i) the Group is an experienced coke producer in Shanxi province with an established customer and supplier network; (ii) the sales team to be retained in the Target Subsidiary has been maintaining their relationship with the previous customers and suppliers; (iii) the proposed senior management members consist of coke related trading experienced, distribution channels and business network as described in the above, the Directors are of the view that, the Restructured Group will be able to enter into long-term contracts with the customers and suppliers respectively as and when necessary and/or any opportunities to be materialised and the business of the Restructured Group will be viable and sustainable.

Inventories

The inventories comprise raw materials and finished products. The raw materials, (i.e coking coal) will be external purchased from nearby coal suppliers. The inventory level is determined principally by production requirements and the orders received by the Company, and the Company orders additional raw materials on a needed basis. The Company monitors the inventory level by conducting regular checks on quality and quantity. In addition, the procurement staff members work closely with the operation staff members to formulate the procurement plan and budget.

As the Company normally proceeds to production pursuant to the confirmed orders placed by its customers, the Company do not maintain excessive inventory for finished products.

VII. INFORMATION OF THE PARTIES TO THE AGREEMENT AND THE DISPOSAL AGREEMENT

(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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, 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 incorporated in the Bermuda with limited liability. As at the Latest Practicable Date, 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 refine 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.

In June 2016, Jinyan Electricity and ILNG has entered into an equity transfer agreement for the transfer of equity interest of Energy Technology from Jinyan Electricity to ILNG. However, ILNG has not fulfilled its payment obligation of the consideration for the said transaction. In light of the Incident, 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 a subsidiary of ILNG, 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

Upon negotiation between the parties, ILNG and Energy Technology agreed to enter into the Agreement and the Debt Transfer Agreement, pursuant to which, among other things, Energy Technology agreed to compensate the Target Assets to the Group on behalf of Jinyan Electricity and undertake all the current accounts and interests payable owed by Jinyan Electricity and its related parties to GRG Huscoke, in exchange of the settlement of outstanding consideration payable by ILNG (or Energy Technology on behalf of ILNG) to Jinyan Electricity.

As at the Latest Practicable Date, ILNG is a controlling shareholder which beneficially owns 96% of the equity interests of Energy Technology and 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).

(vi) the Vendor

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding, which is a direct wholly-owned subsidiary of the Company and is the legal and beneficial owner of the entire equity interests of the Disposal Company.

(vii) Mr. Yang

Mr. Yang had been a legal representative and the chairman of the board of GRG Huscoke since September 2011. As Mr. Yang was mainly responsible for and was one of the wrongdoers in the Incident, on 22 October 2021, he has submitted a resignation application to the Company and both his duties and powers as the legal representative and chairman of the board of GRG Huscoke have been suspended since 22 December 2021. However, as GRG Huscoke was restricted from changing the business registration under legal enforcement by the court, Mr. Yang is still nominally regarded as a legal representative and the chairman of the board of GRG Huscoke and is a connected person of the Company. Upon completion of the Disposal, Mr. Yang would not hold any position in the Group.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed above, there is not any side agreement, understanding, arrangement (formal or informal, legally binding or not) or relationship between the Company (including its connected persons under the Listing Rules) and (i) each of Jinyan Electricity, Energy Technology, ILNG (including their respective directors and beneficial owners) in connection with the transaction contemplated under the Agreement; and (ii) Mr. Yang and his respective associates and their ultimate beneficial owners.

VIII. REASONS FOR AND BENEFITS OF THE ENTERING INTO THE AGREEMENT AND THE DISPOSAL AGREEMENT

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 byproducts produced during the washing of raw coal; and (iii) processing of refine coal into coke for sale, and sale of coke by products of coke production.

As mentioned in the above, after shutting down the 4.3-meter coking furnace of GRG Huscoke in October 2021, GRG Huscoke has had no other remaining coking furnace in operation and its revenue in the first half of 2022 had been generated from the operation of heating and power plant under the government's request to provide heating to the Xiaoyi city. On 10 June 2022, GRG Huscoke received a notification from the government authority that GRG Huscoke would cease to undertake heating services to the city from 2022 to 2023 and the heating and power plant of GRG Huscoke should also be shut down. Since then, the operation of GRG Husock has been ceased.

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 adverse 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 advantages in coke production, so it is capable to manage and operate the Target Assets efficiently and keep the original business relationships with the customer and supplier bases of GRG Huscoke. The Board is of the view that the entering into of the Agreement provides 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.

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. As at the Latest Practicable Date, the constructions of the Target Assets are under the final stage of installation and acceptance work and the Company is close to resume its coke production and trading business through the New Subsidiary and the Target Subsidiary. Accordingly, the Board is of the view that the entering into of the Agreement is the most efficient solution to resume the coke production business of the Company and will 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, which allows the Group to generate sufficient revenue and maintain sufficient assets in compliance with Rule 13.24 of the Listing Rules.

Moreover, the Disposal Group has recorded a financial position of net liabilities as at 30 June 2022 in the amount of approximately HK$740.31 million. As GRG Huscoke is the legal borrower of the Possible Loan and the Loans and is involved in the guarantee obligations of the Contingent Liabilities arisen from the Incident, GRG Huscoke has to undertake the recognised liabilities arising from the Incident and the payment obligation of the Contingent Liabilities under the circumstances that the Contingent Liabilities have occurred and are to be recognised.

With reference to the annual report of the Company for the year ended 31 December 2021, Zhonghui Anda issued a disclaimer of opinion on the audited consolidated financial statements of the Company for the year ended 31 December 2021 relating to GRG Huscoke, for instance, the receivables owed by Energy Technology and Jinyan Electricity and its related parties to GRG Huscoke as set out in the breakdown of the Total Receivables in the sub-section headed "Basis of the compensation arrangement" in this letter. Details of the disclaimer of opinion issued by Zhonghui Anda in the annual report of the Company for the year ended 31 December 2021 have been extracted and set out as follows:

"Trade receivables and prepayments, deposits and other receivables from third parties

Impairment losses on trade receivables and prepayments, deposits and other receivables of approximately HK$1,448,000 and HK$Nil, respectively, were recognised for the year ended 31 December 2021, and approximately HK$84,127,000 and HK$52,341,000, respectively, were recognised for the year ended 31 December 2020. In relation to certain impairment losses of trade receivables for the year ended 31 December 2021 and 2020, revenue of approximately HK$1,281,000 and HK$29,794,000, respectively, were recognised for the year ended 31 December 2021 and 2020. Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables of HK$468,563,000 and HK$149,008,000, respectively, as at 31 December 2021, and approximately HK$Nil and HK$133,692,000, respectively, as at 31 December 2020.

The management is still in progress on negotiating with the debtors on settlement of the aforesaid balances. In absence of the information in relation to the financial status of the debtors on assessing its ability for settlement to the Group, the management considered that there is uncertainty on recovering the aforesaid balances. The management has not yet initiated actions including but not limited to legal action against the debtors on the balances, hence no result from actions is available up to the date of this report for justifying the extent of the recoverability of the aforesaid balances.

Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of aforesaid balances as at 31 December 2021 and 2020. There are no other satisfactory audit procedures that we could adopt to determine whether the aforesaid impairment losses and revenue for the years ended 31 December 2021 and 2020 are properly recognised.

Trade receivables and prepayments, deposits and other receivables from noncontrolling shareholder of a subsidiary and related companies

Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables from non-controlling shareholder of a subsidiary of HK$234,228,000 and HK$1,148,689,000 respectively, as at 31 December 2021, and approximately HK$228,890,000 and HK$1,004,372,000, respectively, as at 31 December 2020.

Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables from related companies of HK$49,588,000 and HK$125,588,000 respectively, as at 31 December 2021, and approximately HK$39,573,000 and HK$116,852,000 respectively, as at 31 December 2020.

The management is still in progress on the potential transaction with the non-controlling shareholder of a subsidiary and its related companies on settlement of the aforesaid balances. In absence of the information in relation to the potential transaction, including but not limited to the valuation of the target assets intended to be used for the settlement of the aforesaid balances and the uncertainties on the timing for the completion of the potential transaction, hence no sufficient information is available up to the date of this report for justifying the extent of the recoverability of the aforesaid balances.

Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of aforesaid balances as at 31 December 2021 and 2020. There are no other satisfactory audit procedures that we could adopt to determine whether the aforesaid balances are fairly stated as at 31 December 2021 and 2020."

Zhonghui Anda has indicated that if the Disposal proceeds, all the audit modifications relating to GRG Huscoke (the full text of which are as stated in the above in this section), will be removed and no longer required.

The Board is of the view that the entering into of the Disposal Agreement serves as an extension of the remedy plan for the Incident and allows the Group to resolve the adverse impact arisen from the Incident from the Group, to facilitate the Group's operation and to further strive for the interest of the Company and the Shareholders as a whole, by way of disposing of the Disposal Group and carving out GRG Huscoke, being one of the entities involved in the Incident.

Based on the above, the Board considers that the entering of the Agreement and the Disposal Agreement are in the interests of the Company and the Shareholders as a whole.

In the event that if the Disposal is voted down, the Company will not be able to address all the audit modifications being one of the Resumption Guidance and the Stock Exchange is entitled to delist the Company under the Listing Rules.

IX. FINANCIAL EFFECTS OF THE TRANSACTION UNDER THE AGREEMENT AND THE DISPOSAL AGREEMENT

Upon Transaction Completion, the Target Subsidiary will become an indirect 90% owned subsidiary of the Company and the financial results, assets and liabilities of the Target Subsidiary will be consolidated into the Group's accounts. Upon completion of the Disposal, members of the Disposal Group will cease to be subsidiaries of the Group and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

The accompanying unaudited pro forma financial information of the Restructured Group set forth in Appendix VI to this circular has been prepared to illustrate the effect of the transactions thereunder the Agreement and the Disposal Agreement.

Based on the unaudited pro forma financial information of the Restructured Group as set out in Appendix VI to this circular and on the basis of assumptions as stated in Appendix VI, the transactions will have the following effect to the Group:

(a) the unaudited pro forma consolidated loss of the group upon Transaction Completion for the year ended 31 December 2021 would be approximately HK$59.06 million and the unaudited pro forma consolidated profit of the group upon the completion of the Disposal for the year ended 31 December 2021 would be approximately HK$1,661.03 million;

(b) (i) the unaudited pro forma consolidated total assets of the group upon Transaction Completion and upon the completion of the Disposal will be (i) increased by approximately HK$171.93 million; and (ii) decreased by HK$197.28 million, respectively, as at 30 June 2022; and

(ii) the unaudited pro forma consolidated total liabilities of the group upon Transaction Completion and upon the completion of the Disposal will be (i) remained unchanged; and (ii) decreased by approximately HK$1,785.19 million, respectively, as at 30 June 2022.

Assets and liabilities

Based on the unaudited pro forma financial information of the Restructured Group as set out in Appendix VI to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, (i) the total assets of the Restructured Group would have decreased from approximately HK$1,907.96 million to approximately HK$1,880.77 million; and (ii) the financial position of the Restructured Group would have changed from net liabilities of approximately HK$189.15 million to net assets of approximately HK$1,568.86 million upon Completions.

Earnings

The Company expects that there will be no estimated gain or loss arising from the Assets Transfer (on a standalone basis), having considered that the carrying value of the Target Assets, being the part of the compensation plan to the Company upon the Agreement, which is recorded in the noncurrent assets in the financial statement of the Group, is equal to the consideration of the Target Asset amounted to HK$1,719,298,000 as at 30 June 2022.

It is expected that upon Completions (having considered the effect of the Waive), the Group will record a gain of approximately HK$1,633,873,000, which is due to (i) the consideration of the Disposal of HK$1; (ii) the net liabilities of the Disposal Group in the amount of HK$740,313,000 as at 30 June 2022; (iii) the Sale Loans in the amount of HK$643,185,000 as at 30 June 2022; (iv) the exchange fluctuation reserve in the amount of HK$76,520,000; (v) the non-controlling interests in the amount of HK$16,859,000; and (vi) estimated net gain on the Waive and related exchange difference in the amount of HK$1,477,084,000. The actual gain/loss in connection with the transactions contemplated under the Agreement and the Disposal Agreement will be determined based on the financial position of the Restructured Group and will be subject to review and audit by the auditors of the Company.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain/loss eventually to be finalised in the consolidated financial statements of the Company is subject to, among other things, the review by the auditors of the Company.

X. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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 the Chapter 14 of the Listing Rules. As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Disposal Agreement are more than 75%, such transactions constitute a very substantial disposal 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.

As at the Latest Practicable Date, Mr. Yang is interested in 324,208 Shares, representing approximately 0.11% of the total issued Shares. Moreover, he is still nominally regarded as a director of a non-wholly owned subsidiary of the Company for being the chairman of the board of GRG Huscoke, he should be regarded as a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have any material interest in the transactions contemplated under the Cooperation Agreement and the Agreement or are required to abstain from voting at the SGM of the Company to approve the relevant resolution(s).

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, save for Mr. Yang, no other Shareholders have a material interest in the transactions contemplated under the Disposal Agreement and no other Shareholders would have to abstain from voting at the SGM in respect of the transactions contemplated under the Disposal Agreement. Save for Mr. Wong Siu Hung Patrick, who is a non-executive Director and the director of GRG Huscoke, no other Directors has material interest in the Disposal Agreement and is required to abstain from voting on the resolutions passed by the Board to approve the foregoing matters.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the SGM.

XI. SGM

A notice convening the SGM to be held at 3:00 p.m. on Tuesday, 18 October 2022 at Room 2301, 23/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong, is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

For determining eligibility to attend and vote at the SGM, The register of members of the Company will be closed from Thursday, 13 October 2022 to Tuesday, 18 October 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 12 October 2022.

Whether or not you are able to attend the SGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment meeting or postponement thereof (as the case may be) should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

The resolution(s) approving entering of the Agreement and the Disposal Agreement will be voted by way of poll at the SGM.

The Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Disposal Agreement. SBI China has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

XII. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee on pages 48 to 49 of this circular, which contains its recommendation to the Independent Shareholders, and the letter of advice from the Independent Financial Adviser on pages 50 to 84 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Disposal Agreement.

The Directors are of the opinion that the terms of the Agreement are fair and reasonable and the Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the transactions contemplated under the Agreement.

Furthermore, having considered the principal factors and reasons stated in the letter from the Independent Financial Adviser, the Independent Board Committee consider that the terms of the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned, the transactions contemplated under the Disposal Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the transactions contemplated under the Disposal Agreement.

XIII. ADDITIONAL INFORMATION

Trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 29 March 2021, and will remain suspended pending fulfilment of the resumption conditions and such other further conditions that may be imposed by the Stock Exchange. The Company will keep the Shareholders and the public informed of the latest developments by making further announcement(s) as and when appropriate.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors of the Company should note that the Completions are conditional upon satisfaction of certain conditions precedent as set out in this circular. The transactions contemplated under the Agreement and the Disposal Agreement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the securities of the Company.

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 despatch of this circular, the Completions 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 despatch of this circular, the Completions 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.

By order of the Board
Huscoke Holdings Limited
Zhao Xu Guang
Chairman and Chief Executive Officer

HUSCOKE HOLDINGS LIMITED
和嘉控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 704)

28 September 2022

To the Independent Shareholders,

Dear Sir or Madam,

(1) VERY SUBSTANTIAL TRANSACTION IN RELATION TO ENTERING INTO OF THE AGREEMENT; AND (2) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF EQUITY INTEREST IN THE DISPOSAL COMPANY

We refer to the circular of the Company dated 28 September 2022 (the "**Circular**") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings with those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise you in connection with the Disposal Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board in the Circular.

SBI China has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to their letter of advise which is set out on pages 50 to 84 of the Circular.

Having considered the principal factors and reasons stated in the letter from the Independent Financial Adviser, we consider that the terms of the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned, the transactions contemplated under the Disposal Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Lam Hoy Lee, Laurie	**Mr. To Wing Tim, Paddy**	**Dr. Wang Wei Hsin**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

Set out below is the full text of a letter of advice from SBI China Capital Hong Kong Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for inclusion in this circular.

軟庫中華
SBI China Capital

28 September 2022

To: The Independent Board Committee and the Independent Shareholders of Huscoke Holdings Limited

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF EQUITY INTEREST IN THE DISPOSAL COMPANY

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of the Disposal Agreement are fair and reasonable and on normal commercial terms; and (ii) the disposal of the Sale Shares and the Sale Loans is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 28 September 2022 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Company announced that on 26 July 2022, the Vendor and Mr. Yang have entered into the Disposal Agreement, pursuant to which, among other matters, the Vendor conditionally agreed to sell and Mr. Yang conditionally agreed to acquire the Sale Shares, representing the entire equity interest of the Disposal Company, and the Sale Loans, representing the entire amount of the loans owed by the Disposal Company to the Company which amounted to HK$643,185,000 as at 30 June 2022, for a cash consideration of HK$1.

As at the Latest Practicable Date, Mr. Yang is nominally regarded as a director of a non-wholly owned subsidiary of the Company for being the chairman of the board of GRG Huscoke, he should be regarded as a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Disposal Agreement are more than 75%, such transactions constitute a very substantial disposal 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.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, save for Mr. Yang, who is interested in 324,208 Shares representing approximately 0.11% of the total issued Shares, no other Shareholders have material interest in the transactions contemplated under the Disposal Agreement and no other Shareholders would have to abstain from voting at the SGM in respect of the transactions contemplated under the Disposal Agreement. Save for Mr. Wong Siu Hung Patrick, who is a non-executive Director and the director of GRG Huscoke, no other Directors have material interest in the Disposal Agreement and is required to abstain from voting on the resolutions passed by the Board to approve the foregoing matters.

An Independent Board Committee, comprising Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Dr. Wang Wei Hsin, has been established to make recommendation to the Independent Shareholders as to whether (i) the terms of the Disposal Agreement are fair and reasonable and on normal commercial terms; (ii) the disposal of the Sale Shares and the Sale Loans is in the ordinary and usual course of business and is in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote at the SGM on the ordinary resolution(s) regarding the transactions contemplated under the Disposal Agreement.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether (i) the terms of the Disposal Agreement are fair and reasonable and on normal commercial terms; (ii) the disposal of the Sale Shares and the Sale Loans is in the ordinary and usual course of business and is in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote at the SGM on the ordinary resolution(s) regarding the transactions contemplated under the Disposal Agreement. Our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the transactions contemplated under the Disposal Agreement has been approved by the Independent Board Committee.

SBI China Capital Hong Kong Securities Limited ("**SBI**") is not associated with the Company, Mr. Yang or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the terms of the transactions contemplated under the Disposal Agreement. Apart from normal professional fees payable to us in connection with this engagement and other engagements (which we act in the same capacity as in this engagement) in relation to certain transactions to be contemplated by the Company as part of the plan for the Resumption, no arrangement exists whereby SBI will receive any fees or benefits from the Company, Mr. Yang or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group. We have assumed that all information and representations provided by the management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the SGM and would affect or alter our opinion, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Disposal Agreement, we have taken into consideration the following principal factors and reasons:

(1) Background information of the Company and recent developments

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; and (iii) processing of refined coal into coke for sale, and sale of coke by-products of coke production.

a. Impact of government policy on the Group's business operation

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

On 9 December 2020, the Board was informed by GRG Huscoke that it has received formal notification from the government authority of Xiaoyi City that GRG Huscoke's 4.3-metre coking furnace will be closed down with effect from 28 December 2020. On 28 December 2020, the Board was informed by GRG Huscoke that it has received a notification from the government authority of Xiaoyi City that 50% of the production capacity of GRG Huscoke's 4.3-meter coking furnace can continue to produce enough coking furnace of coal gas for generating electricity and heating purposes for domestic consumption of Xiaoyi City, until the completion of the laying and installation of the gas pipe network in Xiaoyi City. On 13 October 2021, government authority of Xiaoyi City requested for the remaining 50% of the production capacity of GRG Huscoke's 4.3-meter coking furnace to resume the enforcement of the shut-down work. GRG Huscoke had commenced the shut-down work of the remaining coking furnace in accordance with the requirements. In October 2021, the Group has no other remaining coking furnace in operation after shutting down the 4.3-meter coking furnace of GRG Huscoke and its coke operation was temporarily ceased. Since then, the Group generated revenue from the sale of coke products previously produced and the provision of thermal energy and electricity energy with the operation of the power plant of GRG Huscoke which was fueled by external purchase of coal, at the government's request. On 10 June 2022, GRG Huscoke reported to the Group that GRG Huscoke would cease to undertake heating services to the city from 2022 to 2023. Therefore, the heating and electricity plant of GRG Huscoke needed to be shut down and removed and the operation of the Group's coal ancillary segment was ceased.

The 600,000 tons of annual production capacity of GRG Huscoke's 4.3-meter coking furnace affected by the shut-down represents all of the production capacity of coke production of the Group. As the production capacity of GRG Huscoke's 4.3-metre coking furnace had been reduced since 28 December 2020, the Group recognised non-cash impairment of approximately HK$477.2 million on property, plant and equipment of GRG Huscoke, and turned from profit before tax of approximately HK$5.0 million for the year ended 31 December 2019 to loss before tax of approximately HK$527.5 million for the year ended 31 December 2020. Due to the two phases shut-down of the production capacity of GRG Huscoke's 4.3-meter coking furnace, the Group's revenue decreased significantly from approximately HK$1,177.0 million for the year ended 31 December 2020 to approximately HK$866.6 million for the year ended 31 December 2021.

b. Previous attempt to mitigate the shut-down of business operation

The Company has been devising viable development strategies to mitigate the effect of the shut-down of GRG Huscoke's 4.3-metre coking furnace. Trading in the Shares has been suspended since 29 March 2021 at the request of the Company pending the release of an announcement relating to a very substantial acquisition. According to the Ministry of Industry and Information Technology of the PRC, the height of top-loading coking furnace must be more than 6.0 metres. The 4.3-metre coking furnace owned by GRG Huscoke cannot be revamped but the quota of 600,000 tons coke annual production capacity can be retained through constructing an advanced coking furnace that complies with the applicable requirements in the PRC.

On 22 April 2021, the Company announced that on 26 March 2021, 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 new coking furnace which has a height of 7.1-meters with annual production capacity of 600,000 tons of coke. The new coking furnace can meet the national industry standards and environmental protection standards and has advanced construction technology. The total investment amount was estimated to be approximately RMB600,000,000. The proposed transaction contemplated under the Cooperation Agreement has not been completed. 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 (to be elaborated below). As mentioned in the Company's announcement dated 22 April 2021, pursuant to the Rule 13.50 of the Listing Rules, the suspension of trading in Shares remained pending release of audited annual results for the year ended 31 December 2020.

c. The Incident

During the course of audit for the financial year of 2020 in April 2021, the Company and Zhonghui Anda CPA Limited (the "**Company's Auditor**"), 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. None of the Directors was previously aware of the Possible Loan, but it was suspected that GRG Huscoke had been involved in the Possible Loan. Since the Possible Loan has never been recorded in the Group's consolidated financial accounts, the Board resolved to start an investigation of this matter. On 26 July 2021, the Company announced the engagement of Da Tong Law Office of Guang Dong ("**Da Tong**"), an independent PRC legal adviser, to conduct the investigation (the "**Investigation**") that eventually led to the discovery of the Incident.

Based on the findings on the Investigation, the motivation of the Incident was that in 2011, being affected by the disadvantaging domestic and international market, GRG Huscoke met a difficulty in operation, shortage of cash flows and turnover of working capital. Meanwhile, according to the National Twelfth Five-Year Plan, Shanxi Province commenced the adjustment and structure optimism of the coking industry in 2009. Jinyan Electricity (which is a 9% minority shareholder of GRG Huscoke), was committed to pursue a coking and supportive production project with capacity of 5 million tons (the "**Five Million Tons Project**"). In September 2010, GRG Huscoke entered into a memorandum of understanding in relation to "Building the New Coking Plant with Annual Coke Production Capacity of Two Million Tons Together" (the "**Two Million Tons Project**"), which was unable to meet the construction funding needs. In the context of the Two Million Tons Project, the cooperative loan with Jinyan Electricity was suggested by the then management of GRG Huscoke and approved by the then board of GRG Huscoke. Jinyan Electricity was responsible for negotiating loan plans and guaranteed measures with the banks, and the banks granted certain credit facility to GRG Huscoke. GRG Huscoke conducted loan transactions within its granted credit facility, and transferred the relevant amount to Jinyan Electricity for the construction of Five Million Tons Project.

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 misappropriated and used 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.

According to the corporate credit report from the People's Bank of China, printed under witness by Da Tong on 30 November 2021 (the "**Da Tong Credit Report**") and the Investigation, (i) the background of the Possible Loan was that, on 15 October 2014, GRG Huscoke had the first credit transaction with Lüliang Rural Credit Union* (呂梁市農村信用合作社聯合社), which was not recorded at the time, the borrowing period was from 20 April 2015 to 18 April 2016; and (ii) the background of the Loans was that on 27 June 2012, GRG Huscoke had the first loan transaction with the Hua Xia Bank Co., Limited Yuncheng Branch with the first unrecorded borrowing occurred on 17 September 2013; and that on 27 May 2011, GRG Huscoke had the first loan transaction with Minsheng Banking Corp., Ltd. Lüliang Branch ("**Minsheng Bank**") with the first unrecorded borrowing occurred on 15 October 2012. Furthermore, according to the Da Tong Credit Report, GRG Huscoke had provided a number of guarantees to different parties in 2016 and 2020, respectively, and the aggregate amount of the contingent liabilities, being relevant repayment responsibility borne for other borrowings, undertaken by GRG Huscoke. As a result of the Incident, the outstanding balance and the accrued interest of the

Possible Loan and the Loans have been recognised in the financial statements of GRG Huscoke. As at 31 July 2022, the Contingent Liabilities, being the recognised part of the Contingent Liabilities at the fair value at the date of providing the guarantee originates from accounting treatment, undertaken by GRG Huscoke is RMB70,446,967. None of the Contingent Liabilities has been materialised as at the Latest Practicable Date. Please refer to "II. BACKGROUND – E. Liabilities arisen from the Incident – Contingent Liabilities" of the Letter from the Board for details.

d. Audit modifications

As mentioned above, the Group experienced a significant reduction in revenue for the year ended 31 December 2021 and a substantial impairment on property, plant and equipment due to the forced shut-down of the 4.3-meter coking furnace of GRG Huscoke, which resulted in a net loss before tax for the year ended 31 December 2020. Liquidity position of the Group has been worsening over the years, from net assets of approximately HK$413.1 million as at 31 December 2019 to net liabilities of approximately HK$124.9 million as at 31 December 2020, and further to net liabilities of approximately HK$158.1 million as at 31 December 2021. As GRG Huscoke is the major operating subsidiary of the Group, the Group's consolidated results have reflected the worsening financial results of GRG Huscoke and its recognised liabilities arising from the Incident being the Possible Loan and the Loans.

The Company's Auditor indicated in the Annual Report 2021 (as defined below) that because of the significance of the material uncertainty relating to the going concern basis, it is not possible for them to form an opinion and has given a disclaimed opinion on the consolidated financial statements. These audit modifications mainly related to:

Material uncertainty related to going concern

The Group incurred loss attributable to owners of the Company of HK$31,259,000 and HK$484,675,000 respectively for two consecutive years of the years ended 31 December 2021 and 2020. In addition, the Group has recorded a net operating cash outflow of approximately HK$8,753,000 for the year ended 31 December 2021. As at 31 December 2021, the Group had net current liabilities and net liabilities of HK$1,699,654,000 and HK$158,092,000, respectively. Furthermore, the Group's major subsidiary was required to shut down its operating assets, which bring significant impacts on the Group's operations. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to completion of the very substantial transaction of new operating assets under the Agreement, the completion of the fundraising activities and the success in delaying the payments by persuading the creditors of the Group not to insist on demanding repayment before the full operation of the Group's new operating assets (collectively, "**Validity Conditions**"). The consolidated financial statements do not include any adjustments that would result from the failure to achieve the Validity Conditions since the material uncertainties has been disclosed. However, in view of the extent of the multiple uncertainties relating to the Validity Conditions, the Company's Auditor disclaims its opinion in respect of the material uncertainty relating to the going concern basis.

Trade receivables and prepayments, deposits and other receivables from third parties

Impairment losses on trade receivables and prepayments, deposits and other receivables of approximately HK$1,448,000 and HK$Nil, respectively, were recognised for the year ended 31 December 2021, and approximately HK$84,127,000 and HK$52,341,000, respectively, were recognised for the year ended 31 December 2020. In relation to certain impairment losses of trade receivables for the year ended 31 December 2021 and 2020, revenue of approximately HK$1,281,000 and HK$29,794,000, respectively, were recognised for the year ended 31 December 2021 and 2020. Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables of HK$468,563,000 and HK$149,008,000, respectively, as at 31 December 2021, and approximately HK$Nil and HK$133,692,000, respectively, as at 31 December 2020.

The management of the Company was still in the progress of negotiating with the debtors on settlement of the aforesaid balances. The Company's Auditor was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverability of aforesaid balances as at 31 December 2021 and 2020. There were no other satisfactory audit procedures that they could adopt to determine whether the aforesaid impairment losses and revenue for the years ended 31 December 2021 and 2020 were properly recognised.

Trade receivables and prepayments, deposits and other receivables from non-controlling shareholder of a subsidiary and related companies

Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables from non-controlling shareholder of a subsidiary of HK$234,228,000 and HK$1,148,689,000, respectively, as at 31 December 2021, and approximately HK$228,890,000 and HK$1,004,372,000, respectively, as at 31 December 2020. Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables from related companies of HK$49,588,000 and HK$125,588,000, respectively, as at 31 December 2021, and approximately HK$39,573,000 and HK$116,852,000, respectively, as at 31 December 2020.

The management of the Company was still in progress on the potential transaction with the non-controlling shareholder of a subsidiary (i.e. Jinyan Electricity) and its related companies on settlement of the aforesaid balances. The Company's Auditor was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverability of aforesaid balances as at 31 December 2021 and 2020. There were no other satisfactory audit procedures that they could adopt to determine whether the aforesaid balances are fairly stated as at 31 December 2021 and 2020.

e. Resumption Guidance from the Stock Exchange

On 7 May 2021, the Company received a letter from the Stock Exchange in which the resumption guidance (the "**Initial Resumption Guidance**") was set out for the Company. Pursuant to such letter, if the Company fails to remedy the issues causing its trading suspension, fulfill the Initial Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction, and resume trading in Shares by 28 September 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing.

