

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 a stockbroker or other registered dealer in securities, a 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, together with the enclosed form of proxy, to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This Circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or any securities of the Company.



HUSCOKE HOLDINGS LIMITED

和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

**(I) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER THE CB SPECIFIC MANDATE; AND
(II) NOTICE OF SGM**

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



Capitalised terms used in this cover page have the same meanings as defined in this Circular.

A letter from the Board is set out on pages 5 to 19 of this Circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the CB Subscription is set out on pages 20 and 21 of this Circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the CB Subscription is set out on pages 22 and 44 of this Circular.

A notice convening the SGM to be held at Room 2301, 23/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong, on Friday, 3 November 2023 at 3:00 p.m. 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 the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for 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 thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

17 October 2023

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DEFINITIONS

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

“Announcement”	announcement of the Company dated 11 September 2023
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day(s)”	a day(s) on which banks are open for business in the normal business hours in Hong Kong (excluding Saturdays, Sundays and Hong Kong public holidays or any day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. and 12:00 p.m. and not lowered or cancelled by 12:00 p.m.)
“CB Specific Mandate”	the specific mandate to may be granted to the Directors by the requisite majority of the Independent Shareholders at the SGM for the allotment and issuance of the Conversion Shares
“CB Subscription”	the subscription by the Subscriber of the Convertible Bonds pursuant of the terms of the CB Subscription Agreement
“CB Subscription Agreement”	the subscription agreement dated 8 September 2023 and entered into between the Company and the Subscriber in respect of the CB Subscription
“Chairman”	the chairman of the Company
“Cinda”	China Cinda (HK) Asset Management Co., Limited
“Cinda Facility”	the loan facility in the principal amount of HK\$200 million made available by Cinda to the Company with the maturity date of 8 July 2022 and interest rate of 10% per annum
“Company”	Huscoke Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 704)

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the conversion price of the Convertible Bonds, being HK\$0.176 per Conversion Share initially (subject to adjustments pursuant to the terms of the instrument of the Convertible Bonds)
“Conversion Shares”	new Share(s) to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the 8% unsecured convertible bonds due 2025 in principal amount of HK\$200,000,000 to be issued by the Company to the Subscriber pursuant to the CB Subscription Agreement
“Director(s)”	director(s) of the Company from time to time
“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
“Independent Board Committee”	an independent board committee which comprises all the independent non-executive Directors, namely Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Dr. Wang Wei Hsin, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the CB Subscription Agreement
“Independent Financial Adviser”	Dakin Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the CB Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) other than: (i) Shun Wang, the Subscriber, Mr. Zhao and its/his respective associate(s); and (ii) any other Shareholders who are involved in, or interested in, or have a material interest in the CB Subscription and the transactions contemplated thereunder

DEFINITIONS

“Last Trading Day”	8 September 2023, being the last trading day of the Shares prior to the date of release of the announcement of the Company dated 11 September 2023
“Latest Practicable Date”	11 October 2023
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the second anniversary of the date of issue of the Convertible Bonds
“Mr. Zhao”	Mr. Zhao Xu Guang, the Chairman and an executive Director, who is also the beneficial owner of the entire issued share capital of Shun Wang and the Subscriber
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Special Administrative Region of Macau and Taiwan
“Repayment Demand Letter”	the repayment demand letters dated 16 August 2022 and 3 May 2023 from the legal advisers of Cinda HK to the Company demanding for the immediate repayment of the principal and interest in respect of the outstanding Cinda Facility
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of, among other things, considering and approving, if thought fit, the transactions contemplated under the CB Subscription (including the grant of the CB Specific Mandate)
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

DEFINITIONS

“Shun Wang”	Shun Wang Investments Limited, a company incorporated in the British Virgin Islands and a controlling shareholder of the Company interested in 146,841,904 Shares as at the Latest Practicable Date, which is indirectly wholly-owned by Mr. Zhao
“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
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs in Hong Kong
“%”	per-cent

The English transliteration of the Chinese name(s) in this Circular, where indicated with “”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.*



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 Place of Business
in Hong Kong:*

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

17 October 2023

To the Shareholders:

Dear Sirs or Madams,

**(I) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER THE CB SPECIFIC MANDATE; AND
(II) NOTICE OF SGM**

INTRODUCTION

Reference is made to the Announcement dated 11 September 2023 in relation to, among other things, the CB Subscription.

LETTER FROM THE BOARD

THE CB SUBSCRIPTION

On 8 September 2023 (after trading hours), the Company entered into the 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\$200,000,000. Details of the CB Subscription Agreement as set out below:

Date

8 September 2023 (after trading hours)

Parties

- (i) the Company; and
- (ii) the Subscriber.

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, as at the Latest Practicable Date, the Subscriber is directly wholly-owned by Mr. Zhao and a connected person of the Company.

Subject matter

Pursuant to the CB Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$200,000,000.

Conditions Precedent

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

- (i) the approval of the CB Subscription and the transactions and other arrangements (as necessary) contemplated thereunder, including the grant of the CB Specific Mandate for the allotment and issue of the Conversion Shares, by the Independent Shareholders at the SGM;

LETTER FROM THE BOARD

- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares (and such listing and permission not being subsequently revoked prior to the completion of the CB Subscription);
- (iii) the Company has received all necessary approvals and permissions for the CB Subscription Agreement and the transactions contemplated thereunder and not revoked before completion of the CB Subscription;
- (iv) the Subscriber has received all necessary approvals and permissions for the CB Subscription Agreement and the transactions contemplated thereunder and not revoked before completion of the CB Subscription;
- (v) The relevant production arrangement that the Company has publicly disclosed being implemented;
- (vi) The Company has not been instituting any proceedings in insolvency, bankruptcy (including reorganization), liquidation or winding up and/or any debt litigation process; and
- (vii) The Company having no material adverse change in the operation.

If any of the conditions precedent above have not been fulfilled on or before 4:00 p.m. on 8 September 2024 (or such later date as may be agreed between the Subscriber and the Company in writing), the CB Subscription Agreement shall lapse immediately thereafter and be of no further effect and neither the Company nor the Subscriber shall have any claim against or liability or obligation to each other under the CB Subscription Agreement save for any rights or obligations which may accrue prior to the date of such termination.

Completion

Completion shall take place at 4:00 p.m. on the third Business Day at the principal business address of the Company in Hong Kong after all the conditions precedent have been satisfied (or such other date and at such place as may be agreed in writing between the Subscriber and the Company). The Subscriber shall pay the subscription amount to the Company in cash at completion.

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

- Issuer** : The Company
- Aggregate Principal Amount** : HK\$200,000,000
- Issue Price** : 100% of the principal amount
- Interest** : The Convertible Bonds shall bear interest at the rate of 8% per annum from the date of issue (inclusive of such date) until the Maturity Date or the date on which the Convertible Bonds are converted into Shares, payable every six (6) months after the date of issue of the Convertible Bonds, provided that no interest shall be payable on any Convertible Bonds which have been converted into Conversion Shares for the interest period during which the conversion took place.
- Maturity Date** : The date falling on the second anniversary of the date of issue of the Convertible Bonds; and if that is not a Business Day, the Business Day immediately after such date.
- Conversion Right** : The Bondholder shall have the right to convert all or any part of the Convertible Bonds in the lots of HK\$1,000,000 of the principal amount at any time from the date of issue of the Convertible Bonds up to the Maturity Date.

If the issue of Conversion Shares following the exercise by a Bondholder relating to any of the Convertible Bonds held by such Bondholder would result in (i) the Company not meeting the requirement under the Listing Rules that not less than 25% (or such other percentage as may from time to time be specified in the Listing Rules) of the Shares shall be held by the public immediately after the conversion; or (ii) such Bondholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, directly or indirectly controlling or being interested in such percentage of voting rights of the Company as at the date of conversion which a mandatory general offer obligation will be triggered under the Takeovers Code, the Bondholder shall not be allowed to convert the Convertible Bonds.

LETTER FROM THE BOARD

Conversion Price : HK\$0.176, per Conversion Share, subject to adjustments

The Conversion Price of HK\$0.176 per Conversion Share was equivalent to the average closing price per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the last trading day and was arrived at after arm's length negotiations between the Company and the Subscriber. The closing price as quoted on the Stock Exchange on the Last Trading Day was HK\$0.177 per Share.

The theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) is a premium of approximately 0.09% represented by the theoretical diluted price of approximately HK\$0.1760 to the benchmarked price of HK\$0.1758 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of HK\$0.177 per Share).

