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HUSCOKE HOLDINGS LIMITED

和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

QUARTERLY UPDATE ANNOUNCEMENT

This announcement is made by Huscoke Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 28 December 2020, 25 March 2021, 29 March 2021, 31 March 2021, 15 April 2021, 22 April 2021, 26 April 2021, 10 May 2021, 3 June 2021, 7 June 2021, 28 June 2021, 26 July 2021, 19 August 2021, 28 September 2021, 15 October 2021, 21 October 2021, 28 October 2021, 28 December 2021, 4 January 2022, 18 January 2022, 8 February 2022, 17 February 2022, 10 March 2022, 28 March 2022, 19 April 2022, 26 May 2022, 28 June 2022, 28 July 2022, 5 August 2022, 8 August 2022, 15 August 2022, 19 August 2022, 29 August 2022, 9 September 2022, 15 September 2022, 19 September 2022, 23 September 2022, 28 September 2022, 7 October 2022, 14 October 2022, 1 December 2022 and 23 December 2022, in relation to, inter alia, (i) the suspension of trading of the Shares; (ii) the quarterly update announcements; (iii) the investigations on Incident; (iv) the update on findings of the Independent Investigation Committee in relation to the Incident; (v) the engagement of an independent internal control consultant; (vi) the Resumption Guidance; (vii) the settlement arrangement pursuant to the Agreement in favour of the Group as a result of the Incident; (viii) despatch of the 2020 Annual Results, the 2020 Annual Report, the 2021 Interim Results, the 2021 Interim Report, the 2021 Annual Results, the 2021 Annual Report, the 2022 Interim Results and the 2022 Interim Report; (ix) entering of the disposal agreement as an extension of the remedy plan for the Incident; and (x) proposed Increase in Authorised Share Capital, the Open Offer, the CB Subscription and the Issue of FA Remuneration Shares

(collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

BUSINESS UPDATES

Since the Company’s quarterly update announcement issued on 28 September 2022 (the “**September Announcement**”), the Group has no material updates and development on its business of the Group. Business of the Group is expected to commence upon the completion of the construction of the Target Assets (the “**Constructions**”).

Currently, the Group is focused on implementing all the Resumption Transactions contemplated under the resumption proposals and post resumption Fundraising Activities, submitted by the Company to the Stock Exchange on 6 September 2022 and 26 September 2022 respectively.

Very Substantial Transactions and Very Substantial Disposal

The Company entered into the Agreement on 15 March 2022, pursuant to which, among other matters, to supplement the terms of the Cooperation Agreement with the inclusion of remedy and compensation actions as a result of the Incident and the Assets Transfer, details of which were set out in the announcement and the circular of the Company dated 19 April 2022 and 28 September 2022 respectively.

The Company entered into the Disposal Agreement on 26 July 2022, pursuant to which, among other matters, to disposal the Disposal Group and GRG Huscoke, details of which were set out in the announcement and the circular of the Company dated 8 August 2022 and 28 September 2022 respectively.

The circular in relation to, among other things, the VST and the VSD has been despatched by the Company on 28 September 2022. The Transaction Completion is subject to, among other things, the completion of the Constructions which were substantially delayed for several times due to the government’s Covid-19 prevention and control measures. As at the date of this announcement, the Constructions have been substantially completed and the Company is undergoing the administrative procedures of Assets Transfer. Because of the ongoing outbreak of Covid-19 pandemic in mainland China (including Shanxi Province) which leads to extra time needed for the local government authorities to process the procedure, the VST and the VSD are estimated to be completed by middle of January 2023.

Fundraising Activities

The Company has proposed the Increase in Authorised Share Capital and the Open Offer to raise gross proceeds of approximately HK\$121.7 million, details of which were set out in the announcement and the circular of the Company dated 19 August 2022 and 14 October 2022 respectively.

The Company entered into the CB Subscription Agreement to issue the Convertible Bonds to the Subscriber in the aggregate principal amount of HK\$154.0 million, details of which was set out in the announcement and the circular of the Company dated 19 September 2022 and 14 October 2022 respectively.

The Increase in Authorised Share Capital, Open Offer, CB Subscription and Issue of FA Remuneration Shares Circular has been despatched on 14 October 2022. The SGM to approve the above Fundraising Activities was held on 31 October 2022, and the resolutions were duly approved by the Shareholders. As at the date of this announcement, the Increase in Authorised Share Capital has become effective.