On 14 February 2022, the Company received a letter from the Stock Exchange, in which the Stock Exchange notified the Company to modify one of the Initial Resumption Guidance and to include additional resumption guidance, which formed the latest resumption guidance (the "**Resumption Guidance**"). Details of the Resumption Guidance are set out as below:

(i) conduct an appropriate investigation into the Loans and the Possible Loan and the Contingent Liabilities, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;

(ii) publish all outstanding financial results required under the Listing Rules and address any audit modifications;

(iii) demonstrate the Company's compliance with Rule 13.24;

(iv) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position;

(v) conduct an independent internal control review and demonstrate that the issuer has in place adequate internal controls and procedures to comply with the Listing Rules;

(vi) demonstrate that there is no reasonable regulatory concern about management integrity, and/or the integrity of any persons with substantial influence over the company's management and operations, which will pose a risk to investors and damage market confidence; and

(vii) demonstrate that the Directors meet a standard of competence commensurate with their positions as directors of a listed issuer to fulfil duties of skill, care and diligence as required under Rules 3.08 and 3.09.

f. Measures adopted by the Company in addressing audit modifications and Resumption Guidance

The Company has adopted a number of measures in addressing the items set out in the Resumption Guidance. In addressing item (i) of the Resumption Guidance, on 26 July 2021, the Company announced the engagement of Da Tong to conduct the Investigation.

In addressing item (iv) of the Resumption Guidance, the Company published quarterly update announcements since 28 June 2021 to provide updates on business and progress of resumption to the Shareholders and investors.

In addressing item (v) of the Resumption Guidance, on 10 March 2022 the Company announced the engagement of Zhonghui Anda Risk Services Limited（中匯安達風險管理有限公司）as the independent internal control adviser to the Company to conduct a comprehensive review of the internal controls and procedures of the Group and make recommendations of remedial measures as and when necessary.

In addressing items (ii) and (iii) of the Resumption Guidance, on 15 March 2022, GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG have entered into the Debt Transfer Agreement and the Agreement. On 26 July 2022, the Vendor and Mr. Yang have entered into the Disposal Agreement; and, in this connection, the New Subsidiary and GRG Huscoke entered into the Waive Agreement. On 28 July 2022, the Company has released interim results for the six months ended 30 June 2021 and the audited annual results for the year ended 31 December 2020 and the year ended 31 December 2021. On 5 August 2022, the Company has published annual reports for the year ended 31 December 2020 (the "**Annual Report 2020**") and the year ended 31 December 2021 (the "**Annual Report 2021**") and the interim report for the six months ended 30 June 2021 (the "**Interim Report 2021**").

Debt Transfer Agreement and Agreement

Pursuant to Debt Transfer Agreement, Energy Technology agrees to undertake all the current accounts and interests payable owed by Jinyan Electricity and its related parties to GRG Huscoke. The total receivables owed by Energy Technology to GRG Huscoke (the "**Total Receivables**") amounted to RMB1,370,479,341 as at 31 July 2022, which comprise of (i) the total receivables owed by Energy Technology and Jinyan Electricity and its related parties to GRG Huscoke; and (ii) the outstanding balances (with accrued interests) of the Possible Loan and the Loans. Under the circumstances that should the Contingent Liabilities have been materialised and are to be recognised, Energy Technology and Jinyan Electricity will be obligated to compensate the Contingent Liabilities to GRG Huscoke by way of increasing the Total Receivables in the same amount as the materialised and/or recognised Contingent Liabilities. 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 Company, GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG entered into the Agreement to modify and supplement the terms of the Cooperation Agreement as a result of the Incident. Pursuant to the Agreement, Energy Technology will unconditionally transfer 90% of the equity interests of the Target Subsidiary, subject to the value of the two 7.1-meter coking furnace (the "**Target Assets**"), to the New Subsidiary as the compensation of the Incident to the Company and GRG Huscoke (the "**Assets Transfer**"). Energy Technology will take the Target Assets as the in-kind contribution of the registered capital to establish the Target Subsidiary, which is principally engaged in coke production business with the Target Assets. Also pursuant to the Agreement, the Company's interest in the Target Subsidiary resulting from the Assets Transfer will be used to offset the Total Receivables. As set out in Appendix IV of the Circular, the appraised value of the Target Assets based on the valuation report issued by Ascent Partners Valuation Services Limited ("**Ascent Partners**"), an independent valuer appointed by the Company, was approximately RMB1,686,163,640 as at 31 July 2022.

Disposal Agreement and Waive Agreement

Pursuant to the Disposal Agreement, the Vendor will dispose the Sale Shares, representing the entire equity interest of the Disposal Company, and the Sale Loans, representing the net amount of loans owed by the Disposal Company to the Company which amounted to HK$642,852,705 as at 31 July 2022 (the "**Disposal**"), to Mr. Yang for a cash consideration of HK$1. The Disposal is conditional on the completion of the Assets Transfer.

Given that pursuant to the terms in the Agreement, the Company's interest in the Target Subsidiary through the New Subsidiary will offset the Total Receivable, it has resulted in the New Subsidiary owing GRG Huscoke the same amount of the Total Receivables (i.e. the Outstanding Balance). To facilitate the Disposal, the New Subsidiary and GRG Huscoke entered into the Waive Agreement and as an intergroup arrangement, pursuant to which, GRG Huscoke will waive the New Subsidiary the Outstanding Balance to a remaining balance amount of RMB60,000,000 (the "**Waive**"). Such balance amount was determined with reference to the expected amount required for the settlement of (i) the consideration of the Possible Loan in the amount of RMB25,500,000 agreed to be paid by GRG Huscoke for releasing its obligation from the Possible Loan; and (ii) the expected consideration in the amount of approximately RMB35,000,000 to be paid by GRG Huscoke for the settlement of the Loan from Minsheng Bank. The Waive is conditional on the Total Receivables having been set off.

g. Valuation of the Target Assets

We conducted interview with Ascent Partners and are given to understand that there are three recognised and accepted approaches to value the Target Assets, namely: cost approach (depreciated replacement cost), market data or comparative sales approach (market approach) and income or earnings approach. In valuation analysis, all three approaches have been considered. Both management of the Company and Energy Technology have confirmed that the information provided to Ascent Partners for their valuation purposes was complete and up-to-date.

According to Ascent Partners, given the unique nature of the Target Assets which is purposely-built under specific requirements, there are seldom or nil transactions in the market rendering the market approach to be futile. On the other hand, the Target Assets to be assessed is nonetheless under construction as at the valuation date, income approach might not be suitably applicable under such circumstance. The approach deemed appropriate in valuing the Target Assets is the cost approach (depreciated replacement cost). Based on our discussion with Ascent Partners, we are given to understand that the cost approach (depreciated replacement cost) adopted by Ascent Partners is in line with the market practice.

In the cost approach (depreciated replacement cost), one consideration is the physical depreciation, which is the loss in value due to physical deterioration resulting from wear and tear in operation and exposure to the elements. In arriving the opinion of the market value of the Target Assets, Ascent Partners has assumed the Target Assets kept in an appropriate location is operated subject to their designated use properly. However, Ascent Partners are unable to conduct physical inspection of the Target Assets due to the outbreak of the COVID-19 pandemic. Ascent Partners has conducted valuation on desktop basis and have confirmed with the Company that there have been no material changes to the physical attributes or the surrounding environment of the Target Assets or the nature of the Target Assets being valued. Further, no test has been carried out on any of the Target Assets, they had not observed any deferred maintenance, physical wear and tear, lack of utility, or any observable conditions distinguishing the appraised equipment from equipment of like kind in new conditions, which were made part of their judgment in arriving at the market values. During the interview with us, Ascent Partners explained that the lack of physical inspection of the Target Assets will not constitute critical limitation to the valuation because the Target Assets are still under construction as at the valuation date.

Having taken into account the factors discussed above, we concur with Ascent Partners the methodology adopted by Ascent Partners is appropriate, fair and reasonable and reflects the value of the Target Assets.

We have reviewed the principal bases and assumptions made by Ascent Partners in preparing the valuation report (please refer to Appendix IV Valuation Report – 7. Scope of Investigation, Assumptions and Considerations of the Circular for details) and the scope of works of Ascent Partners in their engagement with the Company and nothing has come to our attention that would lead us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the valuation report.

h. Construction progress of the Target Assets

As mentioned in the Letter from the Board, the Board observed that COVID-19 pandemic has caused logistic disruptions of the machinery parts and construction materials of the Target Assets to be delivered to Energy Technology and the crowd management has notably decreased the total number of workers that are allowed to attend work or stay in the construction site during the same time. This has disrupted and hold back the whole construction schedule and progress of the Target Assets. The Directors noted from their visit that, the constructions of the Target Assets are under the final stage of installation and acceptance work. As at the Latest Practicable Date, to the best of the estimation of the Company after having detailed discussions with Energy Technology, the constructions of the Target Assets are expected to be completed by late November 2022 and the Target Subsidiary shall commence its operation immediately after the Transaction Completion through the Coking Furnace A and commence to heat up the Coking Furnace B to the designated temperature for coke production. As at the Latest Practicable Date, save for the disruptions relating to the COVID-19 pandemic that might affect the schedule of the construction of the Target Assets, the Board does not foresee other factors that could potentially cause Energy Technology to be unable to complete the construction of the Target Assets.

We understood from the Company that no transitional arrangement has been agreed or arranged between the Company and Energy Technology which is reasonable having considered the Board's view that (i) the time and arrangement to negotiate, conclude and implement an effective transitional arrangement with Energy Technology, under the current pandemic related measures, may not be cost-effective given the current expected completion date is around two months away; and (ii) even if there is any agreed transitional period that allows the Target Subsidiary to temporarily resume its operation, without the legal ownership of the coking furnaces, i.e. the Target Assets, the Group might face potential disputes and legal risks if the Company insisted to enter into legal-binding contracts or agreements with customers in respect of the sales of coke when the production capacity of the Group has not been ensured and the legal obligation of the Group cannot be fulfilled.

(2) Financial information of the Group

Financial results

The following table summarises the financial information of the Group for each of the three years ended 31 December 2021 and the six months ended 30 June 2021 and 2022 as extracted from the Annual Report 2020, the Annual Report 2021 and the interim results announcement of the Company for the six months ended 30 June 2022, respectively.

	For the six months ended 30 June		For the year ended 31 December		
	2021	**2022**	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	**443,387**	**15,662**	**1,605,356**	**1,176,982**	**866,602**
– Coke trading	–	–	2,540	3,042	–
– Coal-related ancillary	25,002	15,662	168,505	65,600	81,517
– Coke Production	418,385	–	1,434,311	1,108,340	785,085
(Loss)/Profit before tax	89,223	(35,103)	4,971	(527,533)	(21,513)
Income tax expense	(9,615)	–	(11,547)	(4,999)	(9,669)
(Loss)/Profit for the period/year	**79,608**	**(35,103)**	**(6,576)**	**(532,532)**	**(31,182)**
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to profit or loss, net of tax:					
Exchange differences arising from translation of foreign operations	(656)	4,047	3,160	(5,467)	(2,009)
Total comprehensive (expense)/income for the year	**78,952**	**(31,056)**	**(3,416)**	**(537,999)**	**(33,191)**

(a) For the six months ended 30 June 2022

With the complete shutdown of GRG Huscoke's original 4.3-meter coking furnace on 15 October 2021, the Company's main business – coke production was shut down. The Group only maintained the daily operation of the thermal power plant in the first half of 2022 at the request of the local government. On 10 June 2022, upon receiving the notice from the government, the Company also completely shut down the heating and power supply business of GRG Huscoke. Currently GRG Huscoke has ceased all operations.

The Group's revenue decreased from approximately HK$443.4 million for the six months ended 30 June 2021 to approximately HK$15.7 million for the six months ended 30 June 2022, mainly due to no more revenue derived from coke production segment after the shut down of all 4.3-meter coking furnace on 15 October 2021. The Group did not have any coke trading business and generated no revenue from this segment during the six months ended 30 June 2021 and 2022. Revenue of the Group from the coal-related ancillary business was approximately HK$25.0 million for the six months ended 30 June 2021 and approximately HK$15.7 million for the six months ended 30 June 2022.

The Group's gross profit decreased from approximately HK$55.2 million for the six months ended 30 June 2021 to gross loss of approximately HK$115.9 million for the six months ended 30 June 2022. The decrease was mainly due to the purchase of coal externally and triggered increment on cost of sales. The Group's profit before tax was decreased from approximately HK$89.2 million for the six months ended 30 June 2021 to loss before tax of approximately HK$35.1 million for the six months ended 30 June 2022.

(b) For the year ended 31 December 2021

In order to achieve the "Dual Carbon" goal of "Carbon Neutrality" and "Carbon Peaking", the PRC strictly enforced the regulatory policy on environment protection and tightly controlled the coke production capacity. Coke production capacity of the Group was completely shut down in October 2021. Since then, the Group's production business was temporarily suspended. Revenue of the Group decreased largely from approximately HK$1,177.0 million to approximately HK$866.6 million for the year ended 31 December 2021; and the Group had to make impairment on assets in relation to the 4.3-meter coking furnace.

Due to the suspension of GRG Huscoke's coking furnace, the Group's revenue from the coke production decreased from approximately HK$1,108.3 million for the year ended 31 December 2020 to approximately HK$785.1 million for the year ended 31 December 2021. The Group did not have any coke trading business and generated no revenue from this segment during the year ended 31 December 2021 (which was approximately HK$3.0 million for the year ended 31 December 2020). At the request of the local government, GRC Huscoke maintained operation of its thermal power plant during the year ended 31 December 2021, and purchased external coal for power and heat generation. Revenue of the Group from the coal-related ancillary business was approximately HK$65.6 million for the year ended 31 December 2020 and approximately HK$81.5 million for the year ended 31 December 2021.

The Group had overgone a change in the transportation mode of coke. Transportation costs were transferred to customers and decreased from approximately HK$8.1 million for the year ended 31 December 2020 to HK$ Nil for the year ended 31 December 2021. On the other hand, GRG Huscoke had undertaken the financial burden arising from the Incident resulted in an increase in interest expenses. The Group's finance costs increased further from approximately HK$73.4 million in the year ended 31 December 2020 to approximately HK$113.9 million for the year ended 31 December 2021. Nevertheless, with smaller extent of impairment incurred from property, plant and equipment of approximately HK$90.7 million and provision of loss allowance of trade and other receivables in the amount of HK$2.3 million for the year ended 31 December 2021 (as compared to approximately HK$477.2 million and HK$161.4 million, respectively for the year ended 31 December 2020), the Group's loss before tax reduced from approximately HK$527.5 million for the year ended 31 December 2020 to approximately HK$31.2 million for the year ended 31 December 2021.

(c) For the year ended 31 December 2020

During second half of 2020, overall economy of the PRC recovered from COVID-19 pandemic. Driven by demand from property, infrastructure and manufacturing industries, the steel industry remained buoyant while demand for coke rose. Due to the improvement in the operating environment of the coke industry in the second half of the year, the Group recorded an increase in operating profit for the year. However, due to government's request for shutting down the 4.3-metre coking furnace, the Group had to incur asset impairment losses. Revenue of the Group decreased largely from approximately HK$1,605.4 million to approximately HK$1,177.0 million for the year ended 31 December 2020, which was mainly due to the significant decrease in revenue from coke production.

The Group's sales volume of coke decreased due to the suspension of GRG Huscoke's coking furnace, which caused the decrease in production capacity. In this regard, revenue of the Group from the coke production decreased from approximately HK$1,434.3 million for the year ended 31 December 2019 to approximately HK$1,108.3 million for the year ended 31 December 2020. Revenue of the Group from the coke trading business was approximately HK$2.5 million and approximately HK$3.0 million for the year ended 31 December 2019 and 2020, respectively. Revenue of the Group from the coal-related ancillary business decreased significantly from approximately HK$168.5 million for the year ended 31 December 2019 to approximately HK$65.6 million for the year ended 31 December 2020, which was mainly due to the temporary suspension of the coal washing business in 2020. In 2020, the Shanxi local government (http://www.chic.org.cn/Home/Index/detail1?id=570) announced shut down of the coal washing facilities with capacity less than 1.2 million tons in the city.

The Group had overgone a change in the transportation mode of coke. Transportation costs were transferred to customers and decreased from approximately HK$118.1 million for the year ended 31 December 2019 to HK$ 8.1 million for the year ended 31 December 2020. Meanwhile, with the implementation of effective cost control measures, the Group's administrative expenses decreased from approximately HK$109.1 million for the year ended 31 December 2019 to approximately HK$93.6 million for the year ended 31 December 2020.

The Group's finance costs increased from HK$60.0 million for the year ended 31 December 2019 to approximately HK$73.4 million for the year ended 31 December 2020. Such increase was mainly due to its other borrowings added in the second half of 2019, which incurred only half-year interest expense in 2019, compared to a full-year interest expense in 2020. Impairment incurred from property, plant and equipment and provision of loss allowance of trade and other receivables were substantial, which amounted to approximately HK$477.2 million and approximately HK$161.4 million, respectively, for the year ended 31 December 2020 (as compared to HK$Nil and HK$0.9 million, respectively, for the year ended 31 December 2019). Above all, the Group's loss before tax increased significantly from approximately HK$6.6 million for the year ended 31 December 2019 to approximately HK$532.5 million for the year ended 31 December 2020.

Financial position

The following table summarises the financial position of the Group for each of the three years ended 31 December 2021 as extracted from the published Annual Report 2020 and Annual Report 2021:

	As at 31 December			**As at 30 June**
	2019	**2020**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Total assets	2,661,384	2,064,344	2,221,404	1,907,956
Total liabilities	2,248,286	2,189,245	2,379,496	2,097,104
Net current assets/ (liabilities)	276,194	(1,517,124)	(1,699,654)	(1,730,594)
Net assets/(liabilities)	413,098	(124,901)	(158,092)	(189,148)

(a) Comparison between 31 December 2021 and 30 June 2022

Total assets decreased from approximately HK$2,221.4 million as at 31 December 2021 to approximately HK$1,908.0 million as at 30 June 2022 mainly attributable to the decrease in trade receivables from approximately HK$778.5 million as at 31 December 2021 to approximately HK$461.4 million as at 30 June 2022. Decrease in trade receivables is in line with the substantial shut down of business operation. As at 30 June 2022, approximately 48% (31 December 2021: 30%) of the Group's trade receivables was due from one customer. Total liabilities decreased from approximately HK$2,379.5 million as at 31 December 2021 to approximately HK$2,097.1 million as at 30 June 2022 mainly attributable to the decrease in trade payable from approximately HK$482.6 million as at 31 December 2021 to approximately HK$331.1 million as at 30 June 2022. The Group's net liabilities increased from approximately HK$158.1 million as at 31 December 2021 to approximately HK$189.1 million as at 30 June 2022.

(b) Comparison between 31 December 2020 and 31 December 2021

As depicted from the table above, total assets increased from approximately HK$2,064.3 million as at 31 December 2020 to approximately HK$2,221.4 million as at 31 December 2021. The increase was mainly because of (i) the increase in trade receivables from approximately HK$570.2 million as at 31 December 2020 to approximately HK$778.5 million as at 31 December 2021; (ii) the increase in prepayments, deposits and other receivables from approximately HK$1,298.0 million as at 31 December 2020 to approximately HK$1,429.1 million as at 31 December 2021; which was partly offset by (iii) the decrease in property, plant and equipment from approximately HK$103.9 million to approximately HK$1.2 million.

Trade receivables and prepayments, deposits and other receivables as at 31 December 2021 mentioned as audit modifications in the Annual Report 2021 are extracted as below:

	Trade receivables	**Prepayments, deposits and other receivables**
	HK$778.5 million	HK$1,429.1 million
Of which:		
relating to those from third parties and the Company is in negotiation with debtors	HK$468.5 million	HK$149.0 million
relating to those from non-controlling shareholder of a subsidiary (i.e. Jinyan Electricity) and its related companies and the Company is in the progress on the potential transaction on settlement of the balance	HK$234.3 million	HK$1,148.7 million

Trade receivables and prepayments, deposits and other receivables as at 31 December 2020 mentioned as audit modifications in the Annual Report 2020 are extracted as below:

	Trade receivables	**Prepayments, deposits and other receivables**
	HK$570.2 million	HK$1,298.0 million
Of which:		
relating to those from third parties and the Company is in negotiation with debtors	HK$Nil	HK$133.7 million
relating to those from non-controlling shareholder of a subsidiary (i.e. Jinyan Electricity) and its related companies and the Company is in the progress on the potential transaction on settlement of the balance	HK$228.9 million	HK$1,004.4 million

Trade receivables and prepayments, deposits and other receivables from non-controlling shareholder of a subsidiary (i.e. Jinyan Electricity) and its related companies are related to a debt assignment. On 31 December 2018, GRG Huscoke, an indirect 90%-owned subsidiary of the Company, entered into a debt transfer agreement with Jinyan Electricity, Xiaoyi ILNG Natural Gas Production Company Limited* 孝義市愛路恩濟天然氣製造有限公司 and Energy Technology (the "**Debt Assignee**"), and Mr. Wen Kezhong* 溫克忠先生, pursuant to which GRG Huscoke, the Jinyan Electricity and Debt Assignee agreed to assign the trade and other receivables from the Jinyan Electricity of approximately RMB365,826,000 (equivalent to approximately HK$411,627,000) together with aggregate amounts due from its affiliates of approximately RMB36,477,000 (equivalent to approximately HK$41,044,000) to the Debt Assignee.

Total liabilities increased from approximately HK$2,189.2 million as at 31 December 2020 to approximately HK$2,379.5 million as at 31 December 2021 mainly because of the increase in trade payables from approximately HK$359.7 million as at 31 December 2020 to approximately HK$482.6 million as at 31 December 2021. As advised by the Company, trade payables to the two largest suppliers as at 31 December 2021 in total amount of approximately HK$197.9 million had already been settled.

(c) Comparison between 31 December 2019 and 31 December 2020

Total assets decreased from approximately HK$2,661.4 million as at 31 December 2019 to approximately HK$2,064.3 million as at 31 December 2020 mainly because of the decrease in property, plant and equipment from approximately HK$576.4 million as at 31 December 2019 to approximately HK$103.9 million as at 31 December 2020. The Group carried out reviews of the recoverable amount of its plant and machinery in 2020 as a result of the deterioration of the markets of the Group's products. These assets were used in the Group's coal-related ancillary segment and coke production segment. The reviews led to the recognition of an impairment loss of approximately HK$477.2 million that had been recognised in the Company's income statement. The recoverable amount of the relevant assets of approximately HK$103.9 million was determined. The Group turned from net asset position of approximately HK$413.1 million as at 31 December 2019 to net liabilities position of approximately HK$124.9 million as at 31 December 2020.

(3) Benefits of the Assets Transfer and the Disposal

Based on our analysis, the Assets Transfer and the Disposal will bring about the following benefits to the Company:

(a) As mentioned in the Annual Report 2021, the Board will focus its resources on the resumption of trading of the Company as a priority to maximise the protection of the rights and interests of the Company and its shareholders. The Assets Transfer and the Disposal are actions to be taken by the Company in an effort to fulfill the Resumption Guidance. In our view, we should consider the benefits of the Assets Transfer and the Disposal as a whole.

The Target Assets are two 7.1-meter coking furnaces located in Xiaoyi City, Shanxi Province, the PRC, with an aggregate annual production capacity of not less than 1,200,000 tons of coke. The Assets Transfer will enable the Company to resume its business operation and increase the Group's annual production capacity of coke from 600,000 tons before the shut-down to 1,200,000 tons. Upon completion of the Assets Transfer, the New Subsidiary will hold 90% equity interests in the Target Subsidiary while Energy Technology will hold the remaining equity interests. Energy Technology, which is an experienced coke production enterprise with vast resources in the coke production industry, will play a supporting role in the Target Subsidiary's operation. We have reviewed the terms in the Agreement and understood that Energy Technology will provide public auxiliary facilities, office facilities, and the required facilities and equipment for coke oven gas reprocessing to the Target Subsidiary. We have also reviewed a written confirmation provided by Energy Technology to the Company that Energy Technology owns legal ownership and use rights of a list of ancillary facilities necessary for coke production of the Target Subsidiary, including but not limited to water and electricity supply, sewage and waste treatment, warehousing and transportation and coke oven gas.

Pursuant to the Agreement, the Company or its designated subsidiaries are entitled to use such ancillary facilities at no charge after the Assets Transfer. Moreover, as mentioned in the Letter from the Board, the Company and Energy Technology have verbally agreed to enter into a shareholder agreement upon Transaction Completion (such that the New Subsidiary will have become the controlling shareholder of the Target Subsidiary) to forfeit the rights of Energy Technology to nominate member to the board (and the voting rights) and senior management of the Target Subsidiary such that all the directors of the Target Subsidiary will solely be appointed by the Company.

Having considered that (i) Energy Technology will only grant use rights of ancillary facilities for coke production to the Target Subsidiary, the Company and/or its designated subsidiaries; and (ii) Energy Technology will not nominate any member to the board and senior management of the Target Subsidiary, we are of the view that Energy Technology will not have any role which can affect operation of the Target Assets.

It is mentioned in the Letter from the Board that the land where the Target Assets are built on is owned by Xinweitun Village Committee in Xiaoyi City in Shanxi Province* (山西省孝義市新尉屯村委會) and the right of use of the land to operate, among other things, the Target Assets will be shared by the Target Subsidiary, and accordingly, it will be responsible for an annual renting cost of RMB81,900 payable to Energy Technology. Energy Technology confirmed to the Company that grant of the right of use of ancillary facilities to the Group at no charge for coke production forms integral part of the transactions contemplated under the Agreement. As mentioned in the Letter from the Board, the relevant government licenses possessed by Energy Technology for the operation of the Target Assets include construction permit, environmental evaluation, safety production evaluation and pollutant discharge permit. Save for the pollutant discharged permit which needs to be renewed in 2025, all of the abovementioned licenses had no expiry date. According to the terms of the Agreement, as part of the compensation arrangement to the Group, Energy Technology is obligated under the Agreement to ensure that the Group will be able to operate the Target Assets with all the necessary licenses and approvals, and the Company will not bear any cost for the renewal of any of the licenses. We have no reason or evidence to believe that Energy Technology will cease to possess the use right of the land and/or legal ownership and use rights of ancillary facilities for coke production or Energy Technology is not willing to allow the Group to use the licences, which will affect operation of the Target Assets (including but not limited to any material impact).

Energy Technology is one of the top 50 private enterprises in Lüliang City in 2021. Based on our search of information from a search agent namely QCC.com, (https://www.qcc.com/bd/cac43f277da4fbb806c5dca144906e48.html) in public domain, its business scope covers coke manufacturing, chemical product production (operating with license); and distribution of coke, raw coal, clean coal, chemical products (except hazardous chemicals). Energy Technology is incorporated in 2016 with paid up capital of RMB500 million and had more than 270 staff. Based on the search results, we concur that Energy Technology is an experienced coke production enterprise with vast resources in the coke production industry.

The Directors are confident that with the Company's solid experience and expertise in coke production, client base of GRG Huscoke and the two new 7.1-meter coking furnaces, the Group will be able to resume its business activities to the level comparable or better than that of before the shut-down of the 4.3-metre furnace. We concur with the views of the Directors on the following basis: (i) experience and expertise of the Group can be demonstrated with its track record on coke production. Since the obtaining of new business license by the Group to include coke production business and the sale of coke in the PRC in 2010, coke production became one of the business segments of the Group. Over the years, the Group has generated significant amount of revenue from coke production. For the five years ended 31 December 2021, revenue from coke production amounted to approximately HK$1,189.0 million, HK$1,351.0 million, HK$1,434.3 million, HK$1,108.3 million and HK$785.1 million representing approximately 89.3%, 91.4%, 89.3%, 94.2% and 90.6% for the five years ended 31 December 2021, respectively. As at 30 June 2022, the Group had approximately 195 employees who are mainly senior management and workers in the PRC and they should have acquired relevant expertise in operating coke production; (ii) GRG Huscoke was the operating arm of the Group for its coke production and thus, client base has been built up and contributed majority of the Group's revenue. We are advised by management of the Company that they have built up coke related business network within Shanxi province, maintained client relationship and kept close contacts with customers. It is also mentioned in the Annual Report 2021 that the Group continuously pays attention to strengthen and sustain the relationship with its major customers and ensure customer satisfaction by providing quality products and services to customers; and (iii) as the two new 7.1-meter coking furnaces will meet government policy, national industry standards and environmental protections standards, the Group will be able to resume and maintain continuous business operation with aggregate annual production capacity of not less than 1,200,000 tons of coke which is double of the Group's annual production capacity before the shut-down of the 4.3-metre furnace. As mentioned in the Letter from the Board, it is expected that the increase in volume of coke producing and supplying through the Target Assets shall provide the Restructured Group competitive edges and attract large-scale steel manufacturers within the Shanxi and adjacent provinces as these manufacturers generally desire to enter into contracts with coke suppliers with coke production capacity located within the Shanxi province in order to secure stable and large block of raw coke supply for its high consumption rate of cokes in producing their steel products. A feasibility report on the 7.1-meter top-loading coking furnace project of Energy Technology was issued in 2019 by an independent service provider which businesses focus on technology research and development, engineering consulting, design, complete sets of equipment, and engineering construction for coking and refractory materials. According to the feasibility study, coke production facilities with 7.1-meter top-loading coking furnaces will have the advantages of environmental protection and good product quality. Beyond reasonable doubt, it is expected that the Group will be able to resume and maintain continuous business operation after completion of the Assets Transfer, thereby enabling the Company to demonstrate to the Stock Exchange that it will be able to meet the requirements under Rule 13.24 of the Listing Rules as required under item (iii) of the Resumption Guidance.