Adjustment to the Conversion Price : The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, such as

(i) consolidation or sub-division of Shares;

The Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such consolidation or sub-division; and

B = the nominal amount of one Share immediately before such consolidation or sub-division.

LETTER FROM THE BOARD

- (ii) capitalisation of profits or reserves;

The Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A+B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the Shares issued in such capitalisation.

- (iii) capital distribution;

The Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the independent auditors, of the portion of the capital distribution or of such right which is attributable to one Share.

LETTER FROM THE BOARD

- (iv) rights issues or grant of options or warrants to Shareholders to subscribe for Shares at a price which is less than 90% of the then market price of the Shares;

The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per Share; and

C = the aggregate number of Shares offered for subscription or comprised in the options or warrants.

- (v) issue of convertible or exchangeable securities with the total effective consideration per Share at less than 90% of the then market price of the Shares or any rights of conversion, exchange or subscription attached to such securities are modified so that the said total effective consideration per Share is less than 90% of the then market price of the Shares;

LETTER FROM THE BOARD

The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A = the number of Shares in issue immediately before the date of such issue;

B = the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price

(vi) issue of any Shares wholly for cash at a price per Share which is less than 90% of the then market price;

The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the number of Shares in issue immediately before the date of such issue or grant;

B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such market price per Share; and

C is the additional number of Shares to be issue or grant of such additional Shares.

LETTER FROM THE BOARD

(vii) issue of new Shares for the acquisition of asset at a total effective consideration per Share less than 90% of the then market price of the Shares, in accordance with the provisions of the Convertible Bonds.

The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the number of Shares in issue immediately before the date of such issue or grant;

B is the number of Shares which the total Effective for the issue of such additional Shares would purchase at such market price per Share; and

C is the additional number of Shares to be issue or grant of such additional Shares

Conversion Shares : Based on the initial Conversion Price of HK\$0.176 per Conversion Share, a total of 1,136,363,636 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, representing (i) approximately 391.35% of the total number of Shares in issue as at the Latest Practicable Date, and (ii) approximately 79.65% of the total number of Shares in issue as enlarged by the allotment and issue of the 1,136,363,636 Conversion Shares upon full conversion of the Convertible Bonds.

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of conversion.

Redemption on Maturity : Unless previously converted, the Convertible Bonds will be redeemed by the Company on the Maturity Date at its principal amount outstanding.

LETTER FROM THE BOARD

- Event of default** : If any of the event of default specified under the instrument of the Convertible Bonds occurs, subject to the passing of a special resolution in the Bondholders' meeting or the approval by way of written resolution from Bondholders representing not less than 75% of the total principal amount outstanding on the Convertible Bonds, Bondholders shall be entitled to issue a written notification to the Company that the principal amount of outstanding Convertible Bonds shall become due and payable after the issue of the written notification.
- Application for listing** : No application will be made for a listing of the Convertible Bonds. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Transferability** : The Convertible Bonds shall be transferrable to any other person provided that the Convertible Bonds are not to be transferred to a connected person of the Company unless written approval from the Company is obtained and such transfer shall comply with the requirements under the Listing Rules and/or any other requirements imposed by the Stock Exchange (if any).

The Conversion Shares will be issued pursuant to the CB Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

The gross proceeds from the CB Subscription are estimated to be HK\$200 million. The net proceeds from the CB Subscription (after deducting related expenses) are estimated to be approximately HK\$199.5 million and the Company intends to use such net proceeds primarily for the partial repayment of the Cinda Facility of HK\$150 million and any remaining proceeds for the working capital requirement of the Group.

Fund raising activities in the past twelve months

The Company has not conducted any equity fund raising activity in the past twelve months before the Latest Practicable Date.

LETTER FROM THE BOARD

REASONS FOR THE CB SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in (i) trading of coke; (ii) washing of raw coal into refined coal for sale and for further processing and the sale of electricity and heat generated as by-products produced during the washing of raw coal; and (iii) processing of refined coal into coke for sale, and sale of coke by products of coke production.

On 27 June 2019, the Company entered into a facility agreement of HK\$200,000,000 with Cinda HK (as amended and restated on 8 July 2019), pursuant to which Cinda HK would make available the facility of HK\$200 million to the Company with the maturity date on 8 July 2022 and interest rate of 10% per annum. The Company has made the facility drawdown in full amount in July 2019. The Company did not fully repay the principal amount and the accrued interests of the Facility on the maturity date and the Company has received the Repayment Demand Letters on 13 October 2022 and 3 May 2023 respectively from the legal advisers of Cinda HK to the Company demanding for the immediate repayment of the principal and interest in respect of the outstanding Cinda Facility.

On 14 August 2023 (after trading hours), the Company and Cinda HK entered into a supplemental facility agreement (“**Supplemental Facility Agreement**”) after friendly negotiation, pursuant to which, among other things, both parties agreed that on the premise that the Company repays at least HK\$150,000,000 on or before 31 August 2023, Cinda HK commits that it will not take legal action against the Company within the financial year 2023/24 of the Company in respect of the Facility; and if the Company fully repays the Facility within the financial year 2023/24 of the Company, Cinda HK will waive all relevant interests and penalties accrued from the repayment date of the above-mentioned HK\$150,000,000 to the date of full repayment of the Facility. The Company is in discussion with Cinda HK regarding the extension of the payment schedule in the Supplemental Facility Agreement. As at the Latest Practicable Date, no further legal action has been commenced by Cinda HK against the Company.

As at the Latest Practicable Date, the cash and bank balance of the Company in Hong Kong is insufficient to repay the Cinda Facility owed by the Group to Cinda and meet the general working capital requirement of the Group, including staff costs, rental costs, professional fees and other overhead expenses. As such, the net proceeds of the CB Subscription are intended to be applied primarily for the partial repayment of debt owed by the Group to Cinda HK and the remaining amount of net proceeds (if any) for the general working capital of the Group.

LETTER FROM THE BOARD

The gross proceeds from the CB Subscription will be HK\$200 million and the net proceeds from the CB Subscription (after deduction of estimated professional fees and other related expenses of approximately HK\$0.5 million) are estimated to be approximately HK\$199.5 million, which will be applied as to up to HK\$150 million for the repayment of part of the Cinda Facility, which is the most significant and pressing funding need of the Group as at the Latest Practicable Date and is expected to be repaid within 2 weeks after the completion of the CB Subscription, and the remaining amount of approximately HK\$49.5 million will be used for the general working capital of the Group. The net price per Conversion Share, which is calculated by dividing the aggregate net proceeds by the total number of the Conversion Shares based on the initial Conversion Price, is approximately HK\$0.1756.

The Company has considered other fund-raising alternatives, including but not limited to debt financing, placing of new Shares and rights issue. The Company has approached the bank for the probability of debt financing which turns out unlikely for the Company to implement. The Company has also approached potential investors for equity financing, but they haven't shown much interest at this stage. After comprehensively considering the current market financing environment, the actual situation of the Company and the uncertainties lies within other fundraising channels, the Board considers raising funds by way of the issuance of the Convertible Bond is relatively a more feasible way and with more certainty, while also being the more cost-effective and efficient method of raising funds at this moment.

As the interest rate of the Convertible Bonds is in line with and better than the interest rate of the existing loans of the Company and prevailing market rates based on comparable market research and the Convertible Bonds have a relatively short term of 2 years, and the conversion of which is subject to the public float requirement of the Company being met, the Board is of the view that the issue of the Convertible Bonds would enable the Company to raise funds to meet its financial needs while maintaining a sufficient positive cash position for the Group's operation and provide the Company with the financial flexibility necessary for the Group's continued business operation and development.

Having taken into account the terms and conditions of the CB Subscription and the above factors, the Directors (excluding (i) the members of the Independent Board Committee in respect of the CB Subscription whose opinions in respect of the CB Subscription will be set forth in the circular after taking into consideration the advice from the Independent Financial Adviser; and (ii) Mr. Zhao who has abstained from voting on the CB Subscription) consider that the terms of the CB Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the CB Subscription is an appropriate method to raise the necessary funding for the Company. In addition, the Company is aware that any fund-raising activities by way of issuing securities of the Company will cause potential dilution impact to the shareholding of the existing Shareholders.