The Prospectus Documents setting out further details of the Open Offer is expected to be despatched to the Qualifying Shareholders, and the Prospectus (with the Overseas Letter), for information only, to be despatched to the Non-Qualifying Shareholders, if any, by 27 January 2023, as set out in the announcement of the Company dated 23 December 2022.

As set out in the September Announcement, the completion of the Open Offer and the CB Subscription are subject to, among others, the completion of the Constructions and the Transaction Completion, the Resumption Transactions have also been postponed in accordance to the Transaction Completion. The Company will continue to negotiate with the Stock Exchange for the extension of time to complete all the remaining procedural steps of the Resumption Transactions.

Further announcement(s) will be made by the Company to update the Shareholders and the market in relation to other updates on relevant measures and business development as and when appropriate and in accordance with the Listing Rules.

RESUMPTION GUIDANCE AND RESUMPTION UPDATES

- (i) *Conduct an appropriate investigation into the Loans (including the Possible Loan) and the Contingent Liabilities (including the Guarantees), assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions.*

As set out in the September Announcement, the Directors have assessed the impact of the Incident on the Company's business operation and financial position and are currently in the process of implementing the appropriate remedial actions including the Resumption Transactions and fundraising activities with its professional advisers.

Upon Transaction Completion, the Company will be able to enhance the quality of its coke products, increase its annual maximum production capacity, resume its coke production businesses and expand production scale and annual sales volume from 60 million tons to no less than 120 million tons in Shanxi province, the PRC.

Please refer to the Company's announcements dated 18 January 2022 and 26 May 2022 for more details of the results and findings of the Investigation Reports.

- (ii) *Publish all outstanding financial results required under the Listing Rules and address any audit modifications.*

The Company has published all its outstanding financial results and reports required under the Listing Rules accordingly.

As stated in the September Announcement, the Company has been given to understand by Zhonghui Anda that upon completions of the Resumption Transactions, the audit qualifications given by Zhonghui Anda to the Company will no longer to be required.

- (iii) *Demonstrate the Company's compliance with Rule 13.24 of the Listing Rules.*

As stated in the September Announcement, the Group's businesses are temporarily ceased pending the completion of the Constructions and the upgrading of the coke production equipment.

The Board has demonstrated to the Stock Exchange in the Resumption Proposals with basis and certainty that the businesses of the Restructured Group will be viable and sustainable, and upon the completion of the Resumption Transactions, the Restructured Group can fully satisfy the requirements of sufficient operation, sufficient tangible assets and/ or intangible assets under Rule 13.24 of the Listing Rules.

- (iv) *Inform the market all material information for the Company's shareholders and investors to appraise the Company's position.*

The Company will continue to announce all material information and development of the Group including but not limited to, details and status of the Resumption Transactions and the Resumption, for the Shareholders and investors of the Company to appraise the Company's position from time to time.

- (v) *Conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules.*

As stated in the September Announcement, the internal control consultant has finalized the IC Report and has recommended relevant remedial measures to the Group to improve its internal control. The Group has agreed with and will adopt such recommendations and put 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.*
- (vii) *Demonstrate that the Directors meet a standard of competence commensurate with their positions as directors of a listed issuer to fulfill duties of skill, care and diligence as required under Rule 3.08 and 3.09 of the Listing Rules.*

As stated in the September Announcement, the Board, with the support of the key findings of the Investigations, has arrived into the conclusion that since the Incident was intentionally hidden from the Directors by the then management of GRG Huscoke that would not be able to be identified based on regular and normal internal control procedures of the Group, 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.

The Directors has taken several appropriate remedial actions, and will continue to assess whether it is necessary and/or beneficial to the Company and the Shareholders that further actions will have to be taken as and when appropriate to demonstrate their competence commensurate as directors of a listed issuer to fulfill duties of skill, care and diligence as required under Rules 3.08 and 3.09 of the Listing Rules as well as fulfilling all the other Resumption Guidance to achieve Resumption.

The Company will continue to update the Shareholders and potential investors of the Company on, among other things, the progress of the Company's fulfillment of the Resumption Guidance as and when appropriate and in accordance with the Listing Rules.

CONTINUED SUSPENSION OF TRADING

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

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

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

The completions of the Resumption Transactions and the Fundraising Activities 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.

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

Hong Kong, 28 December 2022

As at the date of this announcement, the Board comprises Mr. Zhao Xu Guang (Chairman) and Mr. Wang Yijun as executive Directors; Mr. Wong Siu Hung, Patrick, Mr. Huang Man Yem, Mr. Jiang Jiansheng and Mr. Tang Ching Fai as non-executive Directors; Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Dr. Wang Wei Hsin as independent non-executive Directors.