According to Coking Industry Standard Conditions (2020) issued by Ministry of Industry and Information Technology (https://pds.gov.cn/upload/files/2021/9/6/11.%E7%84%A6%E5%8C%96%E8%A1%8C%E4%B8%9A%E8%A7%84%E8%8C%83%E6%9D%A1%E4%BB%B6%EF%BC%882020%E5%B9%B4%E6%9C%AC%EF%BC%89.pdf), the height of the carbonization chamber of top-loading conventional coking furnaces must be more than 6.0 meters. The Company confirmed that coking furnace(s) for the Group's coke production belong(s) to conventional top-loading coking furnace(s). The two 7.1-meter coking furnaces under the Assets Transfer will be able to meet the government policy. We have also reviewed documents provided by the Company and understood that (i) in 2018, the relevant government authority agreed the filing of the 7.1-meter top-loading coking furnace project from Energy Technology. It was mentioned in the filing that Energy Technology removed its old coking furnaces and would carry out new model coking furnace construction project that is in line with national industrial policies; and (ii) in 2019, Energy Technology has obtained approval from the relevant authority on the report of environmental impacts from the 7.1-meter top-loading coking furnace project. Based on the above, we concur with the Directors' view that each of the Target Assets can meet government policy, national industry standards and environmental protections standards.

The Disposal serves to further implement the remedial plan for the Incident and as part of the Company's plan to fulfill the Resumption Guidance. GRG Huscoke is the legal borrower of the Possible Loan and the Loans and is involved in the guarantee obligation of the Contingent Liabilities arisen from the Incident. Given the long history of the events leading to the Incident, even the Company had engaged professional parties to investigate the matter, it cannot be sure that all loans relating to GRG Huscoke relating to the Incident have been revealed or recognised in its financial statements. It will be hard and costly for the Company to conduct further investigations to identifying any loans and/or liabilities (if any) relating to GRG Huscoke that may not be shown in public records and therefore are not known to the Group as of present. As mentioned in "(1) Background information of the Company and recent developments – *d. Audit Modifications*" above, the Company's Auditor has set out the basis for a disclaimer of opinion. Such basis is mainly related to the deteriorating financial performance of GRG Huscoke after the shut-down of the 4.3-meter coking furnace and the Incident, which GRG Huscoke is solely involved and responsible. Given that the proposed Assets Transfer will enable the Company to resume its coke production with the New Subsidiary as the holding company of the key operating assets of the Company going forward and GRG Huscoke currently has no operating assets and is in a significant net liabilities position, it is in the interests of the Company to proceed with the Disposal.

After completion of the Disposal, GRG Huscoke will no longer be a subsidiary of the Group and its financial performance, receivables and debts/liabilities (including those recognised as a result of the Incident and unrecognised such as the Contingent Liabilities) will cease to be consolidated into the accounts of the Group. The Company's Auditor has indicated that if the Disposal proceeds, the audit modifications relating to GRG Huscoke, will be addressed going forward. Pursuant to item (i) of the Resumption Guidance, the Company is required to conduct an appropriate investigation into the Loans and the Possible Loan and the Contingent Liabilities, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions. As the Disposal will result in GRG Huscoke to be carved out from the Group, it will facilitate the Company in demonstrating to the Stock Exchange that no such investigation will be necessary as far as meeting the Resumption Guidance is concerned.

(b) After completion of the Assets Transfer, the Company will hold, through the New Subsidiary, 90% equity interest of the Target Subsidiary, which in turn beneficially owns 100% interest in the Target Assets. As elaborated in previous sections of this letter, the appraised value of the Target Assets was approximately RMB1,686,163,640 as at 31 July 2022. Hence, the value of the 90% equity interests in the Target Subsidiary amounts to approximately RMB1,517,547,276. The purpose of entering into the Agreement was an effort to continue the underlying purpose of the Cooperation Agreement and to compensate the Group as a result of the Incident. Pursuant to the Agreement, Energy Technology will transfer 90% equity interests in the Target Subsidiary to the New Subsidiary and the Total Receivables owed by Energy Technology and Jinyan Electricity to GRG Huscoke will be offset. In other words, the Company will use the Total Receivables, which amounted to RMB1,370,479,341 as at 31 July 2022, in exchange for a 90% ownership interest in the Target Assets, which has an appraised value of approximately RMB1,686,163,640 as at 31 July 2022. The proposed offset will result in a premium of approximately RMB147,067,935 in favor of the Group ("**Compensation Premium**"), which was determined after arms' length negotiations between the parties to the Agreement. Having considered that the Total Receivables will be offset by the Assets Transfer in any case and:

(i) 90% of the equity interests in the Target Subsidiary represents a premium over the total of the Total Receivables as at 31 July 2022;

(ii) pursuant to the Agreement, in the event that the value of the New Subsidiary's interest in the Target Subsidiary in higher than the amount of the Total Receivables, it has agreed that such difference will be treated as unconditional compensation of the Incident to the Company and to GRG Huscoke; and

(iii) even though the amount of the Total Receivables is still subject to adjustments and the value of the 90% equity interests in the Target Subsidiary may not present a premium over the Total Receivables, in the unlikely event that the value of the New Subsidiary's interest in the Target Subsidiary is less than the amount of the Total Receivables, Energy Technology and Jinyan Electricity is obligated to negotiate with the Company other compensation proposals to make up such difference and to compensate the Company and GRG Huscoke,

we are of the view that the Compensation Premium has further enhanced the reasoning for the Group to proceed with the Assets Transfer. It is in particular so given the uncertainty in the collectability of the Total Receivables in the absence of the proposed Assets Transfer. Also, the Compensation Premium would further explain why it is justifiable for the Group to accept the consideration of the Disposal other than the anticipated net gain from the Disposal. Based on net liabilities of the Disposal Group of approximately HK$740.3 million as at 30 June 2022, transfer of Sale Loans of HK$643.2 million as at 30 June 2022, non-controlling interests and exchange fluctuation reserves as at 30 June 2022, it is estimated that the consideration of the Disposal would result in net gain to the Group of approximately HK$156.8 million following completion of the Disposal as further elaborated in the section headed "(6) Financial Effects of the Assets Transfer and the Disposal" below and as set out in Note 4(a) of the unaudited pro forma financial information of the Restructured Group in Appendix VI of the Circular. Pursuant to the Disposal Agreement, the key terms of which are set out below in this letter, completion of the Disposal will be subject to completion of the Assets Transfer. To assess the financial impacts of the Disposal, we should take into consideration the financial impacts of the Assets Transfer. Besides the Compensation Premium, we note that the Disposal together with the Assets Transfer would result in unaudited pro forma consolidated net profit of approximately HK$1,569.0 million as at 31 December 2021 as illustrated in the unaudited pro forma financial information of the Group in Appendix VI of the Circular.

(c) Since the offset of the Total Receivables pursuant to the Agreement will result in the Outstanding Balance owed by the New Subsidiary to GRG Huscoke, the Waive is a necessary step to safeguard the Company's interest in proceeding with the Assets Transfer and the Disposal. Otherwise, the New Subsidiary will owe GRG Huscoke the Outstanding Balance after completion of the Assets Transfer and the Disposal and the Outstanding Balance would not be eliminated in the consolidated financial statements of the Group for GRG Huscoke will no longer be a subsidiary of the Company by then. We note that the Group will owe GRG Huscoke RMB60,000,000 after the Waive and are of the view that it is in the interests of the Company and the independent Shareholders as a whole to proceed with the Waiver given the Compensation Premium as mentioned above and the overall benefits to the Group to proceed with the Assets Transfer and the Disposal.

(4) Background information of the Disposal Company

(a) The Disposal Company

The Disposal Company is incorporated in the British Virgin Islands with limited liability.

As mentioned in the Letter from the Board, the Disposal Company is wholly-owned by the Vendor and is the legal and beneficial owner of 90% of the entire equity interests of GRG Huscoke. GRG Huscoke is incorporated in the PRC with limited liability and is principally engaged in coal-related ancillary business, coke production and coke trading business. The Directors confirmed that GRG Huscoke has no other remaining coking furnace in operation after shutting down the 4.3-meter coking furnace in October 2021.

(b) Financial information of the Disposal Group

The table below summarises the unaudited consolidated financial information of the Disposal Group for the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022:

	For the year ended 31 December		**For the six months ended 30 June**
	2020	**2021**	**2022**
	HK'000	*HK'000*	*HK'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue	1,176,982	866,602	15,662
Profit/(Loss) before taxation	(473,771)	9,663	(37,601)
Profit/(Loss) after taxation	(478,770)	(6)	(37,601)

The unaudited total assets and total liabilities of the Disposal Group as at 30 June 2022 were approximately HK$1,784 million and HK$2,524 million, respectively. The unaudited net liabilities of the Disposal Group as at 30 June 2022 was approximately HK$740.3 million.

(5) Principal terms of the Disposal Agreement

The principal terms of the Disposal Agreement are summarised as follows:

Date: 26 July 2022

Parties: The Vendor, as the vendor; and
Mr. Yang, as the purchaser

Assets to be disposed: Sale Shares (being the entire equity interest of the Disposal Company); Sale Loans (being the net amount of the loans owed by the Disposal Company to the Company which amounted to HK$642,852,705 as at 31 July 2022)

Consideration

The consideration for the Disposal is HK$1, which shall be payable by Mr. Yang to the Vendor. As mentioned in the Letter from the Board, the consideration of the Disposal was determined based on arm's length negotiations between the parties to the Disposal Agreement with reference to, including but not limited to, (i) the ceased operation of GRG Huscoke which is also one of the main entities involved in the Incident; (ii) the net liabilities of the Disposal Group of HK$733,481,761 as at 31 July 2022; and (iii) the Sale Loans in the amount of HK$642,852,705 as at 31 July 2022; and the Waive.

We have discussed with the management of the Company on the rationale for the consideration of HK$1 for the Disposal and were given to understand that in determining the consideration of the Disposal, financial effects of both the Assets Transfer and the Disposal on the Group have been considered given the fact that the Disposal is conditional on the Assets Transfer. Based on the above and the reasons set out in the section headed "(3) Benefits of the Assets Transfer and the Disposal" above, we consider that the consideration of HK$1 for the Disposal is fair and reasonable.

The Waive Agreement

As mentioned in the Letter from the Board, the New Subsidiary and GRG Huscoke entered into the Waive Agreement on 26 July 2022, pursuant to which GRG Huscoke will waive the New Subsidiary the Outstanding Balance to a remaining amount of RMB60,000,000. In avoidance of doubt, (i) the Waive Agreement is not part of the Cooperation Agreement, the Agreement or the Disposal Agreement; and (ii) the remaining amount of the Outstanding Balance will be capped at RMB60,000,000, irrespective of any changes to be made in the amount of the Total Receivables, including but not limited to, the materialisation of any of the Contingent Liabilities in the future. The Waive is conditional upon the satisfaction of (i) the transactions contemplated under the Cooperation Agreement and the Agreement having completed; and (ii) the Total Receivables owed by Energy Technology and Jinyan Electricity to GRG Huscoke having been set off. The Outstanding Balance will be payable by the New Subsidiary to GRG Huscoke within 5 years after the Waive.

The Outstanding Balance of RMB60,000,000 represents (i) the consideration of the Possible Loan in the amount of RMB25,500,000 after negotiations and is payable by GRG Huscoke on or before 31 December 2022; and (ii) the consideration of the Loans from Minsheng Bank in the amount of approximately RMB35,000,000, which will be settled by GRG Huscoke to Jinyan Electricity. We are of the view that it is in the interests of the Company and Independent Shareholders as a whole to agree the Outstanding Balance at RMB60,000,000, taking into account the value of the 90%

equity interests in the Target Subsidiaries may or may not represent a premium over the Total Receivables, after having considered: (i) the remaining amount of the Outstanding Balance will be capped at RMB60,000,000; (ii) after the Waive, GRG Huscoke will then settle the Possible Loan and the Loans and the Group will in exchange to receive the Target Assets; (iii) the Waive is to facilitate the Disposal to carve out GRG Huscoke from the Group and the transfer of the Target Assets to the New Subsidiary, which will then allow the Group to have material control of the Target Assets; and (iv) the reasons set out in the section headed ''(3) Benefits of the Assets Transfer and the Disposal'' above.

Condition precedent

The Disposal is conditional upon the satisfaction of the following:

(i) the passing of necessary resolution(s) by the Shareholders at the SGM approving the Disposal Agreement and the transactions contemplated thereunder;

(ii) the Company having complied with the requirements under the Listing Rules in respect of the transactions contemplated under the Disposal Agreement such as subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules;

(iii) the transactions contemplated under the Cooperation Agreement and the Agreement having completed; and

(iv) GRG Huscoke having completed the Waive.

If the conditions are not fulfilled on or before the VSD Long Stop Date (or such later date as the parties may agree), the Disposal Agreement will cease and terminate and thereafter neither party to the Disposal Agreement shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

Completion of the Disposal

The completion of the Disposal is expected to take place within 7 Business Days after the fulfillment (or waiver) of the conditions (or such later date as the parties to the Disposal Agreement may agree).

The net proceeds from the Disposal is intended to be used for the Group's general working capital.

If no other financial resources can be solicited and in the event that (a) the Open Offer and/or the CB Subscription is/are being voted down or (b) the Group will not be able to delay the demand of repayments of approximately HK$236,219,000 before the fundraising activities, we are of the view that the Company may not have sufficient working capital for the next 12 months having considered that (i) the Group only maintained cash and bank balances of approximately HK$7.2 million as at 30 June 2022; (ii) the Group has ceased business operation and generates no operating cash inflow; (iii) the Group has net liabilities of approximately HK$189.1 million as at 30 June 2022; and (iv) the Group has obligation to repay the Cinda Facility falls due.

The Supplemental Disposal Agreement

On 7 September 2022, after trading hours, the Vendor and Mr. Yang have entered into the Supplemental Disposal Agreement pursuant to which the parties agreed to include additional terms to supplement the terms of the Disposal Agreement. Summary of the additional terms under the Supplemental Disposal Agreement are set out below:

(i) the parties shall proceed with the completion of the Disposal with reference to the consolidated financial accounts of the Disposal Group as at the date of the completion of the Disposal;

(ii) on the date of completion of the Disposal, the Vendor shall provide or facilitate the provision of the consolidated financial accounts of the Disposal Group as at the date of the completion of the Disposal to Mr. Yang;

(iii) the Vendor shall undertake that the consolidated financial accounts of the Disposal as mentioned in (ii) above are true; and

(iv) Mr. Yang shall undertake that he shall accept all the profit or loss generated by the Disposal Group between 30 June 2022 and the date of completion of the Disposal, as reflected on the respective financial accounts of the Disposal Group as at 30 June 2022 and as at the date of completion of the Disposal Group respectively.

(6) Financial effects of the Assets Transfer and the Disposal

Upon Completion of the Assets Transfer, the Target Subsidiary will become an indirect 90% owned subsidiary of the Company and the financial results, assets and liabilities of the Target Subsidiary will be consolidated into the Group's accounts. Upon completion of the Disposal, members of the Disposal Group will cease to be subsidiaries of the Group and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

Earnings

Based on the unaudited pro forma financial information of the Restructured Group as at 31 December 2021 as illustrated in Appendix VI of the Circular, there would be depreciation expenses of the Target Assets of approximately HK$59.1 million as a result of the Assets Transfer. Upon completion of the Disposal, all revenue, cost of sales (except the depreciation expenses of the Target Assets) and substantial amount of other income and gains of the Group would be eliminated; meanwhile, selling and distribution costs, administrative expenses, finance costs and other operating expenses of the Group would be reduced substantially. The Group would record adjustments, among others, gain on the Disposal of approximately HK$127.5 million (as if the Disposal had taken place on 1 January 2021) and estimated gain on the Waiver credited to profit or loss of approximately HK$1,522.2 million (equivalent to approximately RMB1,261.0 million).

Above all, the Restructured Group would turn from a net loss of approximately HK$31.2 million to a net profit of approximately HK$1,569.0 million as at 31 December 2021. The actual profit of the Restructured Group may be different and will be subject to audit.

Assets and liabilities

Upon the completion of the Assets Transfer, property, plant and machinery comprising furnaces and infrastructure and right-of-use assets of approximately HK$ 1,719,298,000 would be recorded to the accounts of the Group. As the consideration for the Assets Transfer will offset the Total Receivables, all trade receivables, prepayments, deposits and other receivables under non-current assets of the Group will be eliminated. Upon completion of the Disposal, all trade receivables as well as the Sale Loans will be excluded from the Group. Taking into the transaction costs, the unaudited pro forma consolidated total assets as at 30 June 2022 would decrease from approximately HK$1,907,956,000 to approximately HK$1,880,772,000.

All liabilities of the Disposal Group will also be excluded from the Group. As a result of the Assets Transfer and the Disposal, there would be amounts due to the Disposal Group of approximately HK$1,547,368,000. This amount will be offset by estimated net gain on the Waive and related exchange difference of approximately HK$1,477,084,000. Approximately HK$56,589,000 amount due to the Disposal Group, being the remaining balance of the Outstanding Balance as at 30 June 2022 of approximately HK$70,284,000 (equivalent to RMB60,000,000) less other gain and related exchange difference arising in the discount effect, will be left with the Group, being the carrying amount of the remaining balance of Outstanding Balance as at 30 June 2022. As a result, the unaudited pro forma consolidated total liabilities as at 30 June 2022 would decrease from approximately HK$2,097,104,000 to approximately HK$311,913,000.

In view of the above, the Group will turn from net liabilities of approximately HK$189,148 as at 30 June 2022 to unaudited pro forma consolidated net assets of approximately HK$1,568,859,000 as at 30 June 2022.

Liquidity

As at 30 June 2022, net current liabilities of the Group were approximately HK$1,730,594,000. It is expected that unaudited pro forma consolidated net current liabilities of the Group would decrease to HK$100,645,000.

The aforementioned analyses are for the illustrative purpose only and do not purport to represent how the financial position of the Group will be after the entering into the Agreement, the Waive Agreement, the Disposal Agreement or the completion for the Assets Transfer and the Disposal.

RECOMMENDATION

Having taken into consideration the above principal factors and reasons, in particular:

– the Group has the imminent need to resume its business operation and address all concerns from the Stock Exchange in the Resumption Guidance having considered that if it could not resume trading in Shares by 28 September 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing's and the Disposal together with the Assets Transfer are the important part of the Group's endeavor to meet certain key requirements set out in the Resumption Guidance;

– the Disposal will enable the Group to carve out the financial results, assets and liabilities of GRG Huscoke from the consolidated financial statements of the Group going forward and the adverse financial impacts on the Group from the Incident will cease;

– the Company's Auditor has indicated that if the Disposal proceeds, the audit modifications relating to GRG Huscoke, will be addressed going forward and the removal of such modifications is crucial for the Group to meet the Resumption Guidance;

– the net financial effects of the Assets Transfer and the Disposal on the Group will be a gain of approximately HK$1,600.1 million and the Group will turn from net liabilities of approximately HK$189.1 million as at 30 June 2022 to net assets of approximately HK$1,569.0 million as illustrated in the unaudited pro forma financial information of the Restructured Group in Appendix VI to the Circular having taking into consideration the outstanding remaining balance owed by the Group to GRG Huscoke after the Waive and completion of the Disposal; and

– the further reasoning as set out in the section headed "(3) Benefits of the Assets Transfer and the Disposal" above;

we consider that (i) the terms of the Disposal Agreement are fair and reasonable and on normal commercial terms; and (ii) although the Disposal is not in the ordinary and usual course of business, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolution(s) at the SGM to approve the transactions contemplated under the Disposal Agreement, which contained the completion of the transactions contemplated under the Cooperation Agreement and the Agreement as one of the conditions for the Disposal.

Yours faithfully,
For and on behalf of
SBI China Capital Hong Kong Securities Limited

Ringo Kwan
Managing Director

Evelyn Fan
Executive Director

Mr. Ringo Kwan and Ms. Evelyn Fan have been responsible officers of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) since 2005 and 2012, respectively. Both of them have participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 are disclosed in the following documents which have been published on both the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.huscoke.com) respectively. Please refer to the hyperlinks as stated below:

(i) The audited financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 28 April 2020, from pages 93 to 247:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042801997.pdf

(ii) The audited financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 5 August 2022, from pages 82 to 187:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0805/2022080500767.pdf

(iii) The audited financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 5 August 2022, from pages 87 to 179:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0805/2022080500793.pdf

(iv) The unaudited financial information of the Group for the six months ended 30 June 2022 is disclosed in the interim report of the Company for the six months ended 30 June 2022 published on 15 September 2022, from pages 4 to 51:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0915/2022091501289.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2022, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Circular, details of the indebtedness statement of the Group are as follows:

	The Group		
	Secured	**Unsecured**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount of bank borrowings	339,262	–	339,262
Carrying amount of other borrowings	–	357,740	357,740
Lease liabilities	–	11,716	11,716
Financial guarantee contracts	–	71,905	71,905
	339,262	441,361	780,623

As at 31 August 2022, bank borrowings were guaranteed by the non-controlling shareholder of a subsidiary and its related companies. Certain bank borrowing of approximately RMB99,970,000 (equivalent to HK$113,886,000) was secured by the pledge of a forest land use right owned by a third-party entity.

As at 31 August 2022, (1) a other borrowing of approximately RMB122,500,000 (equivalent to HK$139,552,000) was guaranteed by an independent third party; (2) a loan of approximately HK$1,751,000 was loans from a former Directors, who resigned on 7 September 2018; and (3) a loan from a director of GRG Huscoke of HK$3,195,000.

As at 31 August 2022, the Group had provided guarantees to an independent third party in respect of its bank loan facilities in the sum of approximately RMB200,000,000 (equivalent to HK$227,840,000) in favour of a bank in the PRC.

Save as aforesaid or as otherwise disclosed herein, the Group did not, as at the close of business on 31 August 2022, have any outstanding loan capital issued, outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The working capital forecast has been prepared based on certain significant assumptions including:

(i) the proceeds of approximately HK$280,000,000 assumed to be financed from the Open Offer and the CB Subscription (the "**Fund-raising Activities**") during the working capital forecast period, which is contingent on several conditions being fulfilled;

(ii) the success in delaying the demands of repayments of approximately HK$236,219,000 from the creditors of the Group before the Fund-raising Activities; and

(iii) the proceeds of approximately HK$104,853,000 assumed to be collected from one of the Group's major debtors, which already defaulted on the repayment schedule up to the date of the board memorandum.

The working capital forecast does not include any adjustments that would result from the failure to complete the Fund-raising Activities, delay the demands of repayments from the creditors and collect the debts from the major debtor. In view of the extent of the uncertainties relating to significant assumptions made by the Directors mentioned above, the auditor of the Company qualified their opinion in respect of the uncertainties relating to the assumptions made in the working capital forecast for the completion of the Fund-raising Activities, the success in delaying the demands of repayments and the success in collecting the outstanding debts.

On the basis of their procedures, the auditor of the Company reports that except for the matter described in the above section, in their opinion, the statement relating to the sufficiency of working capital of the Company and its subsidiaries relating has been made by the Directors after due and careful enquiry.

In order to address the qualified opinion above, the Directors have taken the following measures:

(i) On 19 August 2022, the Company proposed to increase the authorised share capital of the Company and to raise approximately HK$121.7 million before expenses by way of Open Offer on the basis of two (2) Offer Shares for every one (1) existing Share. Shun Wang, being the controlling shareholder of the Company has undertaken its maximum entitlement under the Open Offer. Details please refer to the announcement of the Company dated 19 August 2022;

(ii) On 16 September 2022, the Company entered into the CB Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in an aggregate principal amount of HK$154 million. Details please refer to the announcement of the Company dated 16 September 2022;

(iii) The Company has thoroughly communicated with the major creditor (i.e. Cinda HK) regarding the arrangement and the payment schedule of repaying the Cinda Facility with proceeds from the Open Offer and the CB Subscription and Cinda HK has expressed its affirmation and continues to support the Company's Resumption work. The Company will continue to maintain good communication and negotiation with Cinda HK to seek proper solution of Cinda Facility under the consensus of completing the Resumption as soon as possible. As at the Latest Practicable Date, no further enforcement action has been commenced by Cinda HK against the Company; and

(iv) The Company has maintained active communication with Group's major debtor (i.e. Energy Technology) to keep following the refund of the trade deposit due to the termination of trade cooperation with them, they have shown positive attitude in preparing the repayment of the outstanding amount and has made a written guarantee to the Company in respect of the repayment schedule.

After taking into account the abovementioned factors, the Directors are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least the next 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 December 2021, being the date to which the latest audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

Looking ahead, the PRC is expected to continue to implement the environmental protection policy of "Dual Carbon" in 2022, promote the structural transformation of the coke industry for capacity reduction, encourage the building of advance production capacity and eliminate outdated production capacity, in order to strictly control the production capacity of the coke industry for an orderly supply of the coke market in the PRC. Meanwhile, as the PRC promotes the development of "new infrastructure", domestic infrastructure investment demands will be effectively stimulated and domestic coke demands will be uplifted, which will bring long-term benefits to the development of the coke industry in the PRC. Although the 4.3-meter coking furnaces used by GRG Huscoke have been completely shut down, considering the condition and development prospect of the coke industry, the Group still regards the coke production business as the main operation business of the Company and actively seeks ways to resume the coke production business.

Based on the basic investigation results of the Incident by the Independent Investigation Committee, and after conducting negotiation with relevant entities on resolving the Incident under the framework of the PRC laws, the Company has entered into the Agreement with GRG Huscoke, Jinyan Electricity, Energy Technology and ILNG on 15 March 2022, in relation to the compensation and remedy arrangement to the Group as a result of the Incident. Energy Technology has agreed to deliver two 7.1-meter coking furnaces with a total annual production capacity of 1.2 million tonnes (i.e. the Target Assets) to the Company, which will meet the national industry standards and environmental protection standards of the PRC with advanced technology. The Company has established the New Subsidiary to operate the Target Assets that are expected to be put into production around mid to end November 2022 at the earliest, upon which the Group will resume its coke production businesses through the Target Assets.

On 26 July 2022, after trading hours, the Vendor, a wholly-owned subsidiary of the Company and Mr. Yang have entered into the Disposal Agreement, pursuant to which, among other matters, GRG Huscoke will be disposed to Mr. Yang and carved out of the Group. The Company believes that the Disposal forms part of the remedy and compensations to the Group as a result of the Incident and will assist in resolving the adverse impact arisen from the Incident.

The Board is of the view that entering into of the Agreement and the Disposal Agreement is able to mitigate the operational and financial impact of the Incident to the Company, and satisfy the operation needs of the Group's coke production as well as expand the coke production scale of the Group, thus achieving greater benefits for the Company and its shareholders.

The Company has formulated the resumption proposal along with the restructuring transaction (i.e. the transactions contemplated under the Cooperation Agreement, the Agreement and the Disposal Agreement) and actively implemented various measures to address the Resumption Guidance. Currently, various measures such as independent investigation and audit work have been completed, and the Company has submitted the proposal for resumption to the Stock Exchange.

Meanwhile, the Company has proposed the Open Offer as set out in the announcement of the Company dated 19 August 2022 and the CB Subscription as set out in the announcement of the Company dated 19 September 2022 to increase the Group's working capital, reduce its debt level and improve its financial position.

With the implementation of the resumption proposal as set out in the above, the Company is confident that it will successfully address the Resumption Guidance, and is expected to resume trading of the Shares in December 2022.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 December 2019, 2020 and 2021.

For the year ended 31 December 2019

Business Review

Subject to sustained impacts from international trade disputes, the PRC's overall economic growth in 2019 slowed with the gross domestic product increasing by 6.1% of which gross industrial production increased by 5.7%. Coke output throughout the country for the year amounted to 471.26 million tons, which was an increase of approximately 7.5% over 438.20 million tons in 2018, while nationwide crude steel output in the same period amounted to 996.34 million tons, which had increased by approximately 7.3% over 2018's 928.26 million tons. Due to slackening environmental restrictions, coke supply and demand was balanced and relaxed. Impacted by coke supply and demand and changing demand in the downstream steel market, the domestic coke price for the year trended upward first and then slided downward.

In 2019, domestic coking coal supply and demand was basically balanced but slightly supply-tightening, and coal prices followed a steady and upside trend. Compared with upstream coal enterprises and downstream steel enterprises, the concentration of the coke industry was on the lower side, which in turn weakened coke enterprises' bargaining power. With the reduction in the coke selling price and rising coal cost, profits margins for coke enterprises were generally trimmed off. Despite the challenging environment for the domestic coke market in 2019 compared with that of 2018, management has taken a series of measures in response to domestic market challenges to improve the Group's operational performance, implementing stringent cost control and reducing overall expenses.

Financial Review

Total revenue of the Group for the year was approximately HK$1,605,356,000 (2018: HK$1,478,049,000). The gross profit for this year amounted to HK$175,857,000 (2018: HK$245,821,000), and the Group recorded a gross profit margin of approximately 11.0% for the year as compared to approximately 16.6% in 2018. Loss after tax for the year was approximately HK$6,576,000 (restated) (2018: HK$146,708,000), and loss attributable to owners of the Company amounted to HK$9,391,000 (restated) (2018: HK$129,118,000). Basic losses per share for the year was 3.4 Hong Kong cents (restated), as compared to the basic earnings (restated) per share of 4.95 Hong Kong cents in 2018.

The Group is principally engaged in three business segments, namely: (i) trading of coke (the "**Coke Trading Segment**"); (ii) washing of raw coal into refined coal for sale and for further processing and the sale of electricity and heat generated as byproducts produced during the washing of raw coal (the "**Coal-related Ancillary Segment**"); and (iii) processing of refined coal into coke for sale, and sale of coke by-products of coke production (the "**Coke Production Segment**").

Coke Trading Segment

The Group's revenue from the Coke Trading Segment for the year amounted to approximately HK$2,540,000, as compared to that of approximately HK$35,884,000 in the corresponding period last year, the decrease was mainly attributable to the reduction in trading volume of the Group. The Group has no segment results of Coke Trading for the year, representing a decrease compared to that of HK$315,000 in the corresponding period last year, which mainly resulted from the narrowing of spread between purchase and sale price of coke.

Coal-related Ancillary Segment

The Group's external revenue from the Coal-related Ancillary Segment for the year amounted to approximately HK$168,505,000, as compared to that of approximately HK$91,119,000 in the corresponding period last year. The Group's segment results of coke trading for the year was approximately HK$861,000, representing an improvement as compared to that in the corresponding period last year. The increase was mainly due to the non-revolving of the huge impairment of coal washing equipment last year, and no such provision for the current year.

Coke Production Segment

The Group's revenue from the coke production for the year amounted to approximately HK$1,434,311,000, as compared to that of approximately HK$1,351,046,000 in the corresponding period last year, the increase was mainly attributable to the increase in sales volume of coke. The Group's segment results for the year from the coke production was approximately HK$97,849,000, as compared to that of approximately HK$504,755,000 in the corresponding period last year. The difference was due to the reduction in the coke price plus the rising coal price this year that had resulted in spread narrowing, and the non-revolving of impairment reversal in property, plant and equipment items happened last year.