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the CB Subscription, are illustrated in the below table:

	As at the Latest Practicable Date		Immediately after completion of the CB Subscription (assuming the Convertible Bonds are converted in full)	
	<i>Number of Shares held</i>	<i>Approximate % of total Shares in issue</i>	<i>Number of Shares held</i>	<i>Approximate % of total Shares in issue</i>
<i>Substantial shareholder</i>				
Shun Wang (Note 1)	146,841,904	50.57%	146,841,904	10.29%
The Subscriber (Notes 1 & 2)	—	—	1,136,363,636	79.65%
<i>Director</i>				
To Wing Tim Paddy	24,333	0.01%	24,333	0.00%
<i>Public shareholders</i>				
	143,506,998	49.42%	143,506,998	10.06%
	290,373,235	100.00%	1,426,736,871	100.00%

Notes:

1. Shun Wang and the Subscriber are companies incorporated in the British Virgin Islands indirectly and directly wholly-owned by Mr. Zhao respectively.
2. The figures are provided for illustrative purposes only. The terms of the Convertible Bonds will not permit conversion if immediately after such conversion, the public float of the Shares will fall below the minimum requirements of the Listing Rules from time to time.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Shun Wang is a controlling shareholder of the Company interested in an aggregate of 146,841,904 Shares, representing in aggregate approximately 50.57% of the total number of issued Shares. Shun Wang is indirectly wholly-owned by Mr. Zhao, the Chairman, an executive Director and a chief executive officer of the Company, who is also the beneficial owner of the entire issued share capital of the Subscriber. Therefore, the Subscriber is a connected person of the Company. Accordingly, the CB Subscription 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. The Subscriber and its associates (including Shun Wang) are required to abstain from voting on the resolutions in respect of the CB Subscription at the SGM.

LETTER FROM THE BOARD

GENERAL

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Dr. Wang Wei Hsin, to advise the Independent Shareholders in respect of the CB Subscription Agreement and the transactions contemplated thereunder. Dakin Capital Limited 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 CB Subscription Agreement are on normal commercial terms, fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and to advise Shareholders on how to vote at the SGM, taking into account the recommendations of the Independent Financial Adviser. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

The SGM will be convened to consider and, if thought fit, among other things, approve the transactions contemplated under the CB Subscription (including the grant of the CB Specific Mandate). The resolutions will be voted on by the Independent Shareholders by way of poll.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, save for Shun Wang, no other Shareholders have a material interest in the transactions contemplated under the CB Subscription (including the grant of the CB Specific Mandate), and save for Shun Wang and its associates (which shall abstain from voting at the SGM in respect of the CB Subscription), no Shareholders would have to abstain from voting at the SGM. Save for Mr. Zhao, who is the ultimate beneficial owner of the Subscriber, no other Directors have material interest in the CB Subscription (including the grant of the CB Specific Mandate) and are required to abstain from voting on the resolutions passed by the Board to approve the foregoing matters.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that completion of the CB Subscription is conditional upon satisfaction of certain condition precedent as set out in the paragraphs headed “Conditions of the CB Subscription” in this “Letter from the Board”, including, among others, the Stock Exchange granting the listing of, and permission to deal in the Conversion Shares. Accordingly, the CB Subscription 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.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Circular and the notice of the SGM.

By Order of the Board
Husoke Holdings Limited
Mr. Zhao Xu Guang
Chairman and executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the CB Subscription.



HUSCOKE HOLDINGS LIMITED

和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

17 October 2023

To the Independent Shareholders

Dear Sir or Madam,

**(I) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER THE CB SPECIFIC MANDATE; AND
(II) NOTICE OF SGM**

INTRODUCTION

We refer to the circular of the Company dated 17 October 2023 (“**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.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the CB Subscription are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote at the SGM, taking into account the recommendations of the Independent Financial Adviser. Details of the CB Subscription are set out in the “Letter from the Board” contained in the Circular. Dakin Capital Limited, being the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving such advice, are contained in its letter set out on pages 22 to 44 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the CB Subscription Agreement and the advice and recommendations of the Independent Financial Adviser as contained in its letter set out on pages 22 to 44 of the Circular, we consider that the terms of the CB Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the respective transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the CB Subscription and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee of
Huscoke Holdings Limited

Mr. Lam Hoy Lee, Laurie
Independent
non-executive Director

Mr. To Wing Tim, Paddy
Independent
non-executive Director

Dr. Wang Wei Hsin
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Dakin Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



17 October 2023

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

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF CONVERTIBLE BONDS UNDER THE CB SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the CB Subscription Agreement, 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 17 October 2023 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 8 September 2023 (after trading hours), 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\$200,000,000. Details of the CB Subscription Agreement are contained in the Letter from the Board.

The CB Subscription is subject to various conditions set out under the paragraph headed “Conditions precedent” in the Letter from the Board. Based on the initial Conversion Price of HK\$0.176 per Conversion Share, a total of 1,136,363,636 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, representing (i) approximately 391.35% of the total number of issued Shares as at the Latest Practicable Date, and (ii) approximately 79.65% of the total number of issued Shares as enlarged by the allotment and issue of the 1,136,363,636 Conversion Shares upon full conversion of the Convertible Bonds and assuming there will be no other changes in the issued Shares between the Latest Practicable Date and the date of full conversion of the Convertible Bonds.

As stated in the Letter from the Board, the gross proceeds from the CB Subscription are estimated to be HK\$200 million. The net proceeds from the CB Subscription (after deducting estimated professional fees and other related expenses) are estimated to be approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

HK\$199.5 million and the Company intends to use such net proceeds primarily for the repayment of part of the Cinda Facility and any remaining proceeds for the general working capital of the Group.

Pursuant to the Letter from the Board, the Subscriber is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, as at the Latest Practicable Date, the Subscriber is directly wholly-owned by Mr. Zhao and a connected person of the Company. As at the Latest Practicable Date, Shun Wang is a controlling shareholder of the Company interested in an aggregate of 146,841,904 Shares, representing in aggregate approximately 50.57% of the issued Shares. Shun Wang is indirectly wholly-owned by Mr. Zhao, the Chairman, an executive Director and a chief executive officer of the Company, who is also the beneficial owner of the entire issued share capital of the Subscriber. Therefore, the Subscriber is a connected person of the Company. Accordingly, the CB Subscription 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.

Mr. Zhao, who directly owned the entire issued share capital of the Subscriber, has a material interest in the CB Subscription Agreement and has abstained from voting on the Board resolution approving the CB Subscription Agreement.

The Company will seek approval from the Independent Shareholders in respect of the CB Subscription Agreement, the transactions contemplated thereunder and the grant of the CB Specific Mandate for allotment and issue of the Conversion Shares by way of a poll at the SGM. In accordance with the Listing Rules, Shun Wang and its respective associates, who together hold 146,841,904 Shares shall abstain from the voting on the resolution(s) to be proposed at the SGM to approve the CB Subscription Agreement, the transactions contemplated thereunder and the grant of the CB Specific Mandate for allotment and issue of the Conversion Shares. Save as Shun Wang and its respective associates, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the CB Subscription Agreement and will be required to abstain from voting on the resolution(s) to approve the CB Subscription Agreement, the transactions contemplated thereunder and the grant of the CB Specific Mandate for allotment and issue of the Conversion Shares at the SGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Dr. Wang Wei Hsin, has been formed to advise the Independent Shareholders on whether the terms of the CB Subscription Agreement, the transactions contemplated thereunder and the grant of the CB Specific Mandate for allotment and issue of the Conversion Shares are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser. As at the Latest Practicable Date, Mr. To Wing Tim, Paddy holds 24,333 Shares, representing 0.008% of the issued Shares, which in the opinion of the Directors does not constitute material interest in the CB Subscription

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreement. Pursuant to Rule 13.39(6) of the Listing Rules, we concur with the Directors' view that Mr. To Wing Tim, Paddy can be one of the member of the Independent Board Committee as he does not have material interest in the CB Subscription Agreement.

OUR INDEPENDENCE

We, Dakin Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. During the past two years immediately preceding the Latest Practicable Date, we did not act as the financial adviser or the independent financial adviser of the Company. Apart from normal professional fees for our services to the Company in connection with this engagement described above, no other arrangements exist whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, or its substantial Shareholders, Directors, chief executive, or any of their respective associates. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CB Subscription Agreement, the transactions contemplated thereunder and the grant of the CB Specific Mandate for allotment and issue of the Conversion Shares.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date.