Selling and Distribution Costs

The Group's selling and distribution costs amounted to approximately HK$123,024,000, as compared to that of approximately HK$137,637,000 in the corresponding period last year. The decrease was mainly due to a reduction of transportation costs and the implementation of other effective cost control measures.

Administrative Expenses

The Group's administrative expenses for the year amounted to approximately HK$109,072,000 (restated), as compared to that of corresponding period last year of approximately HK$103,301,000. The decrease was mainly due to the control over staff salaries and the decrease in maintenance costs for production equipment.

Finance Costs

The Group's finance costs for the year amounted to approximately HK$60,004,000 (restated), as compared to that of corresponding period last year of approximately HK$2,200,000. The increase was mainly due to the rise in interest expenses arising from the Group's new borrowing for the year.

Profit Before Tax

The Group's profit before tax for the year amounted to approximately HK$4,971,000 (restated), as compared to that of approximately HK$176,659,000 in the corresponding period last year (restated). The difference was mainly due to impairment reversal of approximately HK$99,053,000 incurred from items of property, plant and equipment last year, while no such impairment reversal happened this year.

Loss for the Year

The Group's loss for the year was approximately HK$6,576,000 (restated), as compared to that of corresponding period of approximately HK$146,708,000 last year (restated). Apart from the foregoing factors, the difference was also mainly because PRC tax losses were available to fully offset taxable profits last year, while all tax losses had been fully utilised and therefore PRC corporate income tax was due in this year.

Charges over Assets

The Group had no pledged assets (including charges over deposits) during the year (2018: Nil).

Material Investment, Acquisition and Disposal

As disclosed by the Company in the announcements dated 12 September 2019 and 20 November 2019, the Bloom Wealth Investment Limited, a wholly owned subsidiary of the Company and Shanxi Baimaoyuan Trading Co., Ltd.* entered into a shareholder agreement for the establishment of Rich Hydrogen Energy. Relevant matters were approved by the Shareholders of the Company at the special general meeting held on 11 February 2020. Apart from this, the Group had no material investment, acquisition and disposal as at 31 December 2019.

Capital Structure and Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize the shareholders' value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain the most optimum capital structure, the Group may adjust dividend policy, capital distribution to shareholders or issuance of new shares. No changes were made in the objectives, policies or procedures for capital management during the year ended 31 December 2019.

The Group's principal financial instruments comprise of other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, prepayment, deposits and other receivables, amounts due from non-controlling shareholder, cash and bank balances, trade payables, and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees upon the various policies for managing these risks.

The Group regularly adopts gearing ratios as a tool of monitoring capital structure. The gearing ratio as of 31 December 2019 was 85% (restated) (31 December 2018 (restated): 62.8%).

As of 31 December 2019, the equity attributable to owners of the Company amounted to HK$378,337,000 (restated) (31 December 2018 (restated): HK$513,728,000).

The net assets per share as at 31 December 2019 was HK$0.150 (restated) (31 December 2018 (restated): HK$0.216).

Liquidity and Financial Resources

Net current assets and current ratio were approximately HK$276,194,000 (restated) (31 December 2018: net current liabilities of HK$74,822,000) and 0.27 (restated) (31 December 2018: 0.92) respectively as at 31 December 2019.

As at 31 December 2019, the Group's cash and bank balances amounted to approximately HK$20,839,000 (31 December 2018: HK$18,894,000), other borrowings were approximately HK$689,023,000 (restated) (31 December 2018: HK$18,188,000) and there were no convertible bonds (31 December 2018: HK$43,526,000).

As of 31 December 2019 and 2018, the Group had no bills payable.

Operating Lease and Capital Commitments

As at 31 December 2019, according to the disclosure requirements under Hong Kong Accounting Standards, the Group had no operating lease commitments (2018: HK$34,123,000).

Risk Management and Internal Control Systems

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal; relevant rules and regulations are adhered to and complied with; reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements; and key risks that may impact the Group's performance are appropriately identified and managed. The review of the Group's internal controls covers major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable, not absolute, assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure in achieving business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by a three-tier risk management approach. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with all business or transactions. Management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the audit committee of the Company (the "**Audit Committee**"), with the professional advice and opinions from external professional consultants, who conduct annual audit work for the Group, continually inspects and monitors the first and second lines of defense to ensure that they are effective.

Interest Rate Risk

The Group's interest rate risk mainly comprises of fair value interest risk and cash flow interest rate risk. 1) Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to the changes in market interest rates. The Group's fair value interest rate risk relates primarily to short-term cash and bank balances. 2) Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group is also exposed to cash flow interest rate risk through the impact of interest rate changes on deposits. To minimize the fair value interest rate risk, the Group keeps its borrowings with a fixed rate of interest. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign Currency Risk

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("**RMB**"), United States dollars ("**USD**") and Hong Kong dollars ("**HK$**"). The Group is exposed to foreign currency risk arising from the monetary assets and liabilities that are denominated in currencies other than functional currencies of the respective group entities. The Group does not have any hedging instruments outstanding. The Group will constantly review the economic situation and its foreign currency risk profile and will consider appropriate hedging measures in the future as may be necessary.

Contingent Liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities that have not been provided for in the financial statements (as at 31 December 2018: Nil).

Treasury Policies

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees and Remuneration

As at 31 December 2019, the Group had approximately 530 employees (31 December 2018: approximately 1,400 employees), with 18 employees stationed in Hong Kong and the rest, including senior management and workers, in Mainland China. For the year ended 31 December 2019, the Group's staff costs amounted to approximately HK$54,905,000, as compared to approximately HK$95,317,000 in the previous year.

Employees are remunerated according to the nature of the job and market trends, performance evaluation mechanism, annual increment and year-end performance bonus measures to reward and motivate individual performance. As at the date of this report, the Group has no share options outstanding under the share option scheme.

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Outlook

Looking into 2020, the China's economy has slowed significantly in the first quarter due to the impacts of the Novel Coronavirus ("**COVID-19**"). Nevertheless, the PRC government has taken decisive measures to effectively control the epidemic situation and resumed production within a short period of time. It is expected that the epidemic situation should have caused limited impact on the overall production and operation of the Group. It is anticipated that the PRC government will launch further economic incentive measures to increase infrastructure investment, which can stimulate production demand for the steel industry, and that would facilitate the production and operation in the coke industry. According to the requirements under Thirteenth Five-Year Plan, 2020 is the final year to eliminate inefficient production capacity, with an aim to eradicate production capacity up to 50 million tons. It is expected that execution of environmental output-limitation and capacity elimination will be intensified, thus coke supply will restore to a equilibrium, and coke prices will rebounce to a reasonable level. Meanwhile, coal market supply and prices will return to normal level by next year to follow the pace of coke prices, as a result the spread will return to normal level. In foreseeable future, it will improve the profitability of coke enterprises, which will be favorable to the Group's operation and development in coke production business next year. The Group will continue to implement stringent cost controls and reduce expenses, and to monitor risks to enhance the Group's profitability.

The PRC government has intensified to eliminate capacity in the coke industry and tightened environmental standards that will raise overall pressure for the coke production industry which is challenging environment. The Group will strictly comply with national environmental standards and promptly upgrade production equipment so as to reduce emissions and resource consumption, and to meet the updated national emission standards. Meanwhile, the Group has always committed to exploring appropriate opportunities and intends to move forward the updating and upgrading of coke production business through merger and acquisition as well as replacement of production capacity. In the future, it will further expand production scale and upgrade production technology in a bid to enhance operational efficiency. On 5 November 2019, the Group entered into a New Framework Agreement with Energy Technology, pursuant to which the Group intends to acquire and to subscribe for the equity share of Energy Technology such that the Company will vest in a controlling shareholding stake of more than 50% of the enlarged share capital of Energy Technology. Energy Technology is committed to pursuing a coke production project with capacity of over 5 million tons of coke per year. The Project will be constructed by two phases: phase one includes coking furnaces with a coke production capacity of 2.54 million tons per year; and phase two includes coking furnaces with a coke production capacity of 2.53 million tons per year.

At the same time, the Group intends to expand and launch its international trading business for coke products and increase cash flow through new trade channels, so as to improve the profitability of the Group. Additionally, the Group has always been proactive in seeking appropriate investment opportunities so as to enable the Group to explore new business segments, and integrate the business of its existing coal industry chains to further enlarge the Group's revenue sources and drive new profitable growth with a view to maximizing the Shareholder's value. On 12 September 2019 and 20 November 2019, Shareholders Agreements were entered into between the Group and the JV Partner, pursuant to which a subsidiary, Rich Hydrogen Energy, will be established in Shanxi province, PRC. The Shanxi JV plans to develop liquefied natural gas, synthetic ammonia, and urea projects as well as clean energy business including hydrogen. Management considers that the formation of a joint venture company will enhance the Group's profitability in the future.

For the year ended 31 December 2020

Business Review

During the second half of 2020, the overall economy of the PRC recovered from the COVID-19 pandemic, the GDP growth returned to positive throughout the whole year and the gross industrial product increased on a quarterly basis. Driven by demand from property, infrastructure and manufacturing industries, the steel industry remained buoyant while demand for coke rose. The coke price rose and remained high, which was favorable to the profitability of the coke industry.

Meanwhile, based on the Country's ''Thirteenth Five-Year Plan'', the Shanxi provincial government actively enforced ''three-year action plan aims for blue skies''. In November 2020, the Shanxi provincial government proposed to completely shut down coking furnaces with a coking chamber height of 4.3 meters and below, and intensified supervision and inspection tasks to reduce production capacity.

As such, GRG Huscoke (Shanxi) LTD*(山西金岩和嘉能源有限公司)(''**GRG Huscoke**''), a sino-foreign joint venture which is 90% owned by the Company through a wholly-owned subsidiary, received a formal notice from the government authority of Xiaoyi City on 9 December 2020, requesting its two 4.3-metre Coking Furnaces to be shut down (the ''**Shutdown Measures**''). One of the furnaces, accounting for half of the production capacity of GRG Huscoke, was shut down on 28 December 2020. As GRG Huscoke is also responsible for supplying electricity and heating to certain regions of Xiaoyi City, and the municipal government has not yet completed the laying works of substitute natural gas pipeline, as such, GRG Huscoke has not yet received any further notice and there is still one furnace in operation with the shutdown schedule not yet finalised as at the end of 2020.

Due to the Shutdown Measures of the government resulting in a decrease in production capacity, the Group recorded a decrease in operating profit for the year. Moreover, the Group had to carry out financial treatment and had incurred asset impairment losses, which then turned the Group to a loss for the whole year.

Financial Review

Consolidated operating performance

Total revenue of the Group for the year was approximately HK$1,176,982,000 (2019: HK$1,605,356,000). The gross profit for this year amounted to HK$126,890,000 (2019: HK$175,857,000), and the Group recorded a gross profit margin of approximately 10.78% for the year as compared to approximately 10.95% in 2019. Loss after tax for the year was approximately HK$532,532,000 (2019 (restated): HK$6,576,000), and loss attributable to owners of the Company amounted to HK$484,675,000 (2019 (restated): HK$9,391,000). Basic losses per share for the year was 168.8 Hong Kong cents, as compared to the basic losses per (restated) share of 3.4 Hong Kong cents in 2019.

The Group is principally engaged in three business segments, namely: (i) trading of coke (the "**Coke Trading Segment**"); (ii) washing of raw coal into refined coal for sale and for further processing and the sale of electricity and heat generated as byproducts produced during the washing of raw coal (the "**Coal-related Ancillary Segment**"); and (iii) processing of refined coal into coke for sale, and sale of coke by-products of coke production (the "**Coke Production Segment**").

Coke Trading Segment

The Group's revenue from the Coke Trading Segment for the year amounted to approximately HK$3,042,000 as compared to that of approximately HK$2,540,000 in the corresponding period last year. The Group's results from the Coke Trading Segment for the year amounted to HK$156,000 as compared to that of HK$Nil in the corresponding period last year, mainly resulted from the smaller spread between purchase and sale price of coke.

Coal-related Ancillary Segment

The Group's external revenue from the Coal-related Ancillary Segment for the year amounted to approximately HK$65,600,000 as compared to that of approximately HK$168,505,000 in the corresponding period last year, the decrease in revenue was mainly due to the temporary suspension of the coal washing business in 2020. The Group's segment loss for the year was approximately HK$72,754,000 (2019: segment profit of approximately HK$861,000) was mainly due to the provision of impairment loss on property, plant and equipment of approximately HK$84,055,000 for the current year, and no such provision for the last year.

Coke Production Segment

The Group's revenue from the coke production for the year amounted to approximately HK$1,108,340,000 as compared to that of approximately HK$1,434,311,000 in the corresponding period last year, the decrease was mainly attributable to the decrease in sales volume of coke due to the suspension of GRG Huscoke's coking furnace, resulting in a decrease in production capacity. The Group's segment loss for the year from the coke production was approximately HK$210,899,000 as compared to that of segment profit approximately HK$97,849,000 in the corresponding period last year. The difference was due to the provision of impairment loss on property, plant and equipment items of approximately HK$351,548,000 for the current year, and no such provision for the last year.

Selling and Distribution Costs

The Group's selling and distribution costs amounted to approximately HK$10,953,000 as compared to that of approximately HK$123,024,000 in the corresponding period last year. The decrease was mainly due to a change in the transportation mode of coke, resulting in the transfer of transportation costs to customers, which decreased from approximately HK$118,069,000 in 2019 to approximately HK$8,109,000 in 2020.

Administrative Expenses

The Group's administrative expenses for the year amounted to approximately HK$93,595,000 as compared to that of corresponding period last year of approximately HK$109,072,000 (restated). The decrease was mainly due to the implementation of effective cost control measures.

Finance Costs

The Group's finance costs for the year amounted to approximately HK$73,351,000 as compared to that of corresponding period last year of approximately HK$60,004,000 (restated). The increase was mainly due to the Group's other borrowings added in the second half of 2019 which incurred only half-year interest expense in 2019 compared to a full-year interest expense in 2020.

(Loss)/Profit Before Tax

The Group's loss before tax for the year amounted to approximately HK$527,533,000, as compared to that profit before tax of approximately HK$4,971,000 in the corresponding period last year (restated). The difference was mainly due to impairment loss on property, plant and equipment of approximately HK$477,216,000 and provision of loss allowance of trade and other receivables of approximately of HK$161,407,000 for the current year, while such impairment loss on property, plant and equipment and provision of loss allowance of trade and other receivables last year were approximately HK$Nil and HK$854,000, respectively.

Charges over Assets

The Group had neither pledged assets nor pledged deposit during the year (including charges over deposits) (2019: Nil).

Material Investment, Acquisition and Disposal

During the year ended 31 December 2020, save for disclosed below, the Group did not have any significant acquisitions or disposals of subsidiaries, associates or joint ventures nor had any significant investment with a value of 5% or more of the Company's total assets.

As disclosed by the Company in the announcements dated 12 September 2019 and 20 November 2019, the Bloom Wealth Investment Limited, a wholly owned subsidiary of the Company and Shanxi Baimaoyuan Trading Co., Ltd.*（山西百懋源貿易有限公司）entered into a shareholder agreement for the establishment of the Shanxi joint venture. Relevant matters were approved by the shareholders of the Company at the SGM held on 11 February 2020.

Capital Structure and Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or procedures for managing capital during the year ended 31 December 2020 and 31 December 2019.

The Group's principal financial instruments comprise of bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, prepayment, deposits and other receivables, amounts due from noncontrolling shareholder, cash and bank balances, trade payables, and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees upon the various policies for managing these risks.

The Group regularly adopts gearing ratios as a tool of monitoring capital structure. The gearing ratio as of 31 December 2020 was 106% (31 December 2019 (restated): 85%).

As of 31 December 2020, the deficit attributable to owners of the Company amounted to HK$111,409,000 (31 December 2019: the equity attributable to owners of the Company amounted to HK$378,337,000).

Liquidity and Financial Resources

Net current liabilities and current ratio were approximately HK$1,517,124,000 (31 December 2019 (restated): net current assets of approximately HK$276,194,000) and 0.27 (31 December 2019 (restated): 1.15) respectively as at 31 December 2020.

As at 31 December 2020, the Group's cash and bank balances amounted to approximately HK$21,119,000 (31 December 2019: HK$20,839,000), bank and other borrowings were approximately HK$717,582,000 (31 December 2019 (restated): HK$689,023,000).

As of 31 December 2020 and 2019, the Group had no bills payable.

Operating Lease and Capital Commitments

As at 31 December 2020 and 2019, according to the disclosure requirements under Hong Kong Accounting Standards, the Group had no operating lease commitments.

Risk Management and Internal Control Systems

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal; relevant rules and regulations are adhered to and complied with; reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements; and key risks that may impact the Group's performance are appropriately identified and managed. The review of the Group's internal controls covers major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable, not absolute, assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure in achieving business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by a three-tier risk management approach. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with all business or transactions. Management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the audit committee of the Company (the "**Audit Committee**"), with the professional advice and opinions from external professional consultants, who conduct annual audit work for the Group, continually inspects and monitors the first and second lines of defense to ensure that they are effective.

Interest Rate Risk

The Group's interest rate risk mainly comprises of fair value interest risk and cash flow interest rate risk. 1) Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to the changes in market interest rates. 2) Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group is also exposed to cash flow interest rate risk through the impact of interest rate changes on deposits. To minimize the fair value interest rate risk, the Group keeps its borrowings with a fixed rate of interest. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign Currency Risk

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("**RMB**"), United States dollars ("**USD**") and Hong Kong dollars ("**HK$**"). The Group is exposed to foreign currency risk arising from the monetary assets and liabilities that are denominated in currencies other than functional currencies of the respective group entities. The Group does not have any hedging instruments outstanding. The Group will constantly review the economic situation and its foreign currency risk profile and will consider appropriate hedging measures in the future as may be necessary.

Contingent Liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities that have not been provided for in the financial statements (as at 31 December 2019: Nil).

Treasury Policies

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees and Remuneration

As at 31 December 2020, the Group had approximately 483 employees (31 December 2019: approximately 530 employees), with less than 20 employees stationed in Hong Kong and the rest, including senior management and workers, in Mainland China. For the year ended 31 December 2020, the Group's staff costs amounted to approximately HK$64,152,000, as compared to approximately HK$54,905,000 in the previous year.

Employees are remunerated according to the nature of the job and market trends, performance evaluation mechanism, annual increment and year-end performance bonus measures to reward and motivate individual performance. As at the date of this annual report, the Group has no share options outstanding under the share option scheme.

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Outlook

Looking ahead, as the PRC further implements the "new infrastructure" policy in 2021, domestic industrial production will continue to boom, which will help support coke demand. However, with the proposed environmental policy targets of "Carbon Neutrality" and "Carbon Peaking" of the PRC, the reduction of coke production will remain an emphasis of national policies, it is expected that the country will continue to implement the task of reducing backward production capacity remained in each province. As it takes time for new large-scale advance production capacity to be put into operation in the provinces, it is expected that the supply and demand gap cannot be filled in the short term, and the overall supply of coke still cannot meet the demand. As a result, it is expected that coke prices will remain high, and the increase in coke price will offset the impact of production capacity reduction of GRG Huscoke in the short term.

Facing the strict policy environment in the PRC, GRG Huscoke's 4.3-meter Coking Furnace has been listed in the shutdown list of the government authority, and the schedule of shutdown of the remaining production capacity has not been confirmed. The Group and GRG Huscoke have formulated development plans and various control measures to reduce the impact of the Shutdown Measures on the Group, including (I) plan to build an advanced and specified coking furnace to restart its coke production business; (II) continue to expedite the investment and merger and acquisition plan with Shanxi Jinyan Energy Technology Company Limited*（山西金岩能源科技有限公司）("**Energy Technology**"); and (III) to expedite the construction of the project of utilization of coke oven gas (the "**Rich Hydrogen Project**"). In particular, the construction plan of coking furnace will be the focus of our development plan. The Group expects that, during the period from the complete shutdown of the furnaces of GRG Huscoke to the implementation of the development projects (the "**Transitional Period**"), the Group's coke production business and coal-related ancillary business may be temporarily halted, the specific impact on the Group will depend on the actual implementation of the Shutdown Measures and the development plans.

According to the Ministry of Industry and Information Technology of the PRC, the height of top-loading coking furnace must be more than 6.0 metres. The Group plans to construct a new coking furnace, which can meet the national industry standards and environmental protection standards and has advanced technology. It is expected that after the completion of the new coking furnace, the Group's coke production scale can be restored to continue the Group's coke production business. The Group will publish announcement to disclose the above-mentioned project of new coking furnace in timely manner in accordance with the Listing Rules.

Meanwhile, the Group will continue to expedite its investment and acquisition plan for the 5-million-ton coke production project with Energy Technology. The Group is currently making preparatory work for the merger and acquisition and upon completion, the Company will negotiate with Energy Technology on the details of the merger and acquisition proposal. The proposed investment may be carried out through direct investment and/or the establishment of a merger and acquisition funds, the progress of which will be disclosed by the Group in accordance with the Listing Rules.

In addition, the reform of the energy structure advocated by the PRC in the 14th Five-Year Plan and the "coal-to-gas" policy since 2017 have led to a continuous increase in the basic demand for natural gas in the PRC. The Group has established Shanxi Golden Rock Rich Hydrogen Energy Co., Ltd.(山西金岩富氫能源有限公司)to undertake the Rich Hydrogen Project which is planned to first commence production of liquefied natural gas production equipment. After being put into production, it will become another major source of income for the Group.

For the year ended 31 December 2021

Business Review

2021 had been a year full of difficulties and challenges for the Group's business operations. In order to achieve the "Dual Carbon" goal of "Carbon Neutrality" and "Carbon Peaking", the PRC strictly enforced the regulatory policy on environmental protection and tightly controlled the coke production capacity. GRG Huscoke's 4.3-meter Coking Furnace had been listed in the shutdown list by the government authority of Xiaoyi City in December 2020. Half of the coke production capacity was immediately shut down while the remaining half continue to operate until October 2021 when it was officially notified by the government authority of Xiaoyi City to shut down. Since then, the Group's coke production business was temporarily suspended. However, at the request of the local government, GRG Huscoke maintained the operation of its thermal power plant, and purchased coal for power and heat generation. Given the Shutdown Measures of the government, the Group's annual coke production capacity posted a significant decrease as compared to last year with a decline in annual sales revenue, and had to make asset impairment on the asset of 4.3-meter Coking Furnace, resulting in a loss in the annual results of the Group.

In addition, the Company found unrecorded loans and guarantees of a subsidiary, GRG Huscoke, during the annual auditing procedures for the financial year of 2020. The Board attaches great importance to the Incident, and has set up the Independent Investigation Committee to conduct a comprehensive investigation into the Incident and appointed Da Tong Law Office of Guang Dong to investigate the Incident. The Independent Investigation Committee has now completed its independent investigation into the Incident and ascertained the basic facts, the legal nature of the Incident and the amount involved. It also completed its assessment of the impact of the Incident on the Group's operation and finance.

Meanwhile, the delay in the publication of the financial results of the Company for 2020 and 2021 due to the Incident has resulted in suspension of trading in the shares of the Company on the Stock Exchange until now. In order to maximize the protection of the rights and interests of the Company and its shareholders, the Board will focus its resources on the resumption of trading of the Company as a priority and has appointed Veda Capital as the financial adviser and Zhonghui Anda as the internal control adviser to advise on the resumption of trading of the Company's shares on the Stock Exchange.

Financial Review

Consolidated operating performance

Total revenue of the Group for the year was approximately HK$866,602,000 (2020: HK$1,176,982,000). The gross profit for this year amounted to HK$112,734,000 (2020: HK$126,890,000), and the Group recorded a gross profit margin of approximately 13.00% for the year as compared to approximately 10.78% in 2020. Loss after tax for the year was approximately HK$31,182,000 (2020: Loss after tax was approximately HK$532,532,000), and loss attributable to owners of the Company amounted to HK$31,259,000 (2020: HK$484,675,000). Basic losses per share for the year was 10.9 Hong Kong cents, as compared to the basic losses per share of 168.8 Hong Kong cents in 2020.

The Group is principally engaged in three business segments, namely: (i) trading of coke (the "**Coke Trading Segment**"); (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 (the "**Coal-related Ancillary Segment**"); and (iii) processing of refined coal into coke for sale, and sale of coke by-products of coke production (the "**Coke Production Segment**").

Coke Trading Segment

The Group's revenue from the Coke Trading Segment for the year amounted to approximately HK$Nil, as compared to that of approximately HK$3,042,000 in the corresponding period last year. The Group has no segment results of Coke Trading for the year, representing a decrease compared to that of HK$156,000 in the corresponding period last year, mainly resulted from not having any coke trading business during the year.

Coal-related Ancillary Segment

The Group's external revenue from the Coal-related Ancillary Segment for the year amounted to approximately HK$81,517,000, as compared to that of approximately HK$65,600,000 in the corresponding period last year. The Group's segment results of Coal-related Ancillary for the year was approximately HK$1,526,000, representing an improvement as compared to that in the corresponding period last year. The improvement was mainly due to the impairment on property, plant and equipment was approximately HK$84,055,000 last year, and such impairment was approximately HK$1,240,000 for the current year.

Coke Production Segment

The Group's revenue from the coke production for the year amounted to approximately HK$785,085,000, as compared to that of approximately HK$1,108,340,000 in the corresponding period last year, the decrease was mainly attributable to the decrease in sales volume of coke due to the suspension of GRG Huscoke's coking furnace, resulting in a decrease in production capacity. The Group's segment results for the year from the coke production was approximately HK$62,650,000, as compared to that segment loss of approximately HK$210,899,000 in the corresponding period last year. The difference was due to the impairment on property, plant and equipment for the year amounted to approximately HK$76,740,000, as compared to that of approximately HK$351,548,000 last year.

Selling and Distribution Costs

The Group's selling and distribution costs amounted to approximately HK$1,417,000, as compared to that of approximately HK$10,953,000 in the corresponding period last year. The decrease was mainly due to a change in the transportation mode of coke, resulting in the transfer of transportation costs to customers, which decreased from approximately HK$8,109,000 in 2020 to HK$Nil in 2021.

Administrative Expenses

The Group's administrative expenses for the year amounted to approximately HK$99,920,000, as compared to that of corresponding period last year of approximately HK$93,595,000. Such expenses for the two years were similar and the difference was due from exchange rate.

Finance Costs

The Group's finance costs for the year amounted to approximately HK$113,936,000, as compared to that of corresponding period last year of approximately HK$73,351,000. The increase was mainly due to fact that GRG Huscoke has undertaken the financial burden arising from the Incident resulted in an increase in interest expenses.

Loss Before Tax

The Group's loss before tax for the year amounted to approximately HK$21,513,000, as compared to that of approximately HK$527,533,000 in the corresponding period last year. The difference was mainly due to impairment of approximately HK$477,216,000 incurred from property, plant and equipment and provision of loss allowance of trade and other receivables of approximately HK$161,407,000 last year, while such impairment and provision of loss allowance were approximately HK$90,738,000 and HK$2,273,000, respectively this year.

Charges over Assets

The Group had neither pledged assets nor pledged deposit during the year (including charges over deposits) (2020: Nil).

Material Investment, Acquisition and Disposal

During the year ended 31 December, 2021, the Group did not have any significant acquisitions or disposals of subsidiaries, associates or joint ventures nor had any significant investment with a value of 5% or more of the Company's total assets.

Capital Structure and Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize the shareholders' value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain the most optimum capital structure, the Group may adjust dividend policy, capital distribution to shareholders or issuance of new shares. No changes were made in the objectives, policies or procedures for capital management during the year ended 31 December 2021.

The Group's principal financial instruments comprise of other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, prepayment, deposits and other receivables, amounts due from non-controlling shareholder, cash and bank balances, trade payables, and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees upon the various policies for managing these risks.

The Group regularly adopts gearing ratios as a tool of monitoring capital structure. The gearing ratio as of 31 December 2021 was 107% (31 December 2020: 106%).

As of 31 December 2021, the deficit attributable to owners of the Company amounted to HK$144,233,000 (31 December 2020: HK$111,409,000).

Liquidity and Financial Resources

Net current liabilities and current ratio were approximately HK$1,699,654,000 (31 December 2020: HK$1,517,124,000) and 0.28 (31 December 2020: 0.27) respectively as at 31 December 2021.

As at 31 December 2021, the Group's cash and bank balances amounted to approximately HK$7,903,000 (31 December 2020: HK$21,119,000), bank and other borrowings were approximately HK$733,863,000 (31 December 2020: HK$717,582,000).

As of 31 December 2021 and 2020, the Group had no bills payable.

Operating Lease and Capital Commitments

As at 31 December 2021 and 2020, according to the disclosure requirements under Hong Kong Accounting Standards, the Group had no operating lease commitments.

Risk Management and Internal Control Systems

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal; relevant rules and regulations are adhered to and complied with; reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements; and key risks that may impact the Group's performance are appropriately identified and managed. The review of the Group's internal controls covers major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable, not absolute, assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure in achieving business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by a three-tier risk management approach. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with all business or transactions. Management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the audit committee of the Company (the "**Audit Committee**"), with the professional advice and opinions from external professional consultants, who conduct annual audit work for the Group, continually inspects and monitors the first and second lines of defense to ensure that they are effective.

Interest Rate Risk

The Group's interest rate risk mainly comprises of fair value interest risk and cash flow interest rate risk. 1) Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to the changes in market interest rates. 2) Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group is also exposed to cash flow interest rate risk through the impact of interest rate changes on deposits. To minimize the fair value interest rate risk, the Group keeps its borrowings with a fixed rate of interest. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign Currency Risk

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("**RMB**"), United States dollars ("**USD**") and Hong Kong dollars ("**HK$**"). The Group is exposed to foreign currency risk arising from the monetary assets and liabilities that are denominated in currencies other than functional currencies of the respective group entities. The Group does not have any hedging instruments outstanding. The Group will constantly review the economic situation and its foreign currency risk profile and will consider appropriate hedging measures in the future as may be necessary.

Contingent Liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities that have not been provided for in the financial statements (as at 31 December 2020: Nil).

Treasury Policies

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees and Remuneration

As at 31 December 2021, the Group had approximately 254 employees (31 December 2020: approximately 483 employees), with less than 20 employees stationed in Hong Kong and the rest, including senior management and workers, in Mainland China. For the year ended 31 December 2021, the Group's staff costs amounted to approximately HK$53,882,000, as compared to approximately HK$64,152,000 in the previous year.

Employees are remunerated according to the nature of the job and market trends, performance evaluation mechanism, annual increment and year-end performance bonus measures to reward and motivate individual performance. As at the date of this report, the Group has no share options outstanding under the share option scheme.

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Significant Events after the Reporting Period

On 15 March 2022, the Company entered into the Agreement with GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG, which (among others) set forth the supplement on the terms of the Cooperation Agreement and the principal terms of the compensation and indemnity to the Group in respect of the Incident. The Group may maintain the existing business model with the target assets and resume its coke production and trading business operation. Details please refer to the announcement of the Company dated 19 April 2022.

On 26 July 2022, Rich Key Enterprise Limited ("**Rich Key**"), a direct wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the legal representative of GRG Huscoke pursuant to which, among other matters, Rich Key conditionally agreed to sell and the legal representative of GRG Huscoke conditionally agreed to acquire the entire issued share capital of Joy Wisdom International Limited ("**Disposal Company**"), a wholly-owned subsidiary of the Company, and the entire amount of parent company's loan owed by the Disposal Company to the Company ("V**ery Substantial Disposal**"). Details please refer to the announcement of the Company dated 8 August 2022.

On 19 August 2022, the Company proposed to increase the authorised share capital of the Company and to raise approximately HK$121.7 million before expenses by way of Open Offer on the basis of two (2) Offer Shares for every one (1) existing Share. Details please refer to the announcement of the Company dated 19 August 2022.

On 19 September 2022, the Company entered into the CB Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in an aggregate principal amount of HK$154,000,000. Details please refer to the announcement of the Company dated 19 September 2022.

Set out below is the management discussion and analysis on the Target Company for the period from 23 August 2022 (date of establishment) to the Latest Practicable Date:

CORPORATE INFORMATION

The Target Subsidiary was incorporated in the PRC as a limited liability company on 23 August 2022. Its registered office and its principal place of business is in Xiaoyi, Shanxi province. It is principally engaged in coke and its by-products production and sales.

REVENUE

For the period from the date of establishment to the Latest Practicable Date, the Target Subsidiary hasn't recorded any revenue which was mainly due to the pending of construction of the Target Asset and the asset injection of the Target Asset.

PROFIT/LOSS FOR THE PERIOD

For the period from the date of establishment to the Latest Practicable Date, the Target Subsidiary hasn't recorded any profit and loss which was mainly due to the pending of construction of the Target Asset and the asset injection of the Target Asset.

CHARGES ON ASSETS

As at the Latest Practicable Date, the Target Subsidiary had not pledged any assets.

MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL

As disclosed by the Company in the announcements dated 19 April 2022, the Company, GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG have entered into the Agreement on 15 March 2022. According to the Agreement, the Energy Technology took the Target Assets as the in-kind contribution of the registered capital to establish the Target Subsidiary, resulting a transfer of Target Asset from the Energy Technology to the Target Subsidiary.

Apart from this, the Target Subsidiary had no material investment, acquisition and disposal as at the Latest Practicable Date.

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

The registered capital of Target Subsidiary is RMB1 million which have not yet paid up due to the pending of construction of the Target Asset and the asset injection of the Target Asset. As at the Latest Practicable Date, the equity attributable to owners of the Target Subsidiary amounted to approximately RMBNil.

As at the Latest Practicable Date, the Target Subsidiary did not have any outstanding bank borrowings and bank facilities. As at the Latest Practicable Date, the net asset of the Target Subsidiary was approximately RMBNil.

LIQUIDITY AND FINANCIAL RESOURCES

As at the Latest Practicable Date, the Target Subsidiary did not have any current assets and current liability.

OPERATING LEASE AND CAPITAL COMMITMENTS

As at the Latest Practicable Date, the Target Subsidiary had no operating lease and capital commitments.

FOREIGN CURRENCY RISK

As the operations of the Target Subsidiary were principally in the PRC, the operations of the Target Subsidiary were not subject to significant exchange risk. Accordingly, no financial instruments for hedging purposes were used by the Target Subsidiary for the period from the date of establishment to the Latest Practicable Date.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, the Target Subsidiary did not have any contingent liabilities that have not been provided for in the financial statements.

STAFF AND REMUNERATION

As at the Latest Practicable Date, the Target Subsidiary had approximately 2 employees. For the period from the date of establishment to the Latest Practicable Date, the Target Subsidiary has not yet recorded any staff costs.

The following is the text of a report received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this investment circular.

中汇 ZHONGHUI

28 September 2022

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUSCOKE HOLDINGS LIMITED (THE "COMPANY")

Introduction

We report on the historical financial information of Shanxi Jinyan Energy Jiarun Co., Ltd* (山西金岩能源嘉潤有限責任公司), (the "**Target Company**") set out on pages III-3 to III-11, which comprises the statement of financial position of the Target Company as at 31 August 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 23 August 2022 (the date of incorporation) to 31 August 2022 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the investment circular of the Company dated 28 September 2022 in connection with the proposed acquisition of 90% equity interest in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "**Accountants' Reports on Historical Financial Information in Investment Circulars**" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

* *For identification purpose only*

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 August 2022 and the Target Company's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page III-2 have been made.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number: P03614
Hong Kong, 28 September 2022

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Period, on which the Historical Financial Information is based, were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA ("**Underlying Financial Statements**") and were audited by us in accordance with Hong Kong standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**For the period from 23 August 2022 (the date of incorporation) to 31 August 2022** *HK$*
Revenue	5	–
Profit before tax		–
Income tax expenses	6	–
Profit and total comprehensive income for the period attributable to owners of the Target Company	7	–

STATEMENT OF FINANCIAL POSITION

	Notes	At 31 August 2022 HK$
NET ASSETS		–
CAPITAL AND RESERVE		
Capital	11	–
Reserves	11	–
TOTAL EQUITY		–

STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company		
	Share Capital HK$	Retained earnings HK$	Total HK$
Profit and total comprehensive income for the period	–	–	–
At 31 August 2022	–	–	–

STATEMENT OF CASH FLOWS

	For the period from 23 August 2022 (the date of incorporation) to 31 August 2022
	HK$
Cash flows from operating activities	
Profit before tax	–
NET CASH GENERATED FROM OPERATING ACTIVITIES	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	–
ANALYSIS OF CASH AND CASH EQUIVALENTS	
Bank and cash balances	–

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was established in the People's Republic of China (the "**PRC**") with limited liability on 23 August 2022. In the opinion of the directors of the Company, Shanxi Jinyan Energy Technology Company Limited* (山西金岩能源科技有限公司)("**Energy Technology**"), a company established in the PRC with limited liability, is the immediate holding company and 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, is the ultimate holding company of the Target Company. The address of its registered office and principal place of business is Wutong Coal Chemical Industry Park, Xiaoyi City, Lüliang City, Shanxi province.

The Target Company is principally engaged in coke production and sales.

Pursuant to the Agreement (as defined in the Company's circular dated 28 September 2022), the Target Company was established for the purpose of holding the operating assets, namely the two coking furnaces with 7.1-meter hight and an aggregate annual production capacity of not less than 1,200,000 tons of coke (the "**Target Assets**"). Upon the completion of the construction of the Target Assets, the Target Assets will be transferred from Energy Technology by way of capital contribution (the "**Capital Contribution**"). As at the date of the Historical Financial Information, the Capital Contribution is yet to complete.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company had adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations.

The Target Company has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Target Company has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material effect on the results of operations and financial position of the Target Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention. The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") which is the Target Company's presentation currency while Renminbi ("**RMB**") is the Target Company's functional currency.

The Historical Financial Information has been prepared under the historical cost convention.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Equity instruments

Equity instruments issued by the Target Group are recorded at the proceeds received, net of direct issue costs.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in a subsidiary, except where the Target Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Target Company.

(A) A person or a close member of that person's family is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(B) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the Target Company is itself such a plan, the sponsoring employers are also related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to a parent of the Target Company.

Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Target Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. REVENUE

No revenue was generated by the Target Company for the Relevant Period.

6. INCOME TAX EXPENSES

The income tax provision of the Target Company in respect of operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the Relevant Period, based on the existing legislation, interpretations and practices in respect thereof. No provision for PRC income tax has been made in the Historical Financial Information since the Target Company did not generated any assessable profit during the Relevant Period.

7. PROFIT FOR THE PERIOD

The Target Company's profit for the Relevant Period is stated after charging the following:

	For the period from 23 August 2022 (the date of incorporation) to 31 August 2022 *HK$*
Staff costs	
– Fees, wages, salaries and bonus	–
– Social security costs, housing benefits and other employee benefits	–
Total staff costs, including directors' remunerations	–

8. DIRECTORS' EMOLUMENTS

The following table sets forth certain information in respect of the directors of Target Company during the Relevant Period:

The emoluments of each director were as follows:

Name of director	Salaries and allowances *HK$*	Discretionary bonus *HK$*	Retirement benefit scheme contributions *HK$*	Total *HK$*
Guo Peng	–	–	–	–
Total for the Relevant Period	–	–	–	–

Mr. Guo Peng was appointed as a director of the Target Company on 23 August 2022.

9. DIVIDENDS

The directors of the Target Company do not recommend the payment of any dividend in respect of the Relevant Period.

10. EARNING PER SHARE

Earning per share has not been presented as its inclusion is not considered meaningful for the purpose of the Historical Financial Information.

11. CAPITAL AND RESERVES

(a) Capital of the Target Company

	Amount *RMB*	Amount *HK$*
Registered capital:		
At 23 August 2022 (date of incorporation) and 31 August 2022	1,000,000	1,147,661
Paid-in capital:		
At 23 August 2022 (date of incorporation) and 31 August 2022	–	–

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

(b) Reserves of the Target Company

The amounts of the Target Company's reserves and movements therein are presented in the statement or profit or loss and other comprehensive income and statement of change in equity.

12. CONTINGENT LIABILITIES

At the end of Relevant Period, the Target Company did not have any significant contingent liabilities.

13. EVENTS AFTER THE REPORTING PERIOD

At the end of Relevant Period, the Target Company did not have any significant event after the reporting period.

14. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 August 2022.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Ascent Partners Valuation Service Limited, an independent property valuer, in connection with its opinion of market value in existing state of machinery and equipment as part of an on-going business in the PRC as at 31 July 2022.

ASCENT PARTNERS
Together We Flourish

Suite 2102, 21/F
Hong Kong Trade Centre
161-167 Des Voeux Road
Central, Hong Kong
Tel: 3679-3890
Fax: 3586-0683
www.ascent-partners.com

Date: 28 September 2022

The Board of Directors
Huscoke Holdings Limited
Room 2301, 23/F
Tower One, Lippo Centre
89 Queensway, Admiralty
Hong Kong

Dear Sir/Madam,

Re: Valuation of Machinery and Equipment located in Shanxi Province Xiaoyi Economic Development Zone, Wutong Town, Xiaoyi City, Shanxi Province, the People's Republic of China

1. INSTRUCTION

In accordance with your instructions for us to conduct and prepare a valuation of certain assets consisting of machinery and equipment together with the right of use of the Public Auxiliary Facilities. Details are listed in Appendix II (collectively referred to as the "**Equipment**") exhibited to us which Huscoke Holdings Limited (hereinafter referred to as the "**Company**") and its subsidiaries have interests, we confirm that we have conducted a desktop study, made relevant enquiries and obtained such further information as was available for the purpose of providing you with our opinion of the market value (in continued use) of the Equipment as part of an on-going business as at **31 July 2022** (referred to as the "**Valuation Date**").

Our report consists of this letter which identifies the Equipment appraised, valuation methodology, scope of our investigation assumptions and considerations, limiting conditions and equipment list.

2. BASIS OF VALUATION

We have valued the Equipment on the basis of its market value, which is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's – length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

3. EQUIPMENT APPRAISED

The Equipment of this valuation, as per the list provided to us, is those utilised by the Company for manufacturing of coke and coal-related process and the by-product coke furnace gas (COG) recovery and treatment plants.

The Equipment was located in Shanxi Province Xiaoyi Economic Development Zone, Wutong Town, Xiaoyi City, Shanxi Province, the People's Republic of China.

The particulars of the Equipment were summarised in Appendix II.

4. OBSERVATION AND COMMENT

In the course of our valuation, we collected the following information provided by the Company:

- Feasibility report on the 2,530,000 tons coking of Jinyan Energy Technology – Huatai Yongchuang (Beijing) Tech. Co., Ltd (華泰永創(北京)科技股份有限公司)

- Shanxi Jinyan Energy Technology Company Limited (山西金岩能源科技有限公司) proposed to finalise the asset valuation report on the market value of 5# and 6# coking furnace of the 2,530,000 tons coking new project under construction (山西愚公資產評估有限公司)

- Pusher machines, coal charging cars, coke guide cars, motor vehicles, exchangers and vehicle management system – Taiyuan Heavy Industry CO., Ltd (太原重工股份有限公司)

- Wastewater zero discharge project of the coking industrial park with an annual capacity of 5,000,000 – Shuifa Hairuo Environmental Technology CO., Ltd (水發海若環境技術有限公司)

- 250萬噸/年焦化項目精煤儲運系統帶式輸送機 – 焦作鑫恒重工機械有限公司Belt conveyor of clean coal storage and transportation system of the 2,500,000 ton/year coking project – Jiaozuo Xinheng Heavy Industry Machinery CO., Ltd (焦作鑫恒重工機械有限公司)

- Phase II 2,530,000 ton/year coking supported by dry quenching and BOT power generation project – 山西省孝義市清泰節能環保科技有限公司

– Final cooler, benzol scrubber, precooling tower, desulphurizing tower, regeneration tower and ceramic filter – 萍鄉市恒盛化工設備工程有限公司

– Main component of ascension pipe, auxiliary equipment and auxiliary materials and electrical meter – Nanjing Huadian Energy-saving Environmental Protection Equipment Co., Ltd.（南京華電節能環保股份有限公司）

– 2.53 m/t coke oven gas waste heat recovery, desulfurization, dust removal and denitration equipment of phase II – Anhui Weida Environment Protection Technology Co., Ltd（安徽威达環保科技股份有限公司）

– Machine side stove dust collection system, coal charging, coking and dust collection system, and de-coking flue gas desulfurization device – Xi'an Huajiang Environmental Technologies Co., Ltd.（西安華江環保科技股份有限公司）

According to the asset valuation report prepared in May 2022 by 山西愚公資產評估有限公司 which is a local licensed professional asset valuation firm, they had performed site inspection and verified the existence and status of all the Equipment and valued the Equipment based on Cost Approach. In March 2019, we had performed site inspection to the phase I of the project. However, in light of travel restrictions arising from the COVID-19 pandemic, we do not perform site inspection at present. At the same time, we counterchecked with the senior management of the Company to discuss the progress and ascertain the status with photos presented to support. Afterwards, we reviewed and analysed the information including the contract costs of the Equipment by comparing the information gathered from various market and reputable sources including public domain, local construction cost guidance and suppliers, as well our own historical data base on similar projects.

We note that the Equipment is under construction and close to completion as at the valuation date. As the Equipment is newly built, it is our opinion that the Equipment is capable of performing the functions for which, it was designed, built and erected. There was evidence of routine maintenance programs.

According to the information provided by the Company, the Equipment comprises of #5 and #6 coke furnaces machinery for manufacturing of coke and coal related process and the right of use of the Public Auxiliary Facilitates, such as coal charging cars, pusher machines, coke transfer cars, wet quenching cars, crane systems for dry quenching and by-product recovery plants of coke furnace gas (COG) treatment (gas cooling system, tar separation system, coal water filtration, NH_3 removal system, Ammonium sulphate production, H_2S removal, Benzene (BTX) recovery and Naphthalene recovery system).

While the right in use of the Public Auxiliary Facilities is shared with Energy Technology within the park, the shared right in use of Public Auxiliary Facilities is also an indivisible part of Equipment for the normal operation of #5, #6 coke furnaces. According to the Agreement dated 15 March 2022 (as supplemented on 14 April 2022) and the Confirmation Letter dated 19 August 2022 with Energy Technology, in which Energy Technology has confirmed (i) with a detailed list of the Target Asset and Public Auxiliary Facilities; (ii) that it's obligated to provide the Company with the rights of using the Public Auxiliary Facilities at no charge within the useful life of the Equipment (i.e. 30 Years based on our assumption); (iii) and it has faithfully provided all the documents needed for the valuation which are true and valid.

5. VALUATION METHODOLOGIES

There are three recognized and accepted approaches to value the Equipment, namely: cost approach (depreciated replacement cost), market data or comparative sales approach (market approach) and income or earnings approach.

Cost Approach (depreciated replacement cost) – this considers the cost to reproduce or replace in new condition the Equipment appraised in accordance with current market prices for similar equipment, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present, taking into consideration past and present maintenance policy and rebuilding history. This approach generally furnishes the most reliable indication of value for the Equipment in the absence of known market based on comparable sales.

Market Approach – this considers prices recently paid for similar equipment, with adjustments made to the indicated market prices to reflect condition and utility of the Equipment relative to the market comparative equipment for which there is established market comparable maybe appraised by this approach.

Income or Earnings Approach – a technique in which the estimated stream of future benefits maybe enjoyed by reason of ownership, usually the anticipated or projected earnings, is processed to indicate the amount measured through capitalization of net income or application of multiples derived from financial analysis of similar industries.

6. ANALYSIS

In theory, the market or comparative sales approach is considered to be the best method in assessing the value because it is a direct reading and interpretation of what has actually been established between buyers and sellers in the actual marketplace, taking into account physical depreciation, some functional and economic obsolescence. Having said that, given the unique nature of the Equipment which is purposely-built under specific requirements, there are seldom or nil transactions in the market rendering the Market Approach to be futile. On the other hand, the Equipment to be assessed is nonetheless under construction as at the valuation date, income approach might not be suitably applicable under such circumstance. As such, we have applied the cost approach (depreciated replacement cost). One consideration is the physical depreciation, which is the loss in value due to physical deterioration resulting from wear and tear in operation and exposure to the elements. Deterioration due to age and usage are the main factors that affect physical condition. Physical condition due to wear and tear is proportional to use rather than age. Use is the best indicator to estimate physical deterioration. Although age of equipment is not the controlling factor in determining its physical condition, consideration must be given to age because the passage of time results in a certain amount of depreciation that could be observed. Nevertheless, given the Equipment is a new built and close to completion, we have not allowed any depreciation in this case. Also, we have assumed the Equipment kept in an appropriate location and is operated subject to their designated use properly.

In assessing the Equipment, we reviewed the unit price and total price of the items which represent the contracts cost based on the above-mentioned information. Comparison was made between those items and our findings from open market sources as well data base on similar projects. Amongst the total 251 items for #5 and #6 coke furnaces, we opine that most of the items (245 out of 251) conformed to our assessment. Having said that, we discovered the following items were unreasonably high and downward adjustments were made to reflect a more realistic market practice. The adjustments are shown as:

Civil Works Direct Engineering Expenses (#5 and #6 Top-loading coking furnace)

Item		Original Fee Rate	Adjusted Fee Rate	Original Total Price	Fair Market Value
Fee for Construction Organisation Measures	:	5.17%	5%	RMB12,961,912	RMB12,535,700
Corporate Management Fee	:	9%	6%	RMB25,626,227	RMB17,058,580
Profit	:	8%	6.5%	RMB26,159,253	RMB20,668,160
Total	**:**			**RMB64,747,393**	**RMB50,262,440**

Furnace Body Masonry Works Fee Calculation (#5 and #6 Top-loading coking furnace)

Item		Original Fee Rate	Adjusted Fee Rate	Original Total Price	Fair Market Value
Fee for Construction Organisation Measures	:	23.45%	5%	RMB5,029,802	RMB1,072,460
Corporate Management Fee	:	55%	6%	RMB14,807,341	RMB1,615,340
Profit	:	65%	6.5%	RMB17,499,585	RMB1,749,960
Total	**:**			**RMB37,336,728**	**RMB4,437,760**

In assessing the Public Auxiliary Facilities, we have examined the individual items by extracting information from various contract documents. Given there were some discrepancies found in the installation works on Public Ancillary Facilities, we have adopted 10% of the equipment cost to be the installation cost for the said facilities considering the amount is consistent to each of the individual items. The 10% installation costs is in line with Phase 1 project and reference to the Guideline of China Appraisal on Machinery and Industrial Projects Jie Xie Ji (1995) No. 1041（中國評估守則機械工業建設項目概算編製辦法及各項概算指標機械計(1995)1041號）issued by China Appraisal Society（中國資產評估協會）.

Further, we have counter checked the items listed in the Public Auxiliary Facilities for #5 and #6 coking furnace are properly recorded and in-line with contract documents. Having said that, some common items to be shared with #7 and #8 coking furnace were also included. This is due to the fact that those items are either physically indivisible or in bulk purchase orders rendering a separate assessment to be unfeasible. We therefore apportioned the value of the common items equally between the four coking furnaces.

As a result of rounding up figures, there is slight difference between some items in value and corresponding total price.

7. SCOPE OF INVESTIGATION, ASSUMPTIONS AND CONSIDERATIONS

In this valuation, we are unable to conduct physical inspection of the Equipment due to the outbreak of the COVID-19 pandemic resulting in inter-cities lockdown and various travel restrictions. We have conducted our inspection on desktop basis and have confirmed with the Company that there have been no material changes to the physical attributes or the surrounding environment of the Equipment or the nature of the Equipment being valued. We have primarily relied on Company's provided information including feasibility study, asset valuation report prepared by local experts and various contracts pertinent to the erection of the Equipment.

Further, no test has been carried out on any of the Equipment, we had not observed any deferred maintenance, physical wear and tear, lack of utility, or any observable conditions distinguishing the appraised equipment from equipment of like kind in new conditions, which were made part of our judgment in arriving at the market values.

Consideration had been given to accrued depreciation that was based on the condition and present and prospective serviceability in comparison with new units of like kind, maintenance policy, characters, levels of use and to all other factors that are deemed to have an influence in its value.

In forming our opinion of the market value (in continued use) of the Equipment, we have assumed that it will continue to be used in its present existing state in the business of the Company for which it was designed, built and erected, without specific reference to income.

The opinion of market value (in continued use) of the Equipment as installed for intended utilization is not necessarily intended to represent the amount that might be realized from piecemeal disposition of the Equipment in the open market or from alternative uses of the Equipment.

We have assumed that the Equipment will be used in its present existing state with the benefit of continuity of the tenure of land and buildings during the foreseeable future.

We have made no investigation of and assume no responsibility for titles to or liabilities against the Equipment appraised.

Our investigation was restricted to an ocular inspection and valuation of the Equipment did not attempt to arrive at any conclusion of values of the Company as a total business entity.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the Equipment was used.

We had not carried out a mechanical survey, nor have we inspected covered or inaccessible areas of the Equipment. Also, no investigation was conducted as to whether the operation of specific pieces of the Equipment complied with the relevant environmental standards and ordinances; we had assumed that the Equipment continued and would continue to comply with the current environmental standards and ordinances. We made no allowance in our valuation for costs, if any, associated with the disposal or handling of materials required to comply with current or changing environment legislations.

8. OPINION OF VALUE

Premised on the above, we are of the opinion that the market value (in continued use) of the Equipment for their intended usage, appraised as at the dates of valuation is **RMB1,686,163,640 (RENMINBI ONE BILLION SIX HUNDRED EIGHTY-SIX MILLION AND ONE HUNDRED SIXTY THREE THOUSAND SIX HUNDRED FORTY)**, amongst the assessed Equipment, the market value of Public Auxiliary Facilities in right of use is **RMB450,891,800 (RENMINBI FOUR HUNDRED FIFTY MILLION AND EIGHT HUNDRED NINETY ONE THOUSAND EIGHT HUNDRED)**.

The breakdown of the value is shown as below:

Summary of Value (#5 & 6 coking furnace)

Category	**FMV as at 31 July 2022** *(RMB)*
Public Auxiliary Facilities	450,891,800.00
Civil Works	371,094,000.00
Furnace Body Masonry Works	423,796,860.00
Furnace iron parts installation construction	273,180,000.00
Table of preliminary expenses and funding cost	167,200,980.00
	1,686,163,640.00

We hereby certify that we have neither present nor prospective interest in the Company or the Equipment appraised or the values reported.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuation of the Equipment is based on the valuation by Mr. Sunny Lee who is a qualified valuer in Plant and Machinery.

Yours faithfully,
For and on behalf of
Ascent Partners Valuation Service Limited

Stephen Y. W. Yeung
MHKIS MRICS RPS(GP)
Principal

Sunny C. K. Lee
CEng., MIMechE, MSAE, AMHKIE

APPENDIX I – LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the Equipment is appraised as though free and clear under responsible ownership.

2. In the inventory, machinery and/or equipment were listed as complete units, i.e., machinery and/or equipment as listed is meant to include all parts and accessories normally comprising the unit.

3. We have totally disregarded such items which, in our opinion, have no practical take-up value or are normally charged as operating expenses.

4. Unless otherwise stated, the Equipment has been valued in Renminbi (RMB).

5. We are not prepared to give testimony or attendance in court or to any government agency with reference to the Equipment subject of this appraisal unless arrangements have been previously made.

6. Neither the whole nor any part of this report and valuation, nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

APPENDIX II – EQUIPMENT LIST

Shanxi Jinyan Energy Technology Company Limited
Public Auxiliary Facilities (#5 & #6 Top-loading coking furnace)

No.	Item name	Quantity	Unit of measure	Unit price	Total price	Valuation Date	Market Value in Shared Right of Use at 31/7/2022 *(RMB)*
1	Pusher machines	3	Unit	11,200,000	33,600,000	31/7/2022	16,800,000.00
2	Coal loaders	3	Unit	7,400,000	22,200,000	31/7/2022	11,100,000.00
3	Coke guide car	4	Unit	7,800,000	31,200,000	31/7/2022	15,600,000.00
4	Motor vehicle	3	Unit	2,100,000	6,300,000	31/7/2022	3,150,000.00
5	Coke quenching car	2	Unit	2,400,000	4,800,000	31/7/2022	2,400,000.00
6	Exchanger	4	Unit	480,000	1,920,000	31/7/2022	960,000.00
7	Vehicle management system	1	Set	4,980,000	4,980,000	31/7/2022	2,490,000.00
8	Wastewater zero discharge project of the coking industrial park with an annual capacity of 5,000,000	1	Set		108,000,000	31/7/2022	54,000,000.00
9	Water supply and zero-discharge project in the plant area	1	Set		130,000,000	31/7/2022	65,000,000.00
10	Belt conveyor of clean coal storage and transportation system of the 2,500,000 ton/year coking project	1	Set		22,800,000	31/7/2022	11,400,000.00
11	Phase II 2,530,000 ton/year coking supported by dry quenching and BOT power generation project	1	Set		387,000,000	31/7/2022	193,500,000.00
12	Hot water-based lithium bromide absorption chiller RFH675GT	3	Unit	4,220,000	12,660,000	31/7/2022	6,963,000.00
13	Hot water-based lithium bromide absorption chiller RFH6700GT	1	Unit	2,840,000	2,840,000	31/7/2022	1,562,000.00
14	Final cooler	2	Unit	1,956,364	3,912,728	31/7/2022	2,152,000.00
15	Benzol scrubber	1	Unit	6,688,721	6,688,721	31/7/2022	3,678,800.00
16	Precooling tower	1	Unit	646,174	646,174	31/7/2022	355,400.00
17	Desulphurizing tower	3	Unit	5,138,825	15,416,475	31/7/2022	8,479,100.00
18	Regeneration tower	3	Unit	695,138	2,085,414	31/7/2022	1,147,000.00
19	Ceramic filter	3	Unit	530,000	1,590,000	31/7/2022	874,500.00
20	Main component of ascension pipe	1	Set	9,300,000	9,300,000	31/7/2022	9,300,000.00
21	Auxiliary equipment and auxiliary materials	1	Set	1,530,000	1,530,000	31/7/2022	1,530,000.00
22	Electrical meter	1	Set	625,000	625,000	31/7/2022	625,000.00
23	Others (software cost inclusive)	1	Set	2,575,000	2,575,000	31/7/2022	2,575,000.00
24	2.53 m/t coke oven gas waste heat recovery, desulfurization, dust removal and denitration equipment of phase II	2	Set	4,050,000	8,100,000	31/7/2022	4,050,000.00
25	Machine side stove dust collection system	1	Set	11,120,000	11,120,000	31/7/2022	11,120,000.00
26	Coal charging, coking and dust collection system	1	Set	19,840,000	19,840,000	31/7/2022	19,840,000.00
27	De-coking flue gas desulfurization device	1	Set	240,000	240,000	31/7/2022	240,000.00
					851,969,512		**450,891,800.00**

Shanxi Jinyan Energy Technology Company Limited – Civil Works Direct Engineering Expenses (#5 Top-loading coking furnace)

No.	Name	Construction volume Unit	Quantity	Value (RMB) Unit price	Total price	Valuation Date	Fair Market Value as at 31/7/2022 (RMB)
1	Cement mortar – floor 20 mm	100 m^2	13	1,633.43	21,234.59	31/7/2022	21,230.00
2	Cement mortar – brick wall 15+5 mm	100 m^2	7.96	1,957.40	15,580.90	31/7/2022	15,580.00
3	Cushion – Unreinforced concrete	10 m^3	56.54	3,250.13	183,762.35	31/7/2022	183,760.00
4	Cushion – lime soil 3:7	10 m^3	1,489.06	1,062.65	1,582,349.61	31/7/2022	1,582,350.00
5	Fine stone concrete overall surface one wipe thick of 30 mm	100 m^2	86.8	1,870.83	162,388.04	31/7/2022	162,390.00
6	Fine stone concrete overall surface Every 5 mm increase	100 m^2	86.8	259.62	22,535.02	31/7/2022	22,540.00
7	Backfill rammed	100 m^3	93.14	1,142.72	106,432.94	31/7/2022	106,430.00
8	Reverse and dragline excavators Dump truck earth hauling lead within 1,000 m • actual lead (m):6,000	1,000 m^3	9.32	18,791.09	175,132.96	31/7/2022	175,130.00
9	Reverse and dragline excavators Dump truck earth hauling lead within 1,000 m • actual lead (m):5,000	1,000 m^3	21.88	17,335.63	379,303.58	31/7/2022	379,300.00
10	Hand excavation of plain hard soil depth (within 2 m)	100 m^3	24.32	1,795.40	43,664.13	31/7/2022	43,660.00
11	Mechanical packing rolling the dry paving artificial graded sand	1,000 m^3	22.04	119,358.33	2,630,657.59	31/7/2022	2,630,660.00
12	Excavator digging slag Dump truck to transport slag lead within 1,000 m • actual lead (m):4,000	1,000 m^3	22.04	40,577.35	894,324.79	31/7/2022	894,320.00
13	Exterior wall thick within 365 mm	10 m^3	8.84	2,895.45	25,595.78	31/7/2022	25,600.00
14	CFG pile foundation project		1	88,047,453.49	88,047,453.49	31/7/2022	88,047,450.00
15	Cast-in-situ concrete equipment foundation Concrete • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~50 mm (T=35~50 mm) and concrete strength grade of C25(Class 32.5) Medium-sized (coarse) sand	10 m^3	1.04	3,553.47	3,695.61	31/7/2022	3,700.00
16	Cast-in-situ concrete equipment foundation Concrete • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~50 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	1.2	3,553.47	4,264.16	31/7/2022	4,260.00
17	Cast-in-situ concrete rectangular columns • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	127.22	4,300.40	547,096.89	31/7/2022	547,100.00
18	Cast-in-situ concrete structural column • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~20 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	1.8	4,540.84	8,173.51	31/7/2022	8,170.00