The Directors collectively and individually accept full responsibility, including particulars given in 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 the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders as a result of the CB Subscription Agreement and the transactions contemplated thereunder. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the fairness and reasonableness of the terms of the CB Subscription Agreement, the transactions contemplated thereunder and the grant of the CB Specific Mandate for allotment and issue of the Conversion Shares and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the CB Subscription Agreement, the transactions contemplated thereunder and the grant of the CB Specific Mandate for allotment and issue of the Conversion Shares, we have considered the following principal factors and reasons:

1. Background and financial information of the Group

According to the Letter from the Board, the Group is principally engaged in (i) trading of coke; (ii) washing of raw coal into refined coal for sale and for further processing and the sale of electricity and heat generated as by-products produced during the washing of raw coal; and (iii) processing of refined coal into coke for sale, and sale of coke by-products of coke production.

The table below summarises the general financial information of the Group for the year ended 31 December 2021 and the period from 1 January 2022 to 31 March 2023 as extracted from the Company's 2022/23 annual report (the "Annual Report").

Summary of the consolidated financial results of the Group

	For the year ended 31 December 2021 (audited) HK\$'000	Period from 1 January 2022 to 31 March 2023 (audited) HK\$'000
Financial performance		
Revenue		
Sales of electricity and heat	81,517	34,726
Sale of medium coal, coke and by-products	785,085	—
Total revenue	866,602	34,726
Gross profit/(loss)	112,734	(90,912)
(Loss)/Profit for the year/period	(31,182)	1,248,861

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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	As at 31 December 2021 (audited) HK\$'000	As at 31 March 2023 (audited) HK\$'000
Financial position		
Non-current assets	1,560,835	1,780,421
Current assets	660,569	129,665
Total assets	2,221,404	1,910,086
Cash and bank balance	7,903	601
Non-current liabilities	19,273	364,500
Current liabilities	2,360,223	356,604
Total liabilities	2,379,496	721,104
Net current liabilities	(1,699,654)	(226,939)
Net (liabilities)/assets	(158,092)	1,188,982

Financial performance of the Group

As stated in the Annual Report, the total revenue of the Group for the fifteen months ended 31 March 2023 (the “**Reporting Period**”) was approximately HK\$34.7 million as compared to approximately HK\$866.6 million for the year ended 31 December 2021 (the “**Previous Reporting Period**”). The Group had not generated any revenue from the trading of coke for the Previous Reporting Period and the Reporting Period, and the Group had no segment results of coke trading for the Previous Reporting Period and the Reporting Period. According to the Annual Report, no trading of coke during the Previous Reporting Period and the Reporting Period was mainly resulted of the suspension of coke trading business since 2021. The Group’s revenue for sales of electricity and heat for the Reporting Period amount to approximately HK\$34.7 million, as compared to that of approximately HK\$81.5 million for the Previous Reporting Period. The Group has not generated any revenue from the sale of medium coal, coke and by-products for the Reporting Period, as compared to that of approximately HK\$785.1 million for the Previous Reporting Period. Pursuant to the Annual Report, such difference was due to the shut down of all 4.3-meter coking furnaces of the Group on 15 October 2021.

The gross loss of the Group for the Reporting Period amounted to approximately HK\$90.9 million (Previous Reporting Period: gross profit amounted to approximately HK\$112.7 million), and the Group recorded a gross loss margin of approximately 261.8% for the Reporting Period as compared to gross profit margin of approximately 13.0% for the Previous Reporting Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's profit for the period for the Reporting Period amounted to approximately HK\$1,248.9 million, as compared to that of loss for the year for the Previous Reporting Period amounted to approximately HK\$31.2 million. According to the Annual Report, such difference was mainly attributable to (i) the gain from the increase of the net asset value amounted to approximately HK\$1,694.0 million of the Company for completing the consolidation of Shanxi Jinyan Energy Jiarun Co., Ltd.* (山西金岩能源嘉潤有限責任公司), which holds the new coking furnace assets and the disposal of GRG Huscoke (Shanxi) Limited* (山西金岩和嘉能源有限公司) during the Reporting Period (the “VST and VSD Transactions”); and (ii) the credit losses caused by the failure of Shanxi Jinyan Energy Technology Company Limited* (山西金岩能源科技有限公司) to repay on a timely basis amounting to approximately HK\$34.3 million. For the detailed information of the VST and VSD Transactions, please refer to the Company's circular dated 29 September 2022.

Financial position of the Group

As at 31 March 2023, the Company had total assets of approximately HK\$1,910.1 million (including non-current assets of approximately HK\$1,780.4 million and current assets of approximately HK\$129.7 million) and total liabilities of approximately HK\$721.1 million (including non-current liabilities of approximately HK\$364.5 million and current liabilities of approximately HK\$356.6 million). The Group had a turnaround financial position from net liabilities of approximately HK\$158.1 million as at 31 December 2021 to net assets position of approximately HK\$1,189.0 million as at 31 March 2023. As advised by the Directors, such improvement of the Group financial position was mainly due to the VST and VSD Transaction during the Reporting Period.

2. Reasons for and benefits of the CB Subscription

According to the Annual Report and the management of the Company, as at 31 March 2023, the Company had net current liabilities position of approximately HK\$226.9 million, which mainly comprised of the loan facility in the principal amount of HK\$200.0 million made available by Cinda to the Company with the maturity date of 8 July 2022 and interest rate of 10% per annum.

According to the Company's circular dated 14 October 2022, the agreement of the Cinda Facility (as amended and restated on 8 July 2019) (the “**Cinda Facility Agreement**”) was entered into between the Company and Cinda on 27 June 2019 in relation to a facility in the principal amount of HK\$200.0 million. Pursuant to the Cinda Facility Agreement, Cinda HK has agreed to make available the Cinda Facility to the Company with the maturity date on 8 July 2022 and interest rate of 10% per annum. The Company has made the facility drawdown in full amount in July 2019. However, according to the management of the Company, the Company did not fully repay the principal amount and the accrued interests of the Cinda Facility on 8 July 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 16 August 2022, the Company received the first repayment demand letter from the legal advisers of Cinda alleging a breach of the facility agreement on the part of the Company for failure to duly repay the principal amount of the Cinda Facility and interests accrued thereon and demanding the immediate repayment of the outstanding principal and accrued interest in respect of the Cinda Facility by 23 August 2022. As disclosed in the Company's circular dated 14 October 2022, the Company has thoroughly communicated with Cinda regarding the arrangement and the payment schedule of repaying the Cinda Facility with proceeds from the proposed issue of the offer shares by way of open offer (the "**2022 Open Offer**") and the proposed issue of convertible bonds by the Company to the Subscriber under the convertible bonds subscription agreement dated 19 September 2022 (the "**2022 CB Subscription**").

On 3 May 2023, the Company received the second repayment demand letter from the legal advisers of Cinda, requesting immediate repayment of the principal and accrued interest in respect of the Cinda Facility as at 30 April 2023 of approximately HK\$245.9 million setting out in the second repayment demand letter by 9 May 2023. According to the Company's announcement dated 5 May 2023 and the management of the Company, the Company has paid the relevant interest and security deposits of the Cinda Facility totalling approximately HK\$42.6 million as at 5 May 2023.

As disclosed in the Company's announcement dated 11 August 2023, in view of the recent changes in the market conditions in Hong Kong and the recent trading prices of the Shares which were below the subscription price of the offer shares under the 2022 Open Offer, after due and careful consideration, the Board considers that the current market conditions have made it inexpedient or inadvisable to proceed with the 2022 Open Offer and that the 2022 Open Offer would not be in the best interest of the Company and the Shareholders as a whole, and as such, the Board resolved not to proceed with the 2022 Open Offer.

According to the Company's announcement dated 14 August 2023, the Company and Cinda entered into a supplemental facility agreement (the "**Supplemental Facility Agreement**") after friendly negotiation, pursuant to which, among other things, both parties agreed that on the premise that the Company repays at least HK\$150.0 million on or before 31 August 2023, Cinda commits that it will not take legal action against the Company within the financial year 2023/24 of the Company in respect of the Cinda Facility; and if the Company fully repays the Cinda Facility within the financial year 2023/24 of the Company, Cinda will waive all relevant interests and penalties accrued from the repayment date of the above-mentioned HK\$150.0 million to the date of full repayment of the Cinda Facility.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Company's announcement dated 29 August 2023, the conditions precedent to the 2022 CB Subscription were not fully fulfilled as at 28 August 2023, therefore the agreement of 2022 CB Subscription has been terminated.

According to the management of the Company, as at the Latest Practicable Date, (i) the Company has not repaid at least HK\$150.0 million in accordance with the Supplemental Facility Agreement; (ii) the Company is in discussion with Cinda regarding the extension of the payment schedule in the Supplemental Facility Agreement; and (iii) no further legal action has been commenced by Cinda against the Company.