No.	Name	Construction volume Unit	Quantity	Value (RMB) Unit price	Total price	Valuation Date	Fair Market Value as at 31/7/2022 *(RMB)*
19	Cast-in-situ concrete single beams and continuous beams • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C30 (Class 32.5) Medium-sized (coarse) sand	10 m^3	101	4,160.54	420,214.54	31/7/2022	420,210.00
20	Cast-in-situ concrete ring beam • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C30 (Class 32.5) Medium-sized (coarse) sand	10 m^3	0.38	4,541.63	1,725.82	31/7/2022	1,730.00
21	Cast-in-situ concrete lintel • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	3.9	4,540.93	17,709.63	31/7/2022	17,710.00
22	Cast-in-situ concrete concrete wall • change to Cast-in-situ concrete Coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	102.28	4,057.93	415,045.08	31/7/2022	415,050.00
23	Cast-in-situ concrete flat • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~31.5 mm (T=35~50 mm) and concrete strength grade of C30 (Class 32.5) Medium-sized (coarse) sand	10 m^3	141.58	4,076.74	577,184.85	31/7/2022	577,180.00
24	Ready-mixed concrete station	Unit shift	1	151,764.14	151,764.14	31/7/2022	151,760.00
25	Concrete pumping expenses concrete pumping (the cornice has a height of within 20 m)	100 m^3	83.16	1,141.58	94,933.79	31/7/2022	94,930.00
26	Cast-in-situ member round rebars with diameters up to φ10	t	209.8	5,496.58	1,153,182.48	31/7/2022	1,153,180.00
27	Cast-in-situ member round rebars with diameters up to φ20	t	158.66	5,043.34	800,176.32	31/7/2022	800,180.00
28	Cast-in-situ member threaded rebars with diameters up to φ20	t	623.16	5,126.85	3,194,847.85	31/7/2022	3,194,850.00
29	Cast-in-situ member threaded rebars with diameters exceeding φ20	t	557.88	4,831.66	2,695,486.48	31/7/2022	2,695,490.00
30	Truck transport with loading and unloading handled manual and a lead of within 1km • actual lead (km):2	t	1,549.48	119.35	184,930.44	31/7/2022	184,930.00
31	Cast-in-situ concrete small components • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~15 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	14.8	4,949.63	73,254.52	31/7/2022	73,250.00
32	Cast-in-situ concrete small tank • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~15 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	1.8	4,863.26	8,753.87	31/7/2022	8,750.00

No.	Name	Construction volume Unit	Quantity	Value (RMB) Unit price	Total price	Valuation Date	Fair Market Value as at 31/7/2022 *(RMB)*
33	Cast-in-situ concrete unit price	10 m^2 shadow area	2,077.30	607.16	1,261,253.47	31/7/2022	1,261,250.00
34	Cast-in-situ concrete coping	10 m^3	86.18	3,887.50	335,024.75	31/7/2022	335,020.00
35	Cast-in-situ concrete raft foundation with beam • change to Cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C30 (Class 32.5) Medium-sized (coarse) sand	10 m^3	302.32	3,917.27	1,184,269.07	31/7/2022	1,184,270.00
36	Sporadic component production	t	18.14	6,868.76	124,599.31	31/7/2022	124,600.00
37	Steel	t	2,473.47	7,200.00	17,808,984.00	31/7/2022	17,808,980.00
	Sub-Total				**125,356,986.35**	31/7/2022	**125,356,950.00**

Shanxi Jinyan Energy Technology Company Limited – Civil Works Fee Calculation (#5 Top-loading coking furnace)

No.	Fee items	Formula of calculation	Fee rate	Amount	Valuation Date	Fair Market Value as at 31/7/2022 (RMB)
I	Civil works					
1	Sub-Total carried forward			**125,356,986.35**		**125,356,950.00**
2	Fee for construction technology measures		4.50%	5,641,064.39	31/7/2022	5,641,060.00
3	Fee for construction organization measures	1 × relevant fee rate	5.17%	6,480,956.19	31/7/2022	6,267,850.00
4	Other direct expenses	2 × relevant fee rate	1%	1,253,569.86	31/7/2022	1,253,570.00
5	Temporarily facility expenses	3 × relevant fee rate	0.40%	501,427.95	31/7/2022	501,430.00
6	On-site management fee	4 × relevant fee rate	2%	2,507,139.73	31/7/2022	2,507,140.00
7	Fee for safe and civilized construction	5 × relevant fee rate	0.50%	626,784.93	31/7/2022	626,780.00
8	Subtotal of direct expenses	1+2+3+4+5+6+7		142,367,929.40	31/7/2022	142,154,780.00
9	Corporate management fee	9 × relevant fee rate	9%	12,813,113.65	31/7/2022	8,529,290.00
10	Administrative fee	9 × approved fee rate	5.84%	8,314,287.08	31/7/2022	8,301,840.00
11	Subtotal of indirect fee	9+10		21,127,400.72	31/7/2022	16,831,130.00
12	Profit	(8+11) × relevant profit margin	8%	13,079,626.41	31/7/2022	10,334,080.00
13	Dynamic adjustment		Based on actual condition	5,378,606.55	31/7/2022	5,378,610.00
14	Adjustment to labour fee			977,671.65	31/7/2022	977,670.00
15	Taxes	(8+11+12+13+14) × relevant tax rate	3.41%	6,237,955.10	31/7/2022	5,990,560.00
16	Accumulative Sub-Total	8+11+12+13+14+15		**189,169,189.83**	31/7/2022	**181,667,000.00**
II	Decoration work					
1	Direct engineering expenses			1,983,977.06	31/7/2022	1,983,980.00
2	Fee for construction organization measures	1 × fee rate	4.33%	85,906.21	31/7/2022	85,910.00
3	Fee for construction technology measures	1 × fee rate	4.50%	89,278.97	31/7/2022	89,280.00
4	Subtotal of direct expenses	1+2+3		2,159,162.24	31/7/2022	2,159,160.00
5	Corporate management fee	4 × fee rate	6%	1,004,010.44	31/7/2022	129,550.00
6	Administrative fee	4 × fee rate	46.50%	262,626.83	31/7/2022	1,004,010.00
7	Subtotal of indirect fee	5+6		1,266,637.27	31/7/2022	1,133,560.00
8	Profit	(4+7) × fee rate	6.50%	222,676.97	31/7/2022	214,030.00
9	Dynamic adjustment			1,074,288.76	31/7/2022	107,430.00
10	Labour adjustment			1,376,001.15	31/7/2022	137,600.00
11	Taxes	(4+7+8+9+10) × fee rate	3.41%	6,098,766.39	31/7/2022	127,940.00
12	Cost of decoration works	4+7+8+9+10+11		**12,197,532.78**	31/7/2022	**3,880,000.00**
III	Total costs	I16+II12		**201,366,722.61**	31/7/2022	**185,547,000.00**

Shanxi Jinyan Energy Technology Company Limited – Furnace Body Masonry Works Direct Engineering Expenses (#5 Top-loading coking furnace)

No.	Item name	Construction volume Unit	Quantity	Value (RMB) Unit price	Total price	Valuation Date	Fair Market Value as at 31/7/2022 (RMB)
1	Medium temperature silicon fire mud	T	2,296.02	1,080.00	2,479,701.60	31/7/2022	2,479,700.00
2	Low temperature silicon fire mud	T	1,047.17	1,080.00	1,130,943.60	31/7/2022	1,130,940.00
3	Silica brick	T	35,250.00	3,450.00	121,612,500.00	31/7/2022	121,612,500.00
4	Floating particle brick	T	1,167.00	2,100.00	2,450,700.00	31/7/2022	2,450,700.00
5	Thermal insulation brick	T	294	2,650.00	779,100.00	31/7/2022	779,100.00
6	Clay brick	T	5,304.51	2,250.00	11,935,147.50	31/7/2022	11,935,150.00
7	Tooth-type brick	T	942.76	2,250.00	2,121,210.00	31/7/2022	2,121,210.00
8	Brick with high alumina content	T	450	3,200.00	1,440,000.00	31/7/2022	1,440,000.00
9	Argillaceous fire-resilient mud	T	1,914.06	1,250.00	2,392,575.00	31/7/2022	2,392,580.00
10	Lattice brick	T	8,258.24	2,250.00	18,581,040.00	31/7/2022	18,581,040.00
11	Brick for oven door	T	421.8	2,250.00	949,050.00	31/7/2022	949,050.00
12	Brick for ascension pipe	T	72.6	2,250.00	163,350.00	31/7/2022	163,350.00
13	Fire-resistance brick N2	T	8.25	1,950.00	16,087.50	31/7/2022	16,090.00
14	Fire-resistance brick N3	T	274.5	1,950.00	535,275.00	31/7/2022	535,280.00
15	Fire-resistance brick N10	T	33.75	1,950.00	65,812.50	31/7/2022	65,810.00
16	Clay brick T3	T	522	1,950.00	1,017,900.00	31/7/2022	1,017,900.00
17	Clay brick T19	T	217.5	1,950.00	424,125.00	31/7/2022	424,130.00
18	Thermal insulation brick T3	T	49.95	1,950.00	97,402.50	31/7/2022	97,400.00
19	Clay brick T3	T	2,250.00	1,850.00	4,162,500.00	31/7/2022	4,162,500.00
20	Clay brick T19	T	1,650.00	1,850.00	3,052,500.00	31/7/2022	3,052,500.00
21	Clay brick T3	T	885	1,850.00	1,637,250.00	31/7/2022	1,637,250.00
22	Thermal insulation brick T3	T	36	1,800.00	64,800.00	31/7/2022	64,800.00
23	Clinker tile	T	1,384.05	1,850.00	2,560,492.50	31/7/2022	2,560,490.00
24	Clinker tile for oven top	m^3	375	1,850.00	693,750.00	31/7/2022	693,750.00
25	Clinker tile for coking shop		397.5	1,850.00	735,375.00	31/7/2022	735,380.00
26	Medium temperature silicon fire mud		1,875.00	1,080.00	2,025,000.00	31/7/2022	2,025,000.00
27	Low temperature silicon fire mud		1,650.00	1,080.00	1,782,000.00	31/7/2022	1,782,000.00
	Sub-Total				**184,905,587.70**		**184,905,600.00**

Shanxi Jinyan Energy Technology Company Limited – Furnace Body Masonry Works Fee Calculation (#5 Top-loading coking furnace)

No.	Fee items	Formula of calculation	Fee rate	Amount	Valuation Date	Fair Market Value as at 31/7/2022 *(RMB)*
I	Furnace Body Masonry Works					
1	Sub-Total carried forward			184,905,587.70		184,905,600.00
2	Including: Labour cost			10,724,524.09	31/7/2022	10,724,520.00
3	Fee for construction organization measures	2 × fee rate	23.45%	2,514,900.90	31/7/2022	536,230.00
4	Including: Labour cost			1,257,450.45	31/7/2022	1,257,450.00
5	Fee for construction technology measures	1 × fee rate	5%	9,245,279.39	31/7/2022	9,245,280.00
6	Including: Labour cost			1,479,244.70	31/7/2022	1,479,240.00
7	Subtotal of direct expenses	1+3+5		196,665,767.99	31/7/2022	194,687,110.00
8	Corporate management fee	(2+4+6) × fee rate	55%	7,403,670.58	31/7/2022	807,670.00
9	Administrative fee	(2+4+6) × fee rate	46.50%	6,259,466.95	31/7/2022	6,259,470.00
10	Subtotal of indirect fee	8+9		13,663,137.53	31/7/2022	7,067,140.00
11	Profit	(2+4+6) × fee rate	65%	8,749,792.50	31/7/2022	874,980.00
12	Dynamic adjustment			1,399,795.79	31/7/2022	1,399,800.00
13	Labour adjustment			881,936.25	31/7/2022	881,940.00
14	Taxes	(7+10+11+12+13) × fee rate	3.41%	7,548,390.66	31/7/2022	6,987,460.00
15	Total costs	7+10+11+12+13+14		**228,908,820.72**		**211,898,430.00**

Fee Calculation for Furnace Iron Parts Installation Construction (#5 Top-loading coking furnace)

No.	Item name	Construction volume		Value (RMB)		Valuation Date	Fair Market Value as at 31/7/2022 *(RMB)*
		Unit	Quantity	Unit price	Total price		
1	Payment for purchase of iron parts	Ton	8,700.00	11,200.00	97,440,000.00	31/7/2022	97,440,000.00
2	Fee for production and installation	Ton	4,500.00	8,700.00	39,150,000.00	31/7/2022	39,150,000.00
	Total costs				**136,590,000.00**		**136,590,000.00**

Shanxi Jinyan Energy Technology Company Limited – Table of Preliminary Expenses (#5 Top-loading coking furnace)

Fee items	Basis of calculation	Fee rate (%)	Notes
Cost of coking furnaces construction (per unit)			534,035,430.00
I. Construction management expenses		4.75	25,366,680.00
1. Management expenses of construction entity	Jin Jian Biao Zi (2009) No. 9	2.23	*11,908,990.00*
2. Cost for construction supervision	Jin Jian Biao Zi (2009) No. 9	2.52	*13,457,690.00*
3. Cost of design and review	Jin Jian Biao Zi (2009) No. 9	0	*0.00*
4. Cost for tender agent	Jin Jian Biao Zi (2009) No. 9	0	*0.00*
II. Fee for feasibility study		0.78	4,165,480.00
Including: project construction report preparation	Jin Jian Biao Zi (2009) No. 9	0.19	*1,014,670.00*
Proposal on Project Evaluation	Jin Jian Biao Zi (2009) No. 9	0.21	*1,121,470.00*
Formulation of feasibility study report	Jin Jian Biao Zi (2009) No. 9	0.19	*1,014,670.00*
Evaluation of feasibility study report	Jin Jian Biao Zi (2009) No. 9	0.19	*1,014,670.00*
III. Prospecting and design fee		3.08	16,448,290.00
Design fee	Ji Jia Ge (2002) No.10	2.58	*13,778,110.00*
Prospecting fee	Ji Jia Ge (2002) No.10	0.5	*2,670,180.00*
IV. Temporarily facility expenses	Jin Jian Biao Zi (2009) No. 9	1.2	6,408,430.00
V. Fee for environment evaluation report	Jin Jian Biao Zi (2009) No. 9	0.6	3,204,210.00
Sub-Total		**10.41**	**55,593,090.00**
VI. Fee for relocation and settlement	138,674,085.37	0	0.00
VII. Interest	39,917,500.00	0	0.00
Sub-Total			**55,593,090.00**
Funding cost: -		50%	**28,007,400.00**
(I) Final costs	534,035,430.00		534,035,430.00
(II) Preliminary and other expenses	55,593,090.00		55,593,090.00
(III) Loan interest rate (4.75%)		4.75%	28,007,400.00
(IV) Normal construction period (2 years)		200%	56,014,800.00
Table of preliminary expenses and total funding cost:			**83,600,490.00**

Shanxi Jinyan Energy Technology Company Limited – Civil Works
Direct Engineering Expenses (#6 Top-loading coking furnace)

No.	Name	Construction volume Unit	Construction volume Quantity	Value (RMB) Unit price	Value (RMB) Total price	Valuation Date	Fair Market Value as at 31/7/2022 *(RMB)*
1	Cement mortar – floor 20 mm	100 m^2	13	1,633.43	21,234.59	31/7/2022	21,230.00
2	Cement mortar – brick wall 15+5 mm	100 m^2	7.96	1,957.40	15,580.90	31/7/2022	15,580.00
3	Cushion – Unreinforced concrete	10 m^3	56.54	3,250.13	183,762.35	31/7/2022	183,760.00
4	Cushion – lime soil 3:7	10 m^3	1,489.06	1,062.65	1,582,349.61	31/7/2022	1,582,350.00
5	Fine stone concrete overall surface one wipe thick of 30 mm	100 m^2	86.8	1,870.83	162,388.04	31/7/2022	162,390.00
6	Fine stone concrete overall surface Every 5 mm increase	100 m^2	86.8	259.62	22,535.02	31/7/2022	22,540.00
7	Backfill rammed	100 m^3	93.14	1,142.72	106,432.94	31/7/2022	106,430.00
8	Reverse and dragline excavators and dump truck earth hauling lead within 1,000 m • actual lead (m):6,000	1,000 m^3	9.32	18,791.09	175,132.96	31/7/2022	175,130.00
9	Reverse and dragline excavators and dump truck earth hauling lead within 1,000 m • actual lead (m):5,000	1,000 m^3	21.88	17,335.63	379,303.58	31/7/2022	379,300.00
10	Hand excavation of plain hard soil depth (within 2 m)	100 m^3	24.32	1,795.40	43,664.13	31/7/2022	43,660.00
11	Mechanical packing rolling the dry paving artificial graded sand	1,000 m^3	22.04	119,358.33	2,630,657.59	31/7/2022	2,630,660.00
12	Excavator digging slag Dump truck to transport slag lead within 1,000 m • actual lead (m):4,000	1,000 m^3	22.04	40,577.35	894,324.79	31/7/2022	894,320.00
13	Exterior wall thick within 365 mm	10 m^3	8.84	2,895.45	25,595.78	31/7/2022	25,600.00
14	CFG pile foundation project		1	88,047,453.49	88,047,453.49	31/7/2022	88,047,450.00
15	Cast-in-situ concrete equipment foundation Concrete • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~50 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	1.04	3,553.47	3,695.61	31/7/2022	3,700.00
16	Cast-in-situ concrete equipment foundation Concrete • change to cast-in-situ concrete crushed stone with a size of 5~50 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	1.2	3,553.47	4,264.16	31/7/2022	4,260.00
17	Cast-in-situ concrete rectangular columns • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	127.22	4,300.40	547,096.89	31/7/2022	547,100.00

No.	Name	Construction volume Unit	Quantity	Value (RMB) Unit price	Total price	Valuation Date	Fair Market Value as at 31/7/2022 *(RMB)*
18	Cast-in-situ concrete structural column • change to cast-in-situ concrete Coarse aggregate: crushed stone with a size of 5~20 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	1.8	4,540.84	8,173.51	31/7/2022	8,170.00
19	Cast-in-situ concrete single beams and continuous beams•change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C30 (Class 32.5) Medium-sized (coarse) sand	10 m^3	101	4,160.54	420,214.54	31/7/2022	420,210.00
20	Cast-in-situ concrete ring beam • change to cast-in-situ concrete Coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C30 (Class 32.5) Medium-sized (coarse) sand	10 m^3	0.38	4,541.63	1,725.82	31/7/2022	1,730.00
21	Cast-in-situ concrete lintel • change: to Cast-in-situ concrete Coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	3.9	4,540.93	17,709.63	31/7/2022	17,710.00
22	Cast-in-situ concrete concrete wall • change to Cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	102.28	4,057.93	415,045.08	31/7/2022	415,050.00
23	Cast-in-situ concrete flat • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~31.5 mm (T=35~50 mm) and concrete strength grade of C30 (Class 32.5) Medium-sized (coarse) sand	10 m^3	141.58	4,076.74	577,184.85	31/7/2022	577,180.00
24	Ready-mixed concrete station	Unit shift	1	151,764.14	151,764.14	31/7/2022	151,760.00
25	Concrete pumping expenses concrete pumping (the cornice has a height of within 20 m)	100 m^3	83.16	1,141.58	94,933.79	31/7/2022	94,930.00
26	Cast-in-situ member round rebars with diameters up to φ10	t	209.8	5,496.58	1,153,182.48	31/7/2022	1,153,180.00
27	Cast-in-situ member round rebars with diameters up to φ20	t	158.66	5,043.34	800,176.32	31/7/2022	800,180.00
28	Cast-in-situ member threaded rebars with diameters up to φ20	t	623.16	5,126.85	3,194,847.85	31/7/2022	3,194,850.00
29	Cast-in-situ member threaded rebars with diameters exceeding φ20	t	557.88	4,831.66	2,695,486.48	31/7/2022	2,695,490.00

No.	Name	Construction volume Unit	Quantity	Value (RMB) Unit price	Total price	Valuation Date	Fair Market Value as at 31/7/2022 *(RMB)*
30	Truck transport with loading and unloading handled manual and a lead of within 1km • actual lead (km):2	t	1,549.48	119.35	184,930.44	31/7/2022	184,930.00
31	Cast-in-situ concrete small components • change to cast-in-situ concrete coarse aggregate: crushed stone with a size of 5~15 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	14.8	4,949.63	73,254.52	31/7/2022	73,250.00
32	Cast-in-situ concrete small tank • change to cast-in-situ concrete Coarse aggregate: crushed stone with a size of 5~15 mm (T=35~50 mm) and concrete strength grade of C25 (Class 32.5) Medium-sized (coarse) sand	10 m^3	1.8	4,863.26	8,753.87	31/7/2022	8,750.00
33	Cast-in-situ concrete unit price	10 m^2 shadow area	2,077.30	607.16	1,261,253.47	31/7/2022	1,261,250.00
34	Cast-in-situ concrete coping	10 m^3	86.18	3,887.50	335,024.75	31/7/2022	335,020.00
35	Cast-in-situ concrete Raft foundation with beam • change to cast-in-situ concrete Coarse aggregate: crushed stone with a size of 5~40 mm (T=35~50 mm) and concrete strength grade of C30 (Class 32.5) Medium-sized (coarse) sand	10 m^3	302.32	3,917.27	1,184,269.07	31/7/2022	1,184,270.00
36	Sporadic component production	t	18.14	6,868.76	124,599.31	31/7/2022	124,600.00
37	Steel	t	2,473.47	7,200.00	17,808,984.00	31/7/2022	17,808,980.00
	Sub-Total				**125,356,986.35**	31/7/2022	**125,356,950.00**

Shanxi Jinyan Energy Technology Company Limited – Civil Works Fee Calculation (#6 Top-loading coking furnace)

No.	Fee items	Formula of calculation	Fee rate	Amount	Valuation Date	Fair Market Value as at 31/7/2022
						(RMB)
I	Civil works					
1	Sub-Total carried forward			**125,356,986.35**		**125,356,950.00**
2	Fee for construction technology measures		4.50%	5,641,064.39	31/7/2022	5,641,060.00
3	Fee for construction organization measures	1 × relevant fee rate	5.17%	6,480,956.19	31/7/2022	6,267,850.00
4	Other direct expenses	2 × relevant fee rate	1%	1,253,569.86	31/7/2022	1,253,570.00
5	Temporarily facility expenses	3 × relevant fee rate	0.40%	501,427.95	31/7/2022	501,430.00
6	On-site management fee	4 × relevant fee rate	2%	2,507,139.73	31/7/2022	2,507,140.00
7	Fee for safe and civilized construction	5 × relevant fee rate	0.50%	626,784.93	31/7/2022	626,780.00
8	Subtotal of direct expenses	1+2+3+4+5+6+7		142,367,929.40	31/7/2022	142,154,780.00
9	Corporate management fee	9 × relevant fee rate	9%	12,813,113.65	31/7/2022	8,529,290.00
10	Administrative fee	9 × approved fee rate	5.84%	8,314,287.08	31/7/2022	8,301,840.00
11	Subtotal of indirect fee	9+10		21,127,400.72	31/7/2022	16,831,130.00
12	Profit	(8+11) × relevant profit margin	8%	13,079,626.41	31/7/2022	10,334,080.00
13	Dynamic adjustment		Based on actual condition	5,378,606.55	31/7/2022	5,378,610.00
14	Adjustment to labour fee			977,671.65	31/7/2022	977,670.00
15	Taxes	(8+11+12+13+14) × relevant tax rate	3.41%	6,237,955.10	31/7/2022	5,990,560.00
16	Accumulated Sub-Total	8+11+12+13+14+15		**189,169,189.83**	31/7/2022	**181,667,000.00**
II	Decoration work					
1	Direct engineering expenses			1,983,977.06	31/7/2022	1,983,980.00
2	Fee for construction organization measures	1 × fee rate	4.33%	85,906.21	31/7/2022	85,910.00
3	Fee for construction technology measures	1 × fee rate	4.50%	89,278.97	31/7/2022	89,280.00
4	Subtotal of direct expenses	1+2+3		2,159,162.24	31/7/2022	2,159,160.00
5	Corporate management fee	4 × fee rate	6%	1,004,010.44	31/7/2022	129,550.00
6	Administrative fee	4 × fee rate	46.50%	262,626.83	31/7/2022	1,004,010.00
7	Subtotal of indirect fee	5+6		1,266,637.27	31/7/2022	1,133,560.00
8	Profit	(4+7) × fee rate	6.50%	222,676.97	31/7/2022	214,030.00
9	Dynamic adjustment			1,074,288.76	31/7/2022	107,430.00
10	Labour adjustment			1,376,001.15	31/7/2022	137,600.00
11	Taxes	(4+7+8+9+10) × fee rate	3.41%	6,098,766.39	31/7/2022	127,940.00
12	Cost of decoration works	4+7+8+9+10+11		12,197,532.78	31/7/2022	3,880,000.00
III	Total costs	I16+II12		**201,366,722.61**	31/7/2022	**185,547,000.00**

Shanxi Jinyan Energy Technology Company Limited – Furnace Body Masonry Works Direct Engineering Expenses (#6 Top-loading coking furnace)

No.	Item name	Construction volume Unit	Construction volume Quantity	Value (RMB) Unit price	Value (RMB) Total price	Valuation Date	Fair Market Value as at 31/7/2022 (RMB)
1	Medium temperature silicon fire mud	T	2,296.02	1,080.00	2,479,701.60	31/7/2022	2,479,700.00
2	Low temperature silicon fire mud	T	1,047.17	1,080.00	1,130,943.60	31/7/2022	1,130,940.00
3	Silica brick	T	35,250.00	3,450.00	121,612,500.00	31/7/2022	121,612,500.00
4	Floating particle brick	T	1,167.00	2,100.00	2,450,700.00	31/7/2022	2,450,700.00
5	Thermal insulation brick	T	294	2,650.00	779,100.00	31/7/2022	779,100.00
6	Clay brick	T	5,304.51	2,250.00	11,935,147.50	31/7/2022	11,935,150.00
7	Tooth-type brick	T	942.76	2,250.00	2,121,210.00	31/7/2022	2,121,210.00
8	Brick with high alumina content	T	450	3,200.00	1,440,000.00	31/7/2022	1,440,000.00
9	Argillaceous fire-resilient mud	T	1,914.06	1,250.00	2,392,575.00	31/7/2022	2,392,580.00
10	Lattice brick	T	8,258.24	2,250.00	18,581,040.00	31/7/2022	18,581,040.00
11	Brick for oven door	T	421.8	2,250.00	949,050.00	31/7/2022	949,050.00
12	Brick for ascension pipe	T	72.6	2,250.00	163,350.00	31/7/2022	163,350.00
13	Fire-resistance brick N2	T	8.25	1,950.00	16,087.50	31/7/2022	16,090.00
14	Fire-resistance brick N3	T	274.5	1,950.00	535,275.00	31/7/2022	535,280.00
15	Fire-resistance brick N10	T	33.75	1,950.00	65,812.50	31/7/2022	65,810.00
16	Clay brick T3	T	522	1,950.00	1,017,900.00	31/7/2022	1,017,900.00
17	Clay brick T19	T	217.5	1,950.00	424,125.00	31/7/2022	424,130.00
18	Thermal insulation brick T3	T	49.95	1,950.00	97,402.50	31/7/2022	97,400.00
19	Clay brick T3	T	2,250.00	1,850.00	4,162,500.00	31/7/2022	4,162,500.00
20	Clay brick T19	T	1,650.00	1,850.00	3,052,500.00	31/7/2022	3,052,500.00
21	Clay brick T3	T	885	1,850.00	1,637,250.00	31/7/2022	1,637,250.00
22	Thermal insulation brick T3	T	36	1,800.00	64,800.00	31/7/2022	64,800.00
23	Clinker tile	T	1,384.05	1,850.00	2,560,492.50	31/7/2022	2,560,490.00
24	Clinker tile for oven top	m^3	375	1,850.00	693,750.00	31/7/2022	693,750.00
25	Clinker tile for coking shop		397.5	1,850.00	735,375.00	31/7/2022	735,380.00
26	Medium temperature silicon fire mud		1,875.00	1,080.00	2,025,000.00	31/7/2022	2,025,000.00
27	Low temperature silicon fire mud		1,650.00	1,080.00	1,782,000.00	31/7/2022	1,782,000.00
	Sub-Total				**184,905,587.70**		**184,905,600.00**

Shanxi Jinyan Energy Technology Company Limited – Furnace Body Masonry Works Fee Calculation (#6 Top-loading coking furnace)

No.	Fee items	Formula of calculation	Fee rate	Amount	Valuation Date	Fair Market Value as at 31/7/2022 *(RMB)*
I	Furnace Body Masonry Works					
1	Sub-Total carried forward			184,905,587.70		184,905,600.00
2	Including: Labour cost			10,724,524.09	31/7/2022	10,724,520.00
3	Fee for construction organization measures	2 × fee rate	23.45%	2,514,900.90	31/7/2022	536,230.00
4	Including: Labour cost			1,257,450.45	31/7/2022	1,257,450.00
5	Fee for construction technology measures	1 × fee rate	5%	9,245,279.39	31/7/2022	9,245,280.00
6	Including: Labour cost			1,479,244.70	31/7/2022	1,479,240.00
7	Subtotal of direct expenses	1+3+5		196,665,767.99	31/7/2022	194,687,110.00
8	Corporate management fee	(2+4+6) × fee rate	55%	7,403,670.58	31/7/2022	807,670.00
9	Administrative fee	(2+4+6) × fee rate	46.50%	6,259,466.95	31/7/2022	6,259,470.00
10	Subtotal of indirect fee	8+9		13,663,137.53	31/7/2022	7,067,140.00
11	Profit	(2+4+6) × fee rate	65%	8,749,792.50	31/7/2022	874,980.00
12	Dynamic adjustment			1,399,795.79	31/7/2022	1,399,800.00
13	Labour adjustment			881,936.25	31/7/2022	881,940.00
14	Taxes	(7+10+11+12+13) × fee rate	3.41%	7,548,390.66	31/7/2022	6,987,460.00
15	Total costs	7+10+11+12+13+14		**228,908,820.72**		**211,898,430.00**

Fee Calculation for Furnace Iron Parts Installation Construction (#6 Top-loading coking furnace)

No.	Item name	Construction volume Unit	Quantity	Value (RMB) Unit price	Total price	Valuation Date	Fair Market Value as at 31/7/2022 *(RMB)*
1	Payment for purchase of iron parts	Ton	8,700.00	11,200.00	97,440,000.00	31/7/2022	97,440,000.00
2	Fee for production and installation	Ton	4,500.00	8,700.00	39,150,000.00	31/7/2022	39,150,000.00
	Total costs				**136,590,000.00**		**136,590,000.00**

Shanxi Jinyan Energy Technology Company Limited – Preliminary Expenses (#6 Top-loading coking furnace)

Cost of coking furnaces construction (per unit) 534,035,430.00

Fee items	Basis of calculation	Fee rate (%)	Notes
I. Construction management expenses		4.75	25,366,680.00
1. Management expenses of construction entity	Jin Jian Biao Zi (2009) No. 9	2.23	*11,908,990.00*
2. Cost for construction supervision	Jin Jian Biao Zi (2009) No. 9	2.52	*13,457,690.00*
3. Cost of design and review	Jin Jian Biao Zi (2009) No. 9	0	*0.00*
4. Cost for tender agent	Jin Jian Biao Zi (2009) No. 9	0	*0.00*
II. Fee for feasibility study		0.78	4,165,480.00
Including: project construction report preparation	Jin Jian Biao Zi (2009) No. 9	0.19	*1,014,670.00*
Proposal on Project Evaluation	Jin Jian Biao Zi (2009) No. 9	0.21	*1,121,470.00*
Formulation of feasibility study report	Jin Jian Biao Zi (2009) No. 9	0.19	*1,014,670.00*
Evaluation of feasibility study report	Jin Jian Biao Zi (2009) No. 9	0.19	*1,014,670.00*
III. Prospecting and design fee		3.08	16,448,290.00
Design fee	Ji Jia Ge (2002) No.10	2.58	*13,778,110.00*
Prospecting fee	Ji Jia Ge (2002) No.10	0.5	*2,670,180.00*
IV. Temporarily facility expenses	Jin Jian Biao Zi (2009) No. 9	1.2	6,408,430.00
V. Fee for environment evaluation report	Jin Jian Biao Zi (2009) No. 9	0.6	3,204,210.00
Sub-Total		**10.41**	**55,593,090.00**
VI. Fee for relocation and settlement	138,674,085.37	0	0.00
VII. Interest	39,917,500.00	0	0.00
Sub-Total			**55,593,090.00**
Funding cost:		50%	**28,007,400.00**
(I) Final costs	534,035,430.00		534,035,430.00
(II) Preliminary and other expenses	55,593,090.00		55,593,090.00
(III) Loan interest rate (4.75%)		4.75%	28,007,400.00
(IV) Normal construction period (2 years)		200%	56,014,800.00
Table of preliminary expenses and total funding cost:			**83,600,490.00**

Set out below are the unaudited consolidated statements of financial position of Joy Wisdom International Limited (the "**Disposal Company**") and its subsidiaries (collectively the "**Disposal Group**") as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the unaudited consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Disposal Group for each of the three years ended 31 December 2021 and the six months ended 30 June 2021 and 2022 (the "**Relevant Periods**") and explanatory notes, which have been reviewed by the Company's auditor, ZHONGHUI ANDA CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022

	For the year ended 31 December			For the six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	1,605,356	1,176,982	866,602	443,387	15,662
Cost of sales	(1,429,499)	(1,050,092)	(753,868)	(388,177)	(131,530)
Gross profit/(loss)	175,857	126,890	112,734	55,210	(115,868)
Other income and gains, net	252,059	269,873	225,753	143,471	165,225
Selling and distribution costs	(123,024)	(10,953)	(1,417)	(720)	(655)
Administrative expenses	(82,666)	(69,722)	(79,756)	(35,736)	(43,782)
Finance costs	(49,057)	(53,102)	(94,319)	(57,177)	(42,521)
Other operating expenses, net	(134,338)	(736,757)	(153,332)	(1,440)	–
PROFIT/(LOSS) BEFORE TAX	38,831	(473,771)	9,663	103,608	(37,601)
Income tax expense	(11,547)	(4,999)	(9,669)	(9,616)	–
PROFIT/(LOSS) FOR THE YEAR	**27,284**	**(478,770)**	**(6)**	**93,992**	**(37,601)**
Other comprehensive income/(expenses)					
Items that may be reclassified subsequently to profit or loss, net of tax:					
Exchange differences on translation of foreign operations:					
Exchange differences arising on translation of foreign operations	(2,133)	(5,863)	(2,009)	673	9,298
Other comprehensive income/(expenses) for the year, net of tax	(2,133)	(5,863)	(2,009)	673	9,298
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	25,151	(484,633)	(2,015)	94,665	(28,303)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company	24,469	(430,913)	(83)	84,551	(33,868)
Non-controlling interests	2,815	(47,857)	77	9,441	(3,733)
	27,284	(478,770)	(6)	93,992	(37,601)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR ATTRIBUTABLE TO					
Owners of the Company	22,547	(436,380)	(1,648)	85,377	(25,303)
Non-controlling interests	2,604	(48,253)	(367)	9,288	(3,000)
	25,151	(484,633)	(2,015)	94,665	(28,303)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December 2019	31 December 2020	31 December 2021	30 June 2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-Current Assets				
Property, plant and equipments	564,666	89,912	–	–
Right of use asset	8,911	8,552	–	–
Trade receivable	–	268,463	283,816	273,893
Prepayments, deposits and other receivables	–	1,121,224	1,274,277	1,273,475
Deferred tax assets	–	9,512	–	–
Total non-current assets	**573,577**	**1,497,663**	**1,558,093**	**1,547,368**
Current Assets				
Inventories	43,459	60,237	3,111	–
Trade receivable	643,781	301,688	494,706	187,459
Prepayments, deposits and other receivables	1,163,565	9,484	15,350	9,583
Amount due from group companies	37,323	39,950	41,354	39,490
Restricted bank deposits	5,038	–	–	–
Cash and bank balances	357	250	279	242
Total current assets	**1,893,523**	**411,609**	**554,800**	**236,774**
Current liabilities				
Trade payables	476,657	359,736	482,566	331,065
Other payables, accruals and deposit received	890,528	895,150	954,711	897,933
Bank borrowings	248,855	406,510	515,674	492,348
Lease liabilities	687	766	831	813
Financial guarantee contracts	136,469	139,200	148,210	91,106
Amount due to group companies	682,119	685,080	687,092	682,675
Tax payable	16,116	20,481	16,546	15,798
Total current liabilities	**2,451,431**	**2,506,923**	**2,805,630**	**2,511,738**
Net current liabilities	**(557,908)**	**(2,095,314)**	**(2,250,830)**	**(2,274,964)**
Total assets less current liabilities	**15,669**	**(597,651)**	**(692,737)**	**(727,596)**

	31 December 2019	31 December 2020	31 December 2021	30 June 2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-Current Liabilities				
Deferred income	5,034	5,344	5,521	–
Bank borrowings	221,980	92,885	–	–
Lease liabilities	8,424	8,177	7,617	6,860
Deferred tax liability	5,593	5,938	6,135	5,857
Total non-current liabilities	**241,031**	**112,344**	**19,273**	**12,717**
Net liabilities	**(225,362)**	**(709,995)**	**(712,010)**	**(740,313)**
Equity				
Equity attributable to owners of the Company				
Share capital	8	8	8	8
Reserves	(260,131)	(696,511)	(698,159)	(723,462)
	(260,123)	(696,503)	(698,151)	(723,454)
Non-controlling interests	34,761	(13,492)	(13,859)	(16,859)
Total equity	**(225,362)**	**(709,995)**	**(712,010)**	**(740,313)**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Other reserve*	Statutory reserve*	Exchange fluctuation reserve*	Accumulated losses*	Equity attributable to owners of the Company	Non-controlling interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	8	(9,788)	–	83,083	(355,973)	(282,670)	32,157	(250,513)
Total comprehensive income for the year	–	–	–	(1,922)	24,469	22,547	2,604	25,151
Transfer to statutory reserve	–	–	5,269	–	(5,269)	–	–	–
At 31 December 2019	8	(9,788)	5,269	81,161	(336,773)	(260,123)	34,761	(225,362)
Total comprehensive income for the year	–	–	–	(5,467)	(430,913)	(436,380)	(48,253)	(484,633)
Transfer to statutory reserve	–	–	4,134	–	(4,134)	–	–	–
At 31 December 2020	8	(9,788)	9,403	75,694	(771,820)	(696,503)	(13,492)	(709,995)
Total comprehensive income for the year	–	–	–	(1,565)	(83)	(1,648)	(367)	(2,015)
At 31 December 2021	8	(9,788)	9,403	74,129	(771,903)	(698,151)	(13,859)	(712,010)
Total comprehensive income for the year	–	–	–	8,565	(33,868)	(25,303)	(3,000)	(28,303)
At 30 June 2022	8	(9,788)	9,403	82,694	(805,771)	(723,454)	(16,859)	(740,313)
At 1 January 2021	8	(9,788)	9,403	75,694	(771,820)	(696,503)	(13,492)	(709,995)
Total comprehensive income for the year	–	–	–	826	84,551	85,377	9,288	94,665
At 30 June 2021	8	(9,788)	9,403	76,520	(687,269)	(611,126)	(4,204)	(615,330)

* *These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position as at 31 December 2021.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	38,831	(473,771)	9,663	103,608	(37,601)
Adjustments for:					
Finance costs	49,057	53,102	94,319	57,177	42,521
Interest income	(48,755)	(52,191)	(52,702)	(35,833)	(19,085)
Interest charged back to Jinyan Electricity related borrowing	(48,595)	(52,667)	(69,589)	(68,625)	(40,647)
Depreciation of property, plant and equipments	15,976	33,854	6,716	3,439	–
Depreciation of right-of-use assets	861	862	923	459	–
Loss on written-off of inventories	–	–	12,181	–	–
Impairment loss on property, plant and equipment	–	477,216	90,737	–	–
Loss allowance of trade receivables, net	(381)	84,127	1,448	1,440	(6,724)
Loss allowance of prepayment, net	1,235	77,279	825	–	–
Loss/(gain) on disposal of property, plant and equipment	(2,023)	(313)	1,321	(67)	–
Amortization on financial guarantee contracts	(136,664)	(130,781)	(56,814)	(28,456)	(51,875)
Recognition of financial guarantee contracts	136,859	130,784	–	–	–
Loss allowance on financial guarantee contracts	11,033	5,644	61,146	–	–
Reversal of loss allowance on financial guarantee contracts	(11,004)	(11,046)	–	–	–
Recognition of deferred income	–	–	–	–	(5,426)
Operating cash flows before working capital changes	6,430	142,099	100,174	33,142	(118,837)
Change in inventories	41,707	(13,387)	45,989	22,097	3,057
Change in trade receivables	(215,900)	(236,182)	(141,317)	(85,033)	299,934
Change in prepayments, deposits and other receivables	(246,404)	(16,185)	38,169	(8,628)	5,221
Change in an amount due from the noncontrolling shareholder of a subsidiary	(26,175)	208,283	(82,848)	35,921	(1,776)
Change in amount due from group companies	221	(2,627)	(1,404)	(494)	1,864
Change in trade payables	242,406	18,176	109,143	45,966	(133,471)
Change in other payables, accruals and deposits received	108,454	(66,736)	(64,244)	(37,164)	(50,850)
Change in amount due to group companies	56,399	2,961	2,012	(418)	(4,417)
Net cash (used in)/generated from operations	(32,862)	36,402	5,674	5,389	725
Interest paid	–	–	–	–	–
Income taxes paid	(5,721)	(10,831)	(4,539)	(5,269)	–
Net cash flows (used in)/generated from operating activities	(38,583)	25,571	1,135	120	725

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(17,804)	(29,527)	(427)	(425)	–
Proceeds from disposal of property, plant and equipment	2,732	339	818	1,164	–
Interest received	160	2	2	1	1
Net cash generated from/(used in) investing activities	(14,912)	(29,186)	393	740	1
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from bank and other borrowings	58,848	–	–	–	–
Repayment on bank and other borrowings		(459)	(243)	–	–
Lease payments	(1,121)	(1,128)	(1,265)	(687)	(751)
Net cash generated from/(used in) financing activities	57,727	(1,587)	(1,508)	(687)	(751)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,232	(5,202)	20	173	(25)
Cash and cash equivalents at beginning of year	1,199	5,395	250	250	279
Effect of exchange rate changes on cash and cash equivalents	(36)	57	9	3	(12)
Cash and cash equivalents at end of year	5,395	250	279	426	242
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Restricted bank deposits	5,038	–	–	3	–
Cash and bank balances	357	250	279	423	242
Cash and cash equivalents at end of year/period	5,395	250	279	426	242

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

On 26 July 2022, Rich Key Enterprises Limited, a direct wholly owned subsidiary of Huscoke Holdings Limited (the "**Company**") entered into an equity transfer agreement for the disposal of the entire equity interest in Joy Wisdom International Limited (the "**Disposal Company**") and its subsidiaries (collectively the "**Disposal Group**") to the legal representative of GRG Huscoke (Shanxi) Limited（山西金岩和嘉能源有限公司）, a subsidiary of Disposal Company which is a company established in the PRC with limited liability, at a consideration of HK$1 (the "**Disposal**"). Upon completion of the Disposal, members of the Disposal Group will cease to be subsidiaries of the Company.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The unaudited financial information of the Disposal Group has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and is solely for the purpose of inclusion in the circular issued by the Company in connection with the Disposal.

The amounts included in the unaudited financial information for each of the three years ended 31 December 2021 and the six months ended 30 June 2021 and 2022 have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries adopted in the preparation of the Company's annual consolidated financial statements, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the Company's annual consolidated financial statements.

The Disposal Group incurred loss attributable to owners of the Disposal Company of HK$430,913,000 and HK$83,000 respectively for two consecutive years of year ended 31 December 2020 and 2021, and HK$33,868,000 of the six months ended 30 June 2022, and as at 30 June 2022, the Disposal Group had net current liabilities and net liabilities of HK$2,274,964,000 and HK$740,313,000, respectively. Further, the Disposal Group's major subsidiary was required to shut down its operating assets, which bring significant impacts on the Group's operations. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Disposal Group's ability to continue as a going concern.

Based on the assumption that the Disposal Group will continue to obtain financial support from the acquirer and the success in delaying the payments by persuading its creditors of the Disposal Group not to insist on demanding repayment and the directors of the Company consider that the Disposal Group will raise sufficient working capital to finance its operations and liabilities as and when they fall due, and accordingly, are satisfied that it is appropriate for the Disposal Entity to prepare the unaudited financial information on a going concern basis.

The unaudited financial information has been prepared on a going concern basis, the validity of which depends upon the Disposal Group will continue to obtain financial support from the acquirer, the Disposal Group will have sufficient working capital to finance its operations and the success in delaying the payments by persuading its creditors of the Disposal Group not to insist on demanding repayment. The unaudited financial information does not include any adjustments that would result from the failure to obtain financial support from the acquirer, to finance its operations and to delay the repayments.

The following is the text of a report received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this investment circular.

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF HUSCOKE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

28 September 2022

Introduction

We have reviewed the financial information of Joy Wisdom International Limited and its subsidiaries (the "**Disposal Group**") set out on pages V-1 to V-9 which comprises the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended 31 December 2021, the six months ended 30 June 2021 and 2022 (the "**Relevant Periods**") and explanatory notes. The financial information has been prepared solely for the purpose of inclusion in the circular issued by Huscoke Holdings Limited (the "**Company**") dated 28 September 2022 in connection with the disposal of the Disposal Group in accordance with the Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company are responsible for the preparation and presentation of the financial information of the Disposal Group in accordance with the basis of preparation set out in note 2 to the financial information and Rule 14.68(2)(a)(i)(A) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error. The financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review of financial information consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for disclaimer of conclusion

1. Material uncertainty related to going concern

We draw attention to note 2 to the unaudited financial information which mentions that the Disposal Group incurred loss attributable to owners of the Disposal Company of HK$430,913,000 and HK$83,000 respectively for two consecutive years of year ended 31 December 2020 and 2021, and HK$33,868,000 of the six months ended 30 June 2022, and as at 30 June 2022, the Disposal Group had net current liabilities and net liabilities of HK$2,274,964,000 and HK$740,313,000, respectively. Further, the Disposal Group's major subsidiary was required to shut down its operating assets, which bring significant impacts on the Disposal Group's operations. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Disposal Group's ability to continue as a going concern. The unaudited financial information has been prepared on a going concern basis, the validity of which depends upon the Disposal Group will continue to obtain financial support from the acquirer, the success in delaying the payments by persuading its creditors of the Disposal Group not to insist on demanding repayment and the success in raising sufficient working capital to finance its operations and liabilities as and when they fall due. The unaudited financial information does not include any adjustments that would result from the failure to obtain financial support from the acquirer, to delay the repayments and to raise sufficient working capital. We consider that the material uncertainty has been adequately disclosed in the unaudited financial information. However, in view of the extent of the multiple uncertainties relating to obtain financial support from the acquirer, to delay the repayments and to raise sufficient working capital, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

2. *Trade receivables and prepayments, deposits and other receivables from third parties*

Impairment losses on trade receivables and prepayments, deposits and other receivables of approximately HK$1,448,000 and HK$Nil, respectively, were recognised for the year ended 31 December 2021, and approximately HK$84,127,000 and HK$52,341,000, respectively, were recognised for the year ended 31 December 2020. In relation to certain impairment losses of trade receivables for the year ended 31 December 2021 and 2020, revenue of approximately HK$1,281,000, HK$1,281,000 and HK$29,794,000, respectively, were recognised for the six months ended 30 June 2021 and the year ended 31 December 2021 and 2020. Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables of HK$186,255,000 and HK$4,590,000, respectively, as at 30 June 2022, HK$191,082,000 and HK$15,316,000, respectively, as at 31 December 2021, approximately HK$Nil and HK$Nil, respectively, as at 31 December 2020 and approximately HK$50,052,000 and HK$41,888,000, respectively, as at 31 December 2019.

The management is still in progress on negotiating with the debtors on settlement of the aforesaid balances. In absence of the information in relation to the financial status of the debtors on assessing its ability for settlement to the Disposal Group, the management considered that there is uncertainty on recovering the aforesaid balances. The management has not yet initiated actions including but not limited to legal action against the debtors on the balances, hence no result from actions is available up to the date of this report for justifying the extent of the recoverability of the aforesaid balances.

Accordingly, we were unable to obtain sufficient appropriate evidence to satisfy ourselves as to the recoverability of aforesaid balances as at 30 June 2022, 31 December 2021, 2020 and 2019. There are no other satisfactory procedures that we could adopt to determine whether the aforesaid impairment losses and revenue for the six months ended 30 June 2021 and for the years ended 31 December 2021 and 2020 are properly recognised.

3. *Trade receivables and prepayments, deposits and other receivables from non-controlling shareholder of a subsidiary and related companies*

Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables from non-controlling shareholder of a subsidiary of HK$223,509,000 and HK$1,150,555,000, respectively, as at 30 June 2022, HK$234,228,000 and HK$1,148,689,000 respectively, as at 31 December 2021, approximately HK$228,890,000 and HK$1,004,372,000, respectively, as at 31 December 2020 and approximately HK$233,149,000 and HK$848,673,000, respectively, as at 31 December 2019.

Included in the consolidated statement of financial position were trade receivables and prepayments, deposits and other receivables from related companies of HK$50,384,000 and HK$122,920,000, respectively, as at 30 June 2022, HK$49,588,000 and HK$125,588,000 respectively, as at 31 December 2021, approximately HK$39,573,000 and HK$116,852,000 respectively, as at 31 December 2020, and approximately HK$38,574,000 and HK$99,665,000, respectively, as at 31 December 2019.

Reference is made to note 20(c) to the consolidated financial statements. The management is still in progress on the potential transaction with the non-controlling shareholder of a subsidiary and its related companies on settlement of the aforesaid balances. In absence of the information in relation to the potential transaction, including but not limited to the valuation of the target assets intended to be used for the settlement of the aforesaid balances and the uncertainties on the timing for the completion of the potential transaction, hence no sufficient information is available up to the date of this report for justifying the extent of the recoverability of the aforesaid balances.

Accordingly, we were unable to obtain sufficient appropriate evidence to satisfy ourselves as to the recoverability of aforesaid balances 30 June 2022, 31 December 2021, 2020 and 2019. There are no other satisfactory procedures that we could adopt to determine whether the aforesaid balances are fairly stated as at 30 June 2022, 31 December 2021, 2020 and 2019.

Any adjustments to the figures as described in points 2 and 3 above might have a significant consequential effect on the Disposal Group's financial performance and cash flows for the six months ended 30 June 2022 and 2021 and the years ended 31 December 2021, 2020 and 2019 and the financial position of the Disposal Group as at 30 June 2022, 31 December 2021, 2020 and 2019, and the related disclosures thereof in the unaudited financial information.

Conclusion

We do not express a conclusion on the financial information of the Disposal Group. Because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for a conclusion on unaudited financial information.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong
28 September 2022

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Group upon the completion of (i) the transactions contemplated under the Cooperation Agreement and the Agreement (the "**Transactions**") and (ii) the disposal of the Sale Shares and the Sale Loans as contemplated under the Disposal Agreement (the "**Disposal**") is referred to as the "**Restructured Group**".

The unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") presented below is to illustrate (a) the unaudited pro forma consolidated statement of financial position of the Restructured Group as if the Transactions and the Disposal had been completed on 30 June 2022; and (b) the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Restructured Group as if the Transactions and the Disposal had been completed on 1 January 2021. This Unaudited Pro Forma Financial Information of the Restructured Group has been prepared by the Directors in accordance with paragraph 4.29 of Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position, the financial performance and cash flows of the Restructured Group had the Transactions and the Disposal been completed as at 30 June 2022 or 1 January 2021, where applicable, or any future dates.

The unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Restructured Group are prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022, audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2021, which have been extracted from the published interim report of the Company for the six months ended 30 June 2022 and the published annual report of the Company for the year ended 31 December 2021, respectively, after making certain pro forma adjustments that are directly attributable to the Transactions and the Disposal and factually supportable, as set out below.

The Unaudited Pro Forma Financial Information should be read in conjunction with the published interim report of the Company for the six months ended 30 June 2022, the published annual report of the Company for the year ended 31 December 2021, the financial information of the Target Subsidiary as set out in Appendix III to this circular, the financial information of the Disposal Group as set out in Appendix V to this circular and other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information does not take into account the financial effect arising from any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Restructured Group.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Restructured Group

	The Group as at 30 June 2022	Pro forma adjustments	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2022	Pro forma adjustments				Unaudited pro forma consolidated statement of financial position of the Restructured Group as at 30 June 2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 3(a)*		*Note 4(a)*	*Note 4(a)(ii)*	*Note 4(a)(iii)*	*Note 5*	
Non-Current Assets								
Property, plant and equipments	5,287	1,719,298	1,724,585					1,724,585
Financial assets at fair value through profit or loss	1,508		1,508					1,508
Trade receivables	273,893	(273,893)	–					–
Prepayments, deposits and other receivables	1,273,475	(1,273,475)	–					–
Total non-current assets	**1,554,163**	**171,930**	**1,726,093**	**–**	**–**	**–**	**–**	**1,726,093**
Current Assets								
Trade receivables	187,459		187,459	(187,459)			–	–
Prepayments, deposits and other receivables	159,152		159,152	(9,583)				149,569
Amounts due from the Disposal Group	–		–	643,185 (643,185)				643,185 (643,185)
Cash and bank balances	7,182		7,182	(242)			(1,830)	5,110
Total current assets	**353,793**	**–**	**353,793**	**(197,284)**	**–**	**–**	**(1,830)**	**154,679**
Current liabilities								
Trade payables	331,065		331,065	(331,065)				–
Other payables, accruals and deposit received	930,219		930,219	(897,933)				32,286
Amounts due to the Disposal Group	–		–	1,547,368	(1,477,084)	(70,284)		–
Bank and other borrowings	710,536		710,536	(492,348)				218,188
Lease liabilities	5,663		5,663	(813)				4,850
Financial guarantee contracts	91,106		91,106	(91,106)				–
Tax payable	15,798		15,798	(15,798)				–
Total current liabilities	**2,084,387**	**–**	**2,084,387**	**(281,695)**	**(1,477,084)**	**(70,284)**	**–**	**255,324**
Net current (liabilities)/assets	**(1,730,594)**	**–**	**(1,730,594)**	**84,411**	**1,477,084**	**70,284**	**(1,830)**	**(100,645)**
Total assets less current liabilities	**(176,431)**	**171,930**	**(4,501)**	**84,411**	**1,477,084**	**70,284**	**(1,830)**	**1,625,448**
Non-Current Liabilities								
Lease liabilities	6,860		6,860	(6,860)				–
Amounts due to the Disposal Group	–		–	–		56,589		56,589
Deferred tax liability	5,857		5,857	(5,857)				–
Total non-current liabilities	**12,717**	**–**	**12,717**	**(12,717)**	**–**	**56,589**	**–**	**56,589**
Net (liabilities)/assets	**(189,148)**	**171,930**	**(17,218)**	**97,128**	**1,477,084**	**13,695**	**(1,830)**	**1,568,859**
Equity								
Equity attributable to owners of the Company								
Share capital	28,707		28,707					28,707
Reserves	(200,996)		(200,996)	80,269	1,477,084	13,695	(1,830)	1,368,222
	(172,289)	–	(172,289)	80,269	1,477,084	13,695	(1,830)	1,396,929
Non-controlling interests	(16,859)	171,930	155,071	16,859				171,930
Total (deficit)/equity	**(189,148)**	**171,930**	**(17,218)**	**97,128**	**1,477,084**	**13,695**	**(1,830)**	**1,568,859**

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Restructured Group

	The Group for the year ended 31 December 2021	Pro forma adjustments	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2021	Pro forma adjustments					Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Restructured Group for the year ended 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 3(b)*		*Note 4(b)*	*Note 4(c)*	*Note 4(c)(i)*	*Note 4(c)(ii)*	*Note 5*	
REVENUE	866,602		866,602	(866,602)					–
Cost of sales	(753,868)	(59,061)	(812,929)	753,868					(59,061)
Gross profit	112,734	(59,061)	53,673	(112,734)	–	–	–	–	(59,061)
Other income and gains, net	235,183		235,183	(225,753)	127,459	1,522,226	14,113		1,673,228
Selling and distribution costs	(1,417)		(1,417)	1,417					–
Administrative expenses	(99,920)		(99,920)	79,756				(1,830)	(21,994)
Finance costs	(113,936)		(113,936)	94,319			(2,771)		(22,388)
Other operating expenses, net	(154,157)		(154,157)	153,332					(825)
(LOSS)/PROFIT BEFORE TAX	(21,513)	(59,061)	(80,574)	(9,663)	127,459	1,522,226	11,342	(1,830)	1,568,960
Income tax expense	(9,669)		(9,669)	9,669					–
(LOSS)/PROFIT FOR THE YEAR	(31,182)	(59,061)	(90,243)	6	127,459	1,522,226	11,342	(1,830)	1,568,960
Other comprehensive (expenses)/income									
Items that may be reclassified subsequently to profit or loss, net of tax:									
Exchange differences on translation of foreign operations	(2,009)	1,752	(257)	2,009	(76,085)	(24,715)	(229)		(99,277)
Other comprehensive expenses for the year, net of tax	(2,009)	1,752	(257)	2,009	(76,085)	(24,715)	(229)	–	(99,277)
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE YEAR	(33,191)	(57,309)	(90,500)	2,015	51,374	1,497,511	11,113	(1,830)	1,469,683
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:									
Owners of the Company	(31,259)	(53,155)	(84,414)	83	127,459	1,522,226	11,342	(1,830)	1,574,866
Non-controlling interests	77	(5,906)	(5,829)	(77)	–	–	–	–	(5,906)
	(31,182)	(59,061)	(90,243)	6	127,459	1,522,226	11,342	(1,830)	1,568,960
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE YEAR ATTRIBUTABLE TO:									
Owners of the Company	(32,824)	(51,578)	(84,402)	1,648	51,374	1,497,511	11,113	(1,830)	1,475,414
Non-controlling interests	(367)	(5,731)	(6,098)	367	–	–	–	–	(5,731)
	(33,191)	(57,309)	(90,500)	2,015	51,374	1,497,511	11,113	(1,830)	1,469,683

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Restructured Group

	The Group for the year ended 31 December 2021	Pro forma adjustments	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2021	Pro forma adjustments					Unaudited pro forma consolidated statement of cash flows of the Restructured Group for the year ended 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 3(b)*		*Note 4(b)*	*Note 4(c)*	*Note 4(c)(ii)*	*Note 4(c)(ii)*	*Note 5*	
CASH FLOWS FROM OPERATING ACTIVITIES									
Loss before tax	(21,513)	(59,061)	(80,574)	(9,663)	127,459	1,522,226	11,342	(1,830)	1,568,960
Adjustments for:									
Finance costs	113,936		113,936	(94,319)			2,771		22,388
Interest income	(52,702)		(52,702)	52,702			(14,113)		(14,113)
Interest charged back to Jinyan Electricity related borrowing	(69,589)		(69,589)	69,589					–
Depreciation of property, plant and equipments	7,533	43,307	50,840	(6,716)					44,124
Depreciation of right-of-use assets	4,269	15,754	20,023	(923)					19,100
Gain on the Disposal			–		(127,459)				(127,459)
Gain on the Waive			–			(1,522,226)			(1,522,226)
Loss on written-off of inventories	12,180		12,180	(12,181)					(1)
Impairment loss on property, plant and equipment	90,738		90,738	(90,737)					1
Loss allowance of trade receivables, net	1,448		1,448	(1,448)					–
Loss allowance of prepayment, net	825		825	(825)					–
Loss on disposal of property, plant and equipment	1,320		1,320	(1,321)					(1)
Compensation income from contract with customer	(8,703)		(8,703)						(8,703)
Amortisation on financial guarantee contracts	(56,814)		(56,814)	56,814					–
Loss allowance on financial guarantee contracts	61,146		61,146	(61,146)					–
Operating cash flows before working capital changes	84,074	–	84,074	(100,174)	–	–	–	(1,830)	(17,930)
Change in inventories	45,990		45,990	(45,989)					1
Change in trade receivables	(141,317)		(141,317)	141,317					–
Change in prepayments, deposits and other receivables	74,622		74,622	(38,169)					36,453
Increase in an amount due from the non-controlling shareholder of a subsidiary	(82,848)		(82,848)	82,848					–
Change in amount due from the Enlarged Group				1,404					1,404
Change in trade payables	(109,143)		(109,143)	(109,143)					–
Change in other payables, accruals and deposits received	(93,879)		(93,879)	64,244					(29,635)
Change in amount due to the Enlarged Group				(2,012)					(2,012)
Net cash used in operations	(4,215)	–	(4,215)	(5,674)	–	–	–	(1,830)	(11,718)
Income taxes paid	(4,538)		(4,538)	4,539					1
Net cash flows used in operating activities	(8,753)	–	(8,753)	(1,135)	–	–	–	(1,830)	(11,718)
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchases of property, plant and equipment	(429)		(429)	427					(2)
Proceeds from disposal of property, plant and equipment	818		818	(818)					–
Net cash outflow on disposal of the Disposal Group	–		–	(250)					(250)
Interest received	2		2	(2)					–
Net cash generated from/(used in) investing activities	391	–	391	(643)	–	–	–	–	(252)
CASH FLOWS FROM FINANCING ACTIVITIES									
Repayment on bank and other borrowings	(241)		(241)	243					2
Lease payments	(4,742)		(4,742)	1,265					(3,477)
Net cash used in financing activities	(4,983)	–	(4,983)	1,508	–	–	–	–	(3,475)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,345)	–	(13,345)	(270)	–	–	–	(1,830)	(15,445)
Cash and cash equivalents at beginning of year	21,119		21,119	–					21,119
Effect of exchange rate changes on cash and cash equivalents	129		129	(9)					120
Cash and cash equivalents at end of year	7,903	–	7,903	(279)	–	–	–	(1,830)	5,794
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS									
Cash and bank balances	7,903		7,903	(279)			–	(1,830)	5,794
Cash and cash equivalents at end of year	7,903	–	7,903	(279)	–	–	–	(1,830)	5,794

Notes to the Unaudited Pro Forma Financial Information

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022, and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2021 as set out in the published interim report of the Company for the six months ended 30 June 2022 and the published annual report of the Company for the year ended 31 December 2021, respectively.