Pursuant to the Annual Report, we also noted that the Group had a cash and bank balance of approximately HK\$0.6 million as at 31 March 2023, which is insufficient to repay the outstanding amount of the Cinda Facility. As stated in the Letter from the Board and according to the management of the Company, the gross proceeds from the CB Subscription will be HK\$200.0 million and the net proceeds from the CB Subscription (after deduction of estimated professional fees and other related expenses of approximately HK\$0.5 million) are estimated to be approximately HK\$199.5 million and will be applied for,

- (i) approximately HK\$150.0 million for the repayment of part of the Cinda Facility and is expected to be repaid within two weeks after the completion of the CB Subscription; and
- (ii) the remaining amount of approximately HK\$49.5 million will be used for the general working capital of the Group.

After considering (i) the Group was in net current liabilities position of HK\$226.9 million as at 31 March 2023 and did not have sufficient cash in hand to repay the outstanding amount of the Cinda Facility; (ii) the 2022 Open Offer has been terminated on 11 August 2023; (iii) the 2022 CB Subscription has been terminated on 29 August 2023; (iv) the principal terms of the CB Subscription Agreement are fair and reasonable as discussed in the paragraph headed "3. Principal terms of the CB Subscription Agreement" below in this letter; and (v) other financing alternatives may not be feasible as discussed in the paragraph headed "4. Other financing alternatives" below in this letter, we concur with the view of the Directors that the CB Subscription would enable the Company to raise fund to meet the immediate funding needs of the Group, improve the Group's financial position and repay the outstanding principal amount of the Cinda Facility, which is fair and reasonable and in the interest of the Company and Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the CB Subscription Agreement

Set out below are the principal terms of the CB Subscription Agreement:

- Issuer** : The Company
- Aggregate Principal Amount** : HK\$200,000,000
- Issue Price** : 100% of the principal amount
- Interest** : The Convertible Bonds shall bear interest at the rate of 8% per annum from the date of issue (inclusive of such date) until the Maturity Date or the date on which the Convertible Bonds are converted into Shares, payable every six (6) months after the date of issue of the Convertible Bonds, provided that no interest shall be payable on any Convertible Bonds which have been converted into Conversion Shares for the interest period during which the conversion took place.
- Maturity Date** : The date falling on the second anniversary of the date of issue of the Convertible Bonds; and if that is not a Business Day, the Business Day immediately after such date.
- Conversion Right** : The Bondholder shall have the right to convert all or any part of the Convertible Bonds in the lots of HK\$1,000,000 of the principal amount at any time from the date of issue of the Convertible Bonds up to the Maturity Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If the issue of Conversion Shares following the exercise by a Bondholder relating to any of the Convertible Bonds held by such Bondholder would result in (i) the Company not meeting the requirement under the Listing Rules that not less than 25% (or such other percentage as may from time to time be specified in the Listing Rules) of the Shares shall be held by the public immediately after the conversion; or (ii) such Bondholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, directly or indirectly controlling or being interested in such percentage of voting rights of the Company as at the date of conversion which a mandatory general offer obligation will be triggered under the Takeovers Code, the Bondholder shall not be allowed to convert the Convertible Bonds.

Conversion Price : HK\$0.176, per Conversion Share, subject to adjustments

The Conversion Price of HK\$0.176 per Conversion Share was equivalent to the average closing price per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day, and was arrived at after arm's length negotiations between the Company and the Subscriber. The closing price as quoted on the Stock Exchange on the Last Trading Day was HK\$0.177 per Share.

The theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) is a premium of approximately 0.09% represented by the theoretical diluted price of approximately HK\$0.1760 to the benchmarked price of HK\$0.1758 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of HK\$0.177 per Share).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Adjustment to the Conversion Price : The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, such as

- (i) consolidation or sub-division of Shares;

The Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such consolidation or sub-division; and

B = the nominal amount of one Share immediately before such consolidation or sub-division

- (ii) capitalisation of profits or reserves;

The Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A+B}$$

where:

A = the aggregate nominal amount of the issued Share immediately before such issue; and

B = the aggregate nominal amount of the Share issued in such capitalisation

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) capital distribution;

The Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the independent auditors, of the portion of the capital distribution or of such right which is attributable to one Share.

(iv) rights issues or grant of options or warrants to Shareholders to subscribe for Shares at a price which is less than 90% of the then market price of the Shares;

The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price per Share; and

C = the aggregate number of Shares offered for subscription or comprised in the options or warrants.

- (v) issue of convertible or exchangeable securities with the total effective consideration per Share at less than 90% of the then market price of the Shares or any rights of conversion, exchange or subscription attached to such securities are modified so that the said total effective consideration per Share is less than 90% of the then market price of the Shares

The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such issue;

B = the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price

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- (vi) issue of any Shares wholly for cash at a price per Share which is less than 90% of the then market price;

The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such issue or grant;

B = the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such market price per Share; and

C = the additional number of Shares to be issue or grant of such additional Shares

- (vii) issue of new Shares for the acquisition of asset at a total effective consideration per Share less than 90% of the then market price of the Shares, in accordance with the provisions of the Convertible Bonds.

The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such issue or grant;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B = the number of Shares which the total effective consideration for the issue of such additional Shares would purchase at such market price per Share; and

C = the additional number of Shares to be issue or grant of such additional Shares

Conversion Shares : Based on the initial Conversion Price of HK\$0.176 per Conversion Share, a total of 1,136,363,636 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, representing (i) approximately 391.35% of the total number of Shares in issue as at the date of this announcement, and (ii) approximately 79.65% of the total number of Shares in issue as enlarged by the allotment and issue of the 1,136,363,636 Conversion Shares upon full conversion of the Convertible Bonds.

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of conversion.

Redemption on Maturity : Unless previously converted, the Convertible Bonds will be redeemed by the Company on the Maturity Date at its principal amount outstanding.

Event of default : If any of the event of default specified under the instrument of the Convertible Bonds occurs, subject to the passing of a special resolution in the Bondholders' meeting or the approval by way of written resolution from Bondholders representing not less than 75% of the total principal amount outstanding on the Convertible Bonds, Bondholders shall be entitled to issue a written notification to the Company that the principal amount of outstanding Convertible Bonds shall become due and payable after the issue of the written notification.

Application for listing : No application will be made for a listing of the Convertible Bonds. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

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Transferability : The Convertible Bonds shall be transferrable to any other person provided that the Convertible Bonds are not to be transferred to a connected person of the Company unless written approval from the Company is obtained and such transfer shall comply with the requirements under the Listing Rules and/or any other requirements imposed by the Stock Exchange (if any).

The Conversion Shares will be issued pursuant to the CB Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

Completion of the CB Subscription is conditional upon the satisfaction of the following conditions precedent:

- (i) the approval of the CB Subscription and the transactions and other arrangements (as necessary) contemplated thereunder, including the grant of the CB Specific Mandate for the allotment and issue of the Conversion Shares, by the Independent Shareholders at the SGM;
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares (and such listing and permission not being subsequently revoked prior to the completion of the CB Subscription);
- (iii) the Company has received all necessary approvals and permissions for the CB Subscription Agreement and the transactions contemplated thereunder and not revoked before completion of the CB Subscription;
- (iv) the Subscriber has received all necessary approvals and permissions for the CB Subscription Agreement and the transactions contemplated thereunder and not revoked before completion of the CB Subscription;
- (v) The relevant production arrangement that the Company has publicly disclosed being implemented;
- (vi) The Company has not been instituting any proceedings in insolvency, bankruptcy (including reorganization), liquidation or winding up and/or any debt litigation process; and
- (vii) The Company having no material adverse change in the operation.

If any of the conditions precedent above have not been fulfilled on or before 4:00 p.m. on 8 September 2024 (or such later date as may be agreed between the Subscriber and the Company in writing), the CB Subscription Agreement shall lapse immediately thereafter and be of no further effect and neither the Company nor the Subscriber shall have any claim against or liability or obligation to each other under the CB Subscription Agreement save for any rights or obligations which may accrue prior to the date of such termination.

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Completion of the CB Subscription shall take place at 4:00 p.m. on the third Business Day at the principal business address of the Company in Hong Kong after all the conditions precedent have been satisfied (or such other date and at such place as may be agreed in writing between the Subscriber and the Company). The Subscriber shall pay the subscription amount to the Company in cash at completion.