2. For the purpose of preparation of the Unaudited Pro Forma Financial Information, the exchange rates adopted are as follows:

As at 1 January 2021	RMB1.00 = HK$1.1876
As at 30 June 2022	RMB1.00 = HK$1.1714
Average rate for the year ended 31 December 2021	RMB1.00 = HK$1.2072

   No representation is made that the Renminbi ("**RMB**") amounts have been, could have been or could be converted to Hong Kong Dollar ("**HK$**"), or vice versa, at those rates or at any other rates or at all.

3. The adjustments reflect the Transactions (comprising the Assets Transfer and set off of the Total Receivables owed by Energy Technology and Jinyan Electricity to GRG Huscoke) had taken place on 30 June 2022.

   The Target Subsidiary was established for the purpose of holding the Target Assets and will be principally engaged in coke production and sales. The Group elected to apply the optional concentration test in accordance with Hong Kong Financial Reporting Standard 3 Business Combinations. This acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets (i.e. the Target Assets). As set out in the section headed "Letter from the Board – III. Summary of the Agreement" in this circular, Energy Technology will transfer 90% equity interests in the Target Subsidiary which holds the Target Assets to the New Subsidiary and the Total Receivables owed by Energy Technology and Jinyan Electricity to GRG Huscoke will be offset. There will be no cash inflow for the Transactions.

(a) The consideration of the Transactions shall be allocated to the individual identifiable assets of the Target Subsidiary on the basis of their proportional fair values as if the Transactions were completed on 30 June 2022, as follows:

	RMB'000	*HK$'000*
Property, plant and equipment *(note (i))*		
Furnaces and infrastructure	1,076,222	1,260,687
Right-of-use assets	391,507	458,611
	1,467,729	1,719,298
Satisfied by consideration by way of offsetting *(note (iii))*:		
– Trade receivables	233,817	273,893
– Prepayments, deposits and other receivables	1,087,139	1,273,475
	1,320,956	1,547,368
Non-controlling interest *(note (ii))*	146,773	171,930
	1,467,729	1,719,298

Notes:

(i) For the purpose of preparation of the Unaudited Pro Forma Financial Information, the Directors estimated the fair values of the Target Assets, which comprise the furnaces and infrastructure and the operating right of the public auxiliary facilities, based on the independent valuation report prepared by the independent valuer engaged by the Company.

The Group will continue to carry out its coke production and trading business through the Target Subsidiary upon the Transaction Completion. Thus, the Group regarded the respective components of the Target Assets as "Furnaces and infrastructure" and "Right-of-use assets" under the "Property, plant and equipment". The consideration of the Transactions is allocated to the property, plant and equipment on the basis of their relative fair values after taking into account the 10% non-controlling interest in the Target Subsidiary.

(ii) The non-controlling interest was initially recognised at the proportionate share of the carrying value of the identifiable assets acquired by the Group.

(iii) As at 30 June 2022, the Total Receivables to be set off the Company's interest in the Target Subsidiary according to the Agreement comprise (i) the trade receivables due from related parties and non-controlling shareholder of a subsidiary of approximately HK$273,893,000; (ii) the prepayments and other receivables due from related parties and non-controlling shareholder of a subsidiary of approximately HK$483,675,000; and (iii) other receivables due from Jinyan Electricity of approximately HK$789,800,000. In the opinion of the Directors, the carrying amounts of the Total Receivables approximate their fair values.

(b) The adjustment reflects the effect of the depreciation expenses of the Target Assets as if the Transactions had taken place on 1 January 2021.

The depreciation of furnaces and infrastructure is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives of 30 years on a straight-line basis. The depreciation of right-of-use assets is calculated at rates to write off their cost over the asset's useful life of 30 years on a straight-line basis. The respective estimated useful life of the furnaces and infrastructure and right-of-use assets were estimated by the Directors.

For the purpose of preparing this adjustment, the depreciation expenses of approximately HK$59,061,000 (equivalent to approximately RMB48,924,000) are calculated based on the carrying amount of the property, plant and equipment amounted to approximately HK$1,719,298,000 (equivalent to approximately RMB1,467,729,000), as set out in note 3(a) above, using the straight-line basis.

The adjustment is expected to have a continued financial effect on the Restructured Group due to the annual depreciation and amortisation of the Target Assets.

(c) For the purpose of the Unaudited Pro Forma Financial Information, the Directors have assessed whether there is any impairment in respect of the property, plant and equipment expected to arise from the Transactions following the principles set out in Hong Kong Accounting Standard 36 ''Impairment of Assets''. Based on the Directors' assessment, the Directors consider that there is no impairment on the property, plant and equipment.

The Company will adopt consistent accounting policies, key assumptions and valuation methodology to assess the impairment of the Restructured Group's property, plant and equipment in the future, and communicate such basis with its external auditor and audit committee.

4. The adjustments reflect the Disposal had taken place on 1 January 2021 and 30 June 2022.

(a) The adjustment represents the deconsolidation of assets and liabilities of the Disposal Group to be disposed of. The amounts have been extracted from the unaudited financial information of the Disposal Group as at 30 June 2022 as set out in Appendix V to this circular, with certain reclassifications being made to bring them in line with the presentation of the unaudited pro forma consolidated statement of financial position of the Restructured Group, where appropriate.

	HK$'000
Consideration *(Note (i))*	–
Add: Net liabilities of the Disposal Group as at 30 June 2022 *(note (ii))*	740,313
Less: Non-controlling interests as at 30 June 2022	(16,859)
Less: Transfer of the Sale Loans as at 30 June 2022 *(note (iv))*	(643,185)
	80,269
Add: Exchange fluctuation reserve as at 30 June 2022 *(note (v))*	76,520
Estimated net gain on the Disposal	156,789

Notes:

(i) The consideration under the Disposal Agreement payable by the purchaser, namely Mr. Yang, to the Restructured Group in respect of the Disposal is HK$1.

(ii) The amount represents the carrying amount of net liabilities of the Disposal Group as at 30 June 2022, which is extracted from the unaudited financial information of the Disposal Group as at 30 June 2022 as set out in Appendix V to this circular.

The Outstanding Balance of approximately RMB1,320,956,000 (equivalent to approximately HK$1,547,368,000 as at 31 December 2021), being the amount due to GRG Huscoke by the New Subsidiary resulting from the set-off arrangement of the Total Receivables during Assets Transfer as disclosed in Note 3(a) above, will arise upon the completion of the Disposal. Pursuant to the Waive Agreement, GRG Huscoke agreed to waive the Outstanding Balance to the remaining amount of RMB60,000,000 (equivalent to approximately HK$70,284,000 as at 30 June 2022) (the "**Waive**"). The Waive is conditional upon the satisfaction of certain conditions.

The following adjustment reflects the Waive had taken place on 30 June 2022:

	RMB'000	*HK$'000*
The Outstanding Balance as at 30 June 2022	1,320,956	1,547,368
Less: Remaining amount of Outstanding Balance as at 30 June 2022	(60,000)	(70,284)
Estimated net gain on the Waive and related exchange difference	1,260,956	1,477,084

(iii) Pursuant to the Waive Agreement and the relevant supplemental confirmation among the parties, the remaining balance of Outstanding Balance is non-interest bearing and repayable by the New Subsidiary to GRG Huscoke in four annual instalments from 31 December 2024 and end on 26 July 2027. As a result, the remaining balance of Outstanding Balance is classified as a non-current liability as at 30 June 2022.

According to HKFRS9 "Financial Instruments", financial liabilities other than those measured at fair value through profit or loss are initially recognised at their fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Accordingly, the fair value of a long-term loan that carries no interest shall be estimated as the present value of all future cash flow discounted using the prevailing market rates of interest for similar instruments. In this regard, the remaining balance of Outstanding Balance recognised at 30 June 2022 represented its present value of all future cash outflow based on the repayment terms discounted using the prevailing market rate of interest for similar borrowing at 4.75%.

The following adjustment reflects the remaining balance of Outstanding Balance initially recognised on 30 June 2022:

	RMB'000	*HK$'000*
The remaining balance of Outstanding Balance	60,000	70,284
Other gain and related exchange difference arising in the discounted effect	(11,691)	(13,695)
The carrying amount of the remaining balance of Outstanding Balance as at 30 June 2022	48,309	56,589

(iv) The amount represents the net amount owed by the Disposal Company to the Company as at 30 June 2022 (i.e.: the Sale Loans), which will be transferred to the purchaser under the Disposal Agreement.

(v) The adjustments represent the recycling of exchange fluctuation reserve in other comprehensive income to profit or loss as a result of the Disposal been completed on 30 June 2022.

(b) The adjustment represents the deconsolidation of profit or loss and cash flow of the Disposal Group as if the Disposal had taken place on 1 January 2021. The amounts have been extracted from the unaudited financial information of the Disposal Group for the year ended 31 December 2021 as set out in Appendix V to this circular.

(c) The adjustment reflects the estimated net gain on the Disposal as if the Disposal had taken place on 1 January 2021.

		HK$'000
Consideration		–
Add:	Net liabilities of the Disposal Group as at 1 January 2021 *(note (i))*	709,995
Less:	Non-controlling interests as at 1 January 2021	(13,491)
Less:	Transfer of the Sale Loans as at 1 January 2021 *(note (iii))*	(645,130)
Add:	Exchange fluctuation reserve as at 1 January 2021 *(note (iv))*	76,085
Estimated net gain on the Disposal		127,459

Notes:

(i) The amount represents the carrying amount of net liabilities of the Disposal Group as at 1 January 2021, which is extracted from the unaudited financial information of the Disposal Group as at 31 December 2020 as set out in Appendix V to this circular. The Directors consider that the unaudited financial information of the Disposal Group as at 31 December 2020 approximates the carrying amount of net liabilities of the Disposal Group as at 1 January 2021.

With reference to note 4(a)(ii) above, the following adjustment reflects that the Waive had taken place on 1 January 2021. For the purpose of preparing this adjustment, the estimated net gain on the Waive is calculated based on the Outstanding Balance of approximately RMB1,320,956,000 as set out in note 4(a)(ii) above.

	RMB'000	*HK$'000*
The Outstanding Balance	1,320,956	1,568,767
Less: Remaining amount of Outstanding Balance	(60,000)	(71,256)
Exchange difference charged to other comprehensive income	–	24,715
Estimated gain on the Waiver credited to profit or loss	1,260,956	1,522,226

(ii) With reference to note 4(a)(iii) above, the following adjustment reflects the remaining balance of Outstanding Balance initially recognised on 1 January 2021:

	RMB'000	*HK$'000*
The remaining balance of Outstanding Balance	60,000	71,256
Other gain arising in the discounted effect	(11,691)	(14,113)
Exchange difference charged to other comprehensive income	–	229
The remaining balance of Outstanding Balance initially recognised on 1 January 2021	48,309	57,372
Interest expenses charged to profit or loss	2,295	2,771

The adjustment of interest expenses is calculated based on the remaining balance of Outstanding Balance initially recognised on 1 January 2021 using the effective interest rate method by applying the prevailing market rate of interest at 4.75%.

(iii) The amount represents the net amount owed by the Disposal Company to the Company as at 1 January 2021 (i.e.: the Sale Loans), which will be transferred to the purchaser under the Disposal Agreement.

(iv) The adjustments represent the recycling of exchange fluctuation reserve in other comprehensive income to profit or loss as a result of the Disposal been completed on 1 January 2021.

5. The amount represents the estimated transaction costs and expenses incurred for the Transactions and the Disposal amounting to approximately HK$1,830,000 which will be borne by the Restructured Group and are assumed to be settled in cash.

6. No adjustments have been made to adjust any trading results or other transactions of the Restructured Group entered into subsequent to 30 June 2022.

7. All the proforma adjustments, except those stated in the notes above, will not have a continued effect on the Restructured Group in the subsequent reporting periods.

The following is the text of the independent reporting accountants' assurance report, in respect of the unaudited pro forma financial information prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

中汇
ZHONGHUI

28 September 2022

To the Directors of Huscoke Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Huscoke Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021 and related notes as set out on pages VI-2 to VI-11 of the circular issued by the Company dated 28 September 2022 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages VI-2 to VI-11 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the very substantial transactions in relation to (i) Transactions; and (ii) the Disposal on the Group's financial position as at 30 June 2022 and the Group's financial performance and cash flows for the year ended 31 December 2021 as if the Transactions and the Disposal had taken place at 30 June 2022 and 1 January 2021, respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022, on which no review report has been published, and information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2021, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2022 or 1 January 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(b) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

28 September 2022

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, include particulars given in the compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued Share capital of the Company
Mr. Zhao	Interest of a controlled corporation *(Note 1)*	1,166,940,806 *(Note 1)*	406.49%
Mr. To Wing Tim, Paddy	Beneficial owner and interest of spouse *(Note 2)*	24,333	0.001% (rounded up to 3 decimal places)

Note:

1. Based on the disclosure of interests forms filed on 23 August 2022 and 22 September 2022 on the website of the Stock Exchange. Shun Wang is owned as to 100% by Whole Advance Limited, which voting ordinary shares are owned as to 100% by Liberal Expansion Limited, which in turn is owned as to 100% by Mr. Zhao, an executive Director, Chairman and chief executive officer of the Company. By virtue of the SFO, Mr. Zhao is deemed to be interested in the Shares in which Shun Wang and Wahen Investments Limited ("**Wahen Investments**") are interested.

2. Mr. To Wing Tim, Paddy, an independent non-executive Director, together with his spouse, respective holding of 6,293 Shares and 18,040 Shares. Accordingly, Mr. To Wing Tim, Paddy is deemed to have interest in 24,333 Shares under Part XV of the SFO.

Long positions in debentures of the Company

Name of Director	Debenture	Capacity	Amount of debentures held	Approximate percentage to the total amount of debentures in issue
Mr. Zhao	8% unsecured convertible bonds due 2024	Interest of a controlled corporation *(Note)*	HK$154,000,000	100%

Note: On 19 September 2022, Wahen Investments, a company wholly-owned by Mr. Zhao, entered into the CB Subscription Agreement with the Company pursuant to which the Company has conditionally agreed to issue and Wahen Investments has conditionally agreed to subscribe for the Convertible Bonds which are freely transferable and convertible into Shares at the initial conversion price of HK$0.212 (subject to adjustments).

Save as disclosed above, as at the Latest Practicable Date, no other Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Wahen Investments	Beneficial owner *(Note 1)*	726,415,094	253.04%
Shun Wang	Beneficial owner *(Note 2)*	146,841,904	51.15%
Whole Advance Limited	Interest of a controlled corporation *(Note 2)*	146,841,904	51.15%
Liberal Expansion Limited	Interest of a controlled corporation *(Note 2)*	146,841,904	51.15%
Rontac Resources Company Limited	Beneficial owner *(Note 3)*	14,718,922	5.13%
Rontac Investment Company Limited	Interest of a controlled corporation *(Note 3)*	14,718,922	5.13%
Mr. Li Hongwei	Interest of a controlled corporation *(Note 3)*	14,718,922	5.13%

Notes:

1. Wahen Investments is wholly-owned by Mr. Zhao, an executive Director, Chairman and chief executive officer of the Company.

2. Shun Wang is owned as to 100% by Whole Advance Limited, which voting ordinary shares are owned as to 100% by Liberal Expansion Limited, which in turn is owned as to 100% by Mr. Zhao.

3. Rontac Resources Company Limited is wholly owned by Rontac Investment Company Limited, which in turn is owned as to 71% by Mr. Li Hongwei. Accordingly, Mr. Li Hongwei is deemed to be interested in 14,718,922 Shares under the Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, there was no other person, other than the Directors or chief executive of the Company, who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO.

3. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or have or may have any other conflicts of interest with the Group.

4. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service agreement with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group. As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into the ordinary course of business of the Group) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(i) the merger and acquisition framework agreement entered into between the Company, GRG Huscoke and Energy Technology on 16 September 2020, pursuant to which the Company and/or the Company may through direct investment and/or establishment of a merger and acquisition fund may acquire and subscribe for more than 50% of the enlarged share capital of the Energy Technology;

(ii) the Cooperation Agreement;

(iii) an agreement entered into between GRG Huscoke and Shanxi Zhengbenyuan on 15 March 2022, pursuant to which GRG Huscoke agreed to purchase the Possible Loan in the consideration of RMB25,500,000;

(iv) the Agreement;

(v) the Debt Transfer Agreement;

(vi) the Disposal Agreement;

(vii) the Waive Agreement; and

(viii) the CB Subscription Agreement.

7. EXPERTS AND CONSENTS

The following is the qualification of the expert or professional adviser who have given opinions or advices contained in this circular:

Name	Qualification
Veda Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
SBI China	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Ascent Partners Valuation Service Limited	independent professional valuer
Zhonghui Anda CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor did they have any rights or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which have been, since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any members of the Group.

8. LITIGATION

(a) The Group received notification issued by 山西省太原市中級人民法院 (Shanxi Province Taiyuan City Intermediate People's Court) (the "**Taiyuan Court**") dated 20 May 2016 in which 山西國際物流有限公司 (Shanxi International Logistic Co., Ltd.) ("**Shanxi Logistic**") commenced legal action against GRG Huscoke. Pursuant to the statement of claim, GRG Huscoke failed to deliver goods and failed to repay the prepayment of RMB50,000,000 (equivalent to HK$59,035,000) received from Shanxi Logistic in accordance with the cooperation agreements entered into by Shanxi Logistic and GRG Huscoke in March 2013, on 1 April 2014 and 1 May 2015 respectively. As a result, Shanxi Logistic demanded GRG Huscoke to repay RMB50,000,000 (equivalent to HK$59,035,000) plus profits forgone of RMB14,894,000 (equivalent to HK$17,410,000) and related legal expense of RMB183,000 (equivalent to HK$214,000) up to 29 February 2016 as a result of the non-delivery of goods by GRG Huscoke.

During the year ended 31 December 2016, a civil mediation agreement (the "**Civil Mediation Agreement**") was entered into to confirm, among others, that the sums owed by GRG Huscoke to Shanxi Logistic amounted to RMB65,077,000 (equivalent to HK$76,659,000) as of 11 April 2016 and such sums should be repaid on or before 30 May 2016. Subsequently, GRG Huscoke, Shanxi Logistic, Jinyan Electricity and the controlling owner of Jinyan Electricity (collectively, as the Guarantors of GRG Huscoke) entered into a settlement agreement (the "**Settlement Agreement**") regarding the execution of the Civil Mediation Agreement. Pursuant to the Settlement Agreement, GRG Huscoke shall settle RMB31,000,000 (equivalent to HK$36,500,000) by installments by 31 December 2016, and monthly installments of RMB6,000,000 (equivalent to HK$7,100,000) from January 2017 onwards until the full settlement of the outstanding sums (including interest accrued and to be accrued thereon).

GRG Huscoke has made partial payments to Shanxi Logistic after the date of the Settlement Agreement. On 30 April 2019, GRG Huscoke, Shanxi Logistic and the Guarantors of GRG Huscoke entered into a debt reconciliation and settlement agreement given that GRG Huscoke has encountered financial difficulties, pursuant to which GRG Huscoke shall settle the outstanding sums of approximately RMB54,824,000 (equivalent to approximately HK$61,326,000) by three instalments by 31 July 2019.

On 22 January 2021, Shanxi Logistic lodged the claim to Taiyuan Court again and demanded the outstanding sums of the principal amount of approximately RMB47,324,000 (equivalent to approximately HK$58,062,000) together with the accrued interests of approximately RMB20,130,000 (equivalent to approximately HK$24,697,000) immediately from GRG Huscoke. As such, GRG Huscoke has been in negotiation with Shanxi Logistic for the repayment schedule. On 31 May 2021, GRG Huscoke, Shanxi Logistic and the Guarantors of GRG Huscoke entered into the second settlement agreement ("**2nd Settlement Agreement**"), pursuant to which GRG Huscoke shall only repay the outstanding sums of the principal amount under the strict condition that GRG Huscoke will settle the amounts by instalments by each scheduled date in full before 20 December 2021. The amount of the accrued interests shall not be waived in the event that GRG Huscoke fails to settle the outstanding sums on any scheduled repayment date.

The Group eventually failed to repay the outstanding sums according to the repayment schedule and therefore obliged to pay the relevant sums of the accrued interests. Accordingly, the Group has provided the sums of the accrued interests in the consolidated financial statements for the year ended 31 December 2021. The Group has been in negotiation with Shanxi Logistic to re-arrange the payment schedule under the 2nd Settlement Agreement. To the best knowledge of the Directors, no further legal action was lodged by Shanxi Logistics up to the approval date of the financial statements. In the opinion of the Directors, appropriate provision has been made in the financial statements as at 31 December 2021 and 31 December 2020.

(b) With reference to the Company's announcement dated 21 October 2021, the Company discovered on the public information platform and noticed that a case of GRG Huscoke was first filed and enforced by the Intermediate People's Court of Lüliang City on 13 September 2021. Based on the investigation conducted by the Company, it is noted that the litigation was due to the fact that Minsheng Bank had entered into a working capital loan agreement with GRG Huscoke on 29 March 2017, pursuant to which GRG Huscoke borrowed an amount of RMB99,970,000 from Minsheng Bank for a term of one year with a loan interest rate of 4.35% (the "**Loan**"), and pledged by the forest land use right of Qiantong New Energy with an area of 1,076.19 Mu as security. Jinyan Electricity, Xiaoyi Jinyan Building Materials Company Ltd* (孝義市金岩新型建材有限公司), Energy Technology, Mr. Yang Ge*, Mr. Wen Kezhong* and Ms. Liu Yanping* (collectively the "**Joint and Several Guarantors**") assumed joint and several guarantee liabilities for the Loan. Upon the expiry of the Loan on 31 March 2018, GRG Huscoke failed to pay the principal and interest when it was overdue.

Minsheng Bank filed a lawsuit request with the court and the Intermediate People's Court of Lüliang City of Shanxi Province in July 2019 and rendered the first instance judgement on 3 November 2020. Minsheng Bank then filed an appeal against the first instance judgement and the High People's Court of Shanxi Province rendered the final judgement on 5 July 2021 (the "**Judgement**").

According to the final judgement, (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 within one month after the Judgement becomes effective; (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 within one month after the Judgement becomes effective; and (iii) the Joint and Several Guarantors assumed joint and several repayment liabilities and shall have the right to recover compensation against GRG Huscoke upon the enforcement of joint and several repayment liabilities.

The Company has provided the relevant amounts of the Loan and accrued interests and penalty interests to the consolidated financial statements for the years ended 31 December 2021 and 2020.

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 loans and the relevant contingent liabilities undertaken by GRG Huscoke arising in the Incident.

Save as disclosed above, as at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

9. GENERAL

(i) The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda;

(ii) The principal office of the Company in Hong Kong is located at Room 2301, 23rd Floor Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong;

(iii) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited at 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda;

(iv) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong;

(v) The company secretary of the Company is Ms. Au Wing Sze, who is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom; and

(vi) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.huscoke.com) and the Stock Exchange (www.hkexnews.hk) between the period of not less than 14 days from the date of this circular up to and including the date of the SGM:

(i) the memorandum of association and bye-laws of the Company;

(ii) the annual reports of the Company for each of the three financial years ended 31 December 2021;

(iii) the financial information of the Group, the text of which is set out in Appendix I to this circular;

(iv) the management discussion and analysis of the Target Subsidiary, the text of which is set out in Appendix II to this circular;

(v) the financial information of the Target Subsidiary, the text of which is set out in Appendix III to this circular;

(vi) the valuation report of the Target Assets, the text of which is set out in Appendix IV to this circular;

(vii) the financial information of the Disposal Group, the text of which is set out in Appendix V to this circular;

(viii) the unaudited pro forma financial information of the Restructured Group, the text of which is set out in Appendix VI to this circular;

(ix) the material contracts referred to under the paragraph headed "6. Material Contracts" in this appendix;

(x) the letter of consents referred to under the paragraph headed "7. Experts and Consents" in this appendix; and

(xi) this circular.

HUSCOKE HOLDINGS LIMITED
和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

NOTICE OF SGM

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of Huscoke Holdings Limited (the "**Company**") will be held at 3:00 p.m. on Tuesday, 18 October 2022 at Room 2301, 23/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

1. (a) the Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) the Disposal Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (c) the Directors be and are hereby authorised for and on behalf of the Company and in its name to execute all such documents, instruments and agreements and do all such acts, matters and things as they may in their absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with implementing, completing and giving effect to the Agreement and the Disposal Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Agreement and the Disposal Agreement as they may in their absolute discretion consider necessary or desirable and all such acts and things the Directors have done, all such documents the Directors have executed, and all such steps the Directors have taken are hereby approved, confirmed and ratified."

By order of the Board
Huscoke Holdings Limited
Zhao Xu Guang
Chairman and Chief Executive Officer

Hong Kong, 28 September 2022

Notes:

(i) Any shareholder of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his/ her proxy to attend and vote instead of him/her. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.

(ii) In order to be valid, a form of proxy and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof.

(iii) Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the SGM convened and in such event, the form of proxy shall be deemed to be revoked. It is advised that all Shareholders, particularly Shareholders who are subject to quarantine in relation to Coronavirus Disease 2019 (COVID-19), that they may appoint any person or the chairman of the SGM as a proxy to vote on the resolution, instead of attending the SGM in person. The form of proxy can be downloaded from the website of the Company at www.huscoke.com or the Stock Exchange at www.hkexnews.hk.

(iv) In the case of joint registered holders of any share, any one of such joint registered holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the SGM, the vote of the senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(v) For determining eligibility to attend and vote at the SGM, The register of members of the Company will be closed from Thursday, 13 October 2022 to Tuesday, 18 October 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 12 October 2022.

(vi) Pursuant to Rule 13.39(4) of the Listing Rules, resolutions will be put to vote at the SGM by way of poll.

(vii) If Typhoon Signal No. 8 or above, or "extreme conditions" is caused by super typhoon announced by the Government of Hong Kong, or a "black" rainstorm warning is in effect any time after 8 a.m. on the date of the SGM, the SGM will be postponed. Shareholders may visit the website of the Company at www.huscoke.com for details of the postponement and alternative meeting arrangement.

(viii) In view of the ongoing COVID-19 epidemic and recent guidelines for prevention and control of its spread, the Company will implement the following precautionary measures at the SGM to protect the Shareholders, staff and other stakeholders who attend the SGM from the risk of infection:

(a) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee. Any person with a body temperature of 37 degrees Celsius or higher may be denied entry into the SGM venue or be required to leave the SGM venue;

(b) the Company will require all attendees to scan the "LeaveHomeSafe" venue QR code;

(c) the Company will require all attendees to comply with the requirements of the "Vaccine Pass Direction"*;

(d) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the SGM at all times, and to maintain a safe distance between seats (please bring your own mask);

(e) no refreshment will be served at the SGM; and

(f) no souvenirs will be distributed at the SGM.

* *The definition of "Vaccine Pass Direction" is set out in the Prevention and Control of Disease (Vaccine Pass) Regulation (Chapter 599L of the Laws of Hong Kong).*

As at the date of this notice, 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.