In order to assess the fairness and reasonableness of the terms of the Convertible Bond, we have searched for relevant convertible bonds issued by other issuers listed on the Stock Exchange (the “**CB Comparables**”) as announced during the three months prior to and including 8 September 2023, being the date of the CB Subscription Agreement, and identified an exhaustive list of 11 CB Comparables which has term to maturity of not more than two years. We consider that the aforementioned selection criteria of the CB Comparables during the three months prior to and including 8 September 2023 allows us to (i) capture the CB Comparables, which provide a general reference for the recent market practice in relation to the principal terms of issue of convertible bonds; and (ii) generate a sufficient sample size for the purpose of our comparable analysis. Shareholder should, however, note that given the differences between the listed issuers of the CB Comparables and the Group in terms of principal activities, business nature, market capitalisation, financial performance, financial position, funding amount requirements as well as the identity of subscribers, we consider that the CB Comparables might not constitute an absolute reference to the CB Subscription Agreement. Notwithstanding that, we consider that the CB Comparables can provide a general reference in relation to the terms of convertible bonds issued under recent market condition and sentiment. In view of the above, we are of the view that the CB Comparables are fair and representative. Details of the CB Comparables are set out in the table below:

No.	Name of company	Stock code	Date of initial announcement/ placing agreement/ subscription agreement	Principal activities	Market capitalisation <i>Note 1</i> Approximate HK\$'million	Principal amount <i>Approximate</i> 'million	Interest rate per annum (%)	Maturity <i>Note 2</i> (Year(s))	Premium/ (Discount) of the conversion price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement/ announcement in relation to the respective placing/ subscription of convertible bonds (%)	Premium/ (Discount) of the conversion price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement/ announcement in relation to the respective placing/ subscription of convertible bonds (%)	Connected transaction (Y/N)
1.	Unity Group Holdings International Limited	1539	9 June 2023	Principally engaged in the provision of leasing services of energy saving systems and products, consultancy service, installation services of renewable energy systems and trading of energy saving products	1,935	USD15	8.00	2.0	(19.50)	(17.90)	N
2.	Viva Biotech Holdings	1873	10 June 2023	Principally engaged in providing the structure-based drug discovery services to biotechnology and pharmaceutical customers worldwide for their pre-clinical stage innovative drug development	2,670	HK\$470	2.00	0.5	5.26	14.03	N

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No.	Name of company	Stock code	Date of initial announcement/ placing agreement/ subscription agreement	Principal activities	Market capitalisation <i>Note 1</i> Approximate HK\$'million	Principal amount <i>Approximate</i> 'million	Interest rate per annum (%)	Maturity <i>Note 2</i> (Year(s))	Premium/ (Discount) of the conversion price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement/ announcement in relation to the respective placing/ subscription of convertible bonds (%)	Premium/ (Discount) of the conversion price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement/ announcement in relation to the respective placing/ subscription of convertible bonds (%)	Connected transaction (Y/N)
3.	Culturecom Holdings Limited	343	12 June 2023	Principally engaged in the digital marketing business	517	HK\$100	8.00	2.0	31.58	31.93	N
4.	Creative China Holdings Limited	8368	19 June 2023	Principally engaged in the business of serial program/film production and related services and film rights investment, concert and event organisation and related services, mobile application development and operation and related services and artist management	350	RMB9	2.00	2.0	107.69	108.49	N
5.	hmvod Limited	8103	28 June 2023	Principally engaged in distribution and production of films, television programmes and music production on over-the-top platforms and provision of information technology engineering and technical support services	187	HK\$13	3.00	1.0	27.66	28.21	N
6.	Noiz Group Limited	8163	14 July 2023	Principally engaged in financial services business, corporate consulting business and digital business	77	HK\$10	—	2.0	21.35	20.00	Y
7.	Carrianna Group Holdings Company Limited	126	25 July 2023	Principally engaged in investment holding, property investment and development, and the operations of hotel, restaurant and food businesses	589	HK\$75	6.00	1.0	51.90	53.45	N
8.	CCT Fortis Holdings Limited	138	28 July 2023	Principally engaged in property business, securities business, Blackbird's multi-faceted automotive business and investment in valuable collection and cultural entertainment business	489	HK\$58	4.50	1.0	—	4.89	N
9.	hmvod Limited	8103	8 August 2023	Principally engaged in distribution and production of films, television programmes and music production on over-the-top platforms and provision of information technology engineering and technical support services	187	HK\$12	3.00	1.0	15.40	21.20	N
10.	Mobile Internet (China) Holdings Limited	1439	25 August 2023	Principally engaged in packaging business and mobile game business	33	HK\$496	2.00	2.0	(58.30)	(67.10)	N

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No.	Name of company	Stock code	Date of initial announcement/ placing agreement/ subscription agreement	Principal activities	Market capitalisation <i>Note 1</i> Approximate HK\$'million	Principal amount <i>Approximate</i> 'million	Interest rate per annum (%)	Maturity <i>Note 2</i> (Year(s))	Premium/ (Discount) of the conversion price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement/ announcement in relation to the respective placing/ subscription of convertible bonds	Premium/ (Discount) of the conversion price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement/ announcement in relation to the respective placing/ subscription of convertible bonds	Connected transaction (Y/N)
									(%)	(%)	
11.	Millennium Pacific Group Holdings Limited	8147	30 August 2023	Principally engaged in a single type business of research, development, manufacturing and trading of electronic devices	13	HK\$3	4.00	2.0	10.30	10.80	N
						Average	3.86	1.5	17.58	18.91	
						Maximum	8.00	2.0	107.69	108.49	
						Minimum	—	0.5	(58.30)	(67.10)	
	The Company	704	8 September 2023	Principally engaged in trading of coke, 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 processing of refine coal into coke for sale, and sale of coke by products of coke production	39	HK\$200	8.00	2.0	(0.56)	—	Y

Source: Website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

1. Calculation formula of the market capitalisation: Closing price per share of the listed issuer as at the Latest Practicable Date x Number of issued shares of the listed issuer
2. For the term of maturity, either it is specified in the announcement or it is counted from the announcement date to the maturity date specified in the announcement.

Interest rate per annum

As shown in the above table, the interest rate of the CB Comparables range from nil to 8.00%, with an average interest rate of approximately 3.86%. Given the interest rate of 8.00% for the Convertible Bonds is within the range of the CB Comparables and lower than the interest rate of 10% of the Cinda Facility, we consider that the interest rate of the Convertible Bond is justifiable.

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Maturity

As shown in the above table, the terms of the CB Comparables range from 0.5 year to 2.0 years with an average of approximately 1.5 years. We noted that six out of eleven CB Comparables with the maturity of convertible bonds are also two years. Nothing has come to our attention that two years maturity of the Convertible Bonds is not on normal commercial terms.

Conversion Price

As shown in the above table, we noted that (i) the slight discount of approximately 0.56% represented by the Conversion Price to the closing price per Shares on the Last Trading Day is within the range from a discount of approximately 58.30% to a premium of approximately 107.69% of the CB Comparables; and (ii) nil premium represented by the Conversion Price over the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Day is within the range from a discount of approximately 67.10% to a premium of approximately 108.49%. We are of the view that the Conversion Price of the Convertible Bonds is justifiable.

Other terms of the CB Subscription Agreement

We have also reviewed the other terms of the CB Subscription Agreement, including, among others, the conditions precedent, and nothing has come to our attention that they are not on normal commercial terms.

Our view

Having considered (i) the reasons for and benefits of the CB Subscription; and (ii) the comparable analysis on the principal terms of the CB Subscription Agreement, we consider that the principal terms of the CB Subscription Agreement are on normal commercial terms, fair and reasonable.

4. Other financing alternatives

As advised by the Directors, other financing alternatives, including debt financing and other forms of equity financing such as rights issue, open offer and placing of new shares to Independent Third Parties, have been considered.

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According to the management of the Company, due diligence and negotiation process with the relevant banks/financial institutions of bank borrowings may be lengthy. As mentioned in the paragraph headed “2. Reasons for and benefits of the CB Subscription” above in this letter, the Company was in net current liabilities position of approximately HK\$226.9 million as at 31 March 2023. Also, the management of the Company are of the view that the Group has just satisfied all resumption guidance of the Stock Exchange and trading of the Shares has been resumed since 14 April 2023. Based on the recent financial performance and position, we concur with the Directors’ view that it is difficult for the Company to obtain bank borrowing.

In addition to debt financing, we understand that the Directors had considered to conduct equity financing such as rights issue, open offer exercise or private placement. According to the Directors, based on the instability of recent financial market, it is not easy for the Company to appoint placing agent/underwriter to underwrite the fund-raising exercises, such as placing of new Shares, open offer and rights issue. We noted that the closing price of Hang Seng Index dropped from approximately 20,145 points on 3 January 2023 to approximately 18,202 points on 8 September 2023 (i.e. date of the CB Subscription Agreement), representing a decrease of approximately 9.6%.

Also, as advised by the Directors, although both open offer and rights issue would allow the Shareholders to participate in the subscription of new Shares and maintain their respective pro-rata shareholdings in the Company, it would take a relatively longer timeframe of more than three months from the dispatch of the prospectus to commencement of dealing in the offer shares or rights shares (as the case may be) when compared to the CB Subscription Agreement. Furthermore, according to the Company announcement dated 11 August 2023, in view of the recent changes in the market conditions in Hong Kong and the recent trading prices of the Shares, the Company has just terminated the 2022 Open Offer.

In view of the above and our comparable analysis in respect of the term of the Convertible Bonds as discussed in the paragraph headed “3. Principal terms of the CB Subscription Agreement” above in this letter, we concur with the Directors’ view that the entering of the CB Subscription Agreement would be the best financing alternative available to the Company.

5. Possible dilution effect on shareholding interests of the public Shareholders

With reference to the shareholding table in the paragraph headed “Effect on shareholding structure” of the Letter from the Board and as confirmed by the management of the Company, assuming that there will be no other changes in the issued Shares between the Latest Practicable Date and the date of full conversion of the Convertible Bonds, the shareholding in the Company held by the other public Shareholders will be diluted from approximately 49.42% as at the Latest Practicable Date to approximately 10.06% upon completion of the CB Subscription and assuming full exercise of the conversion rights attaching to the Convertible Bonds.

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Such dilution effect is for illustration purpose only as the Company will be unable to satisfy the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules. Pursuant to the terms and conditions of the Convertible Bonds, the Bondholder shall have the right to convert all or any part of the Convertible Bonds in the lots of HK\$1,000,000 of the principal amount at any time from the date of issue of the Convertible Bonds up to the Maturity Date. However, according to the terms and conditions of the Convertible Bonds, if the issue of Conversion Shares following the exercise by a Bondholder relating to any of the Convertible Bonds held by such Bondholder would result in (i) the Company not meeting the requirement under the Listing Rules that not less than 25% (or such other percentage as may from time to time be specified in the Listing Rules) of the Shares shall be held by the public immediately after the conversion; or (ii) such Bondholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, directly or indirectly controlling or being interested in such percentage of voting rights of the Company as at the date of conversion which a mandatory general offer obligation will be triggered under the Takeovers Code, the Bondholder shall not be allowed to convert the Convertible Bonds.

We are aware of the potential dilution effect as a result of the conversion of the Convertible Bonds based on the Conversion Price. Nonetheless, having considered that (i) the Company had net current liabilities position of approximately HK\$226.9 million as at 31 March 2023; (ii) the Group has immediate funding needs to improve the financial position and repay the outstanding principal amount of the Cinda Facility; (iii) the principal terms of the CB Subscription Agreement are fair and reasonable as discussed in the paragraph headed “3. Principal terms of the CB Subscription Agreement” above in this letter; (iv) other financing alternatives may not be feasible as discussed in the paragraph headed “4. Other financing alternatives” above in this letter; and (v) there is conversion restriction in order to comply with the Listing Rules, we concur with the view of the management of the Company that such potential dilution effect on the shareholding interests of the existing public Shareholders resulting from the CB Subscription is justifiable.

6. Financial effect of the CB Subscription

Liquidity

According to the Annual Report, the cash and bank balance of the Group was approximately HK\$0.6 million as at 31 March 2023. According to the Letter from the Board and the management of the Company, the net proceeds from the CB Subscription (after deduction of estimated professional fees and other related expenses) of approximately HK\$199.5 million will be applied for approximately HK\$150.0 million for the repayment of part of the Cinda Facility and the remaining amount of approximately HK\$49.5 million will be used for the general working capital of the Group. As confirmed by the Directors, after the usage of the net proceeds from the CB Subscription to be applied for repayment of part of the Cinda Facility, approximately HK\$49.5 million of the net proceeds from the CB Subscription will be additional cash injected into the Company upon completion of the CB Subscription.

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Gearing ratio

According to the Annual Report, the gearing ratio of the Group was approximately 42% as at 31 March 2023. In any event the holder of the Convertible Bonds or the transferee of the Convertible Bonds exercises the conversion rights attaching to the Convertible Bonds, assuming no other factors affecting the financial position of the Group, the gearing position would be improved and the conversion of the Convertible Bonds by the bondholder into Conversion Shares would enlarge the capital base of the Group. On the other hand, if the conversion rights attaching to the Convertible Bonds are not exercised upon maturity of the Convertible Bonds, the Company will have to repay the principal amount of the Convertible Bonds to the holder(s) of the Convertible Bonds in cash. The gearing position of the Group will also be improved on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group.

Shareholders should be noted that the aforementioned analysis are for illustrative purpose only and does not purport to represent how the financial performance and financial position of the Company would be upon completion of the CB Subscription.

RECOMMENDATION

Having taken into consideration of the above factors and reasons, we are of the view and concur with the Directors' view that although the entering of the CB Subscription Agreement is not in the ordinary and usual course of the Group's business, the terms of the CB Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate for allotment and issue of the Conversion Shares are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the SGM to approve the CB Subscription Agreement, the transactions contemplated thereunder and the grant of the Specific Mandate for allotment and issue of the Conversion Shares.

Yours faithfully,
For and on behalf of
Dakin Capital Limited
Tam Kin Fong
Managing Director

Note: Mr. Tam Kin Fong is a responsible officer of Dakin Capital Limited, which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.

* *for identification purpose only*

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. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the issue of Conversion Shares was and will be as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>4,000,000,000</u>	Shares of HK\$0.1 each	<u>400,000,000</u>
<i>Issued and fully paid:</i>		
<u>290,373,235</u>	Shares of HK\$0.1 each	<u>29,037,323.5</u>

(ii) immediately following the issue of Conversion Shares

<i>Authorised:</i>		<i>HK\$</i>
<u>4,000,000,000</u>	Shares of HK\$0.1 each	<u>400,000,000</u>
<i>Issued and fully paid:</i>		
290,373,235	Shares of HK\$0.1 each	29,037,323.5
1,136,363,636	Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds	113,636,363.6
<u>1,426,736,871</u>	Total	<u>142,673,687.1</u>

All the issued Shares in the capital of the Company rank *pari passu* with each other in all respects with the Shares then in issue. Holders of the Conversion Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Conversion Shares in their fully-paid form.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are or will be waived or agreed to be waived.

No share or loan capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

Save as disclosed in this Circular, no share, options, warrants, conversion rights or any equity or debt securities of the Company were outstanding or were proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted since 31 March 2023, i.e. the date to which the latest audited financial statements of the Company were made up, in connection with the issue or sale of any capital of any member of the Group. There is no director, proposed director, promoter or expert (as named in this Circular) who received any such payment or benefit.

Since 31 March 2023, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, except for 3,301,886 FA Remuneration Shares allotted and issued to by the Company to the Financial Adviser on 24 May 2023, no Shares have been allotted and issued by the Company.

3. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Set out below are the particulars and biographies of the existing Directors and senior management of the Company:

(a) Particulars of the Directors and senior management of the Company

Name	Address
<i>Executive Directors</i>	
Mr. Zhao Xu Guang	Room 2301, 23rd Floor Tower One, Lippo Centre 89 Queensway Admiralty, Hong Kong
Mr. Wang Yijun	Room 2301, 23rd Floor Tower One, Lippo Centre 89 Queensway Admiralty, Hong Kong
<i>Non-executive Directors</i>	
Mr. Wong Siu Hung, Patrick	Room 2301, 23rd Floor Tower One, Lippo Centre 89 Queensway Admiralty, Hong Kong
Mr. Huang Man Yem	Room 2301, 23rd Floor Tower One, Lippo Centre 89 Queensway Admiralty, Hong Kong
Mr. Jiang Jiansheng	Room 2301, 23rd Floor Tower One, Lippo Centre 89 Queensway Admiralty, Hong Kong
Mr. Tang Ching Fai	Room 2301, 23rd Floor Tower One, Lippo Centre 89 Queensway Admiralty, Hong Kong
<i>Independent non-executive Directors</i>	
Mr. To Wing Tim, Paddy	Room 2301, 23rd Floor Tower One, Lippo Centre 89 Queensway Admiralty, Hong Kong
Mr. Lam Hoy Lee, Laurie	Room 2301, 23rd Floor Tower One, Lippo Centre 89 Queensway Admiralty, Hong Kong
Dr. Wang Wei Hsin	Room 2301, 23rd Floor Tower One, Lippo Centre 89 Queensway Admiralty, Hong Kong

(b) Biographies of the Directors and senior management of the Company*Executive Directors***Mr. Zhao Xu Guang (“Mr. Zhao”)**

Aged 60, was appointed as an executive Director, the Chairman of the Board and the Chairman of the Nomination Committee with effect from 17 November 2016 and was appointed as Chief Executive Officer on 2 May 2017. Mr. Zhao was appointed as Authorized Representative on 15 January 2020 and resigned as Authorized Representative on 1 March 2020. Mr. Zhao has more than 20 years of experience in business executive and management. Mr. Zhao worked for the Ministry of Foreign Trade and Economic Cooperation of the People’s Republic of China. Mr. Zhao also acted as chairman, general manager and director of various enterprises specializing in trading, investment, property and in the energy field. Mr. Zhao served as chairman and executive director of Titan Petrochemicals Group Limited (“**Titan Petrochemicals**”), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1192) from July 2012 to September 2015. Mr. Zhao graduated from Guangdong University of Foreign Studies with a Bachelor of Economics degree.

Mr. Wang Yijun (“Mr. Wang”)

Aged 60, has been appointed as an executive Director of the Company since 10 July 2019. Mr. Wang served as a director and general manager of Shanxi Yiling Investment Inc.* from March 2010 to November 2018. Mr. Wang also served as chief executive director of Shanxi Zhongrui Group* and general manager of Shanxi Zhongrui Trading Company Limited* from August 1999 to March 2010. Mr. Wang holds a professional qualification in industrial and civil architecture at Taiyuan University.

*Non-executive Directors***Mr. Wong Siu Hung, Patrick (“Mr. Wong”)**

Aged 68, was appointed as an executive Director and served as director of subsidiaries of the Group with effect from 3 November 2016. Mr. Wong was appointed as a Joint General Manager and Authorized Representative on 17 November 2016 and re-designated as General Manager on 25 November 2016 and subsequently re-designated as non-executive Director and resigned as Authorized Representative on 9 April 2018. Mr. Wong was re-appointed as Authorized Representative on 1 March 2020. Mr. Wong has more than 40 years of working experience in banking, finance, commodity trading and project development. Mr. Wong was appointed as an executive director of Daisho Microline Holdings Limited with effect from 3 September 2020, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 567). Mr. Wong was appointed as an executive director of FDG Kinetic Limited between 30 April 2021 and 20 February 2023, the shares of which were previously listed on the Main Board of the Stock Exchange (Delisted, Previous Stock Code: 378) (In Liquidation), during his tenure of office as an executive director of FDG Kinetic Limited, a winding up order pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) was made by the High Court of Hong Kong Special Administrative Region against FDG Kinetic Limited on 6 September 2021. Pursuant to an announcement dated 15 February 2023 made by the Stock Exchange, the listing of the shares of FDG Kinetic Limited was cancelled with effect from 9:00 am on 20 February 2023. Mr. Wong was an independent non-executive director, a member of each of the audit committee and remuneration, quality and nomination committee of Crown International Corporation Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 727) between 3 March 2021 and 31 March 2022. Mr. Wong was an executive director of Winto Group (Holdings) Limited, the shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8238) between 15 April 2019 and 6 November 2019. Mr. Wong was an executive director of Titan Petrochemicals between 2008 and 2015. Mr. Wong was the senior vice president of Commodity and Trade Finance at Societe Generale Singapore and the chief executive officer in the China Division of Louis Dreyfus Group, a global commodity trading firm. Mr. Wong is an associate member of Chartered Institute of Bankers, United Kingdom (now renamed as The London Institute of Banking & Finance), a fellow member of the Hong Kong Institute of Directors and a member of The Institute of Management Consultants Hong Kong and a Certified Management Consultant. Mr. Wong holds a Master’s degree in Applied Finance from Macquarie University, Australia and an Executive Diploma in Management Consulting from The Hong Kong Polytechnic University.

Mr. Huang Man Yem (“Mr. Huang”)

Aged 48, was appointed as a non-executive Director with effect from 3 November 2016. Mr. Huang is a member of the Audit Committee and the Remuneration Committee. Mr. Huang was appointed as Authorized Representative on 28 November 2016. Mr. Huang has more than 17 years of working experience in corporate development and restructuring, corporate establishment and M&A projects, and capital market transactions (i.e. equities and bonds/debts) on the stock exchanges of Hong Kong and Singapore respectively. Mr. Huang is currently the general manager of the Shanghai branch office of Expert Systems IVR (Asia) Co. Ltd., a Hong Kong based subsidiaries of Asia-Pacific Region Unified Communications solution provider engaged in Unified Communications solutions development and corporate establishment consultant business. Mr. Huang was also a former member of the senior management of Titan Petrochemicals from April 2002 to May 2014. Mr. Huang holds a Master degree of Corporate Finance from the Hong Kong Polytechnic University and a Bachelor of Engineering in Electronic Engineering from City University of Hong Kong.

Mr. Jiang Jiansheng (“Mr. Jiang”)

Aged 61, has been appointed as a non-executive Director of the Company with effect from 15 January 2020. Mr. Jiang has served as a senior consultant and general manager of Inner Mongolia Andeli Chemical Co., Ltd.* 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*. Mr. Jiang also served as chemical process design engineer and dean of the design and research institute of Yanchang Petroleum Shaanxi Xingping Fertilizer Plant* (now known as Yanchang Petroleum Shaanxi Xinghua Group Company*) 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.

Mr. Tang Ching Fai (“Mr. Tang”)

Aged 59, has been 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.* since 2018. Mr. Tang was the head of the treasury department of China Rural Trust Development Corporation* from 1990 to 1994, and served as the vice president of Jinnuo Investment Co., Ltd.* from 2001 to 2005. He was the strategic vice president of Alcatel China Co., Ltd.* from 2005 to 2007, and served as the chairman of Tianjin Wanjing Hongcheng Real Estate Co., Ltd.* from 2007 to 2010. He was the chairman of Beijing Bajianfang Consulting Company* from 2010 to 2015, and served as the deputy secretary general of China Association of Equity Investment Funds* from 2015 to 2018.

*Independent non-executive Directors***Mr. To Wing Tim, Paddy (“Mr. To”)**

Aged 70, has been appointed as an independent non-executive Director since October 2009. Mr. To is the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee. Mr. To obtained his Diploma in Accountancy from the University of Hong Kong in 1991. Mr. To has over 30 years of experience in auditing, accounting and finance industry. Mr. To has been practicing as a certified public accountant in Hong Kong since 1980, he ceased his public practice on 31 March 2020. Mr. To is a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Taxation Institute of Hong Kong and an associate member of the Association of Certified General Accountants in Canada.

Mr. Lam Hoy Lee, Laurie (“Mr. Lam”)

Aged 65, has been appointed as an independent non-executive Director since September 2008. Mr. Lam is a member of the Audit Committee and the Nomination Committee, and the Chairman of the Remuneration Committee. Mr. Lam has 36 years of experience in legal field working as a solicitor in Hong Kong. Mr. Lam is a practicing solicitor of Hong Kong and non-practicing solicitor of Singapore and a non-practicing solicitor and non-practicing counsel of Australia.

Dr. Wang Wei Hsin (“Dr. Wang”)

Aged 57, has been appointed as an independent non-executive Director since 19 December 2018. Dr. Wang is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Dr. Wang has extensive management experience in the financial services industry. Dr. Wang has been redesignated from the chief financial officer of Renaissance Asia Silk Road Group Limited (“**Renaissance Asia Silk Road**”), the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 274) to a non-executive director and the vice chairman of the board of Renaissance Asia Silk Road from 20 July 2022. Since 28 November 2022, Dr. Wang has resigned as a non-executive director and has been redesignated as a business president of Renaissance Asia Silk Road and ceased to be vice chairman of its board. Dr. Wang served as the chief executive officer of South China Financial Holdings Limited (“**South China Financial**”), the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 619), and a director of certain subsidiaries of South China Financial from May 2016 to October 2018, and served as executive director of South China Financial from March 2017 to October 2018. Dr. Wang served as the chairman and chief executive officer of SinoPac Securities (Asia) Limited and was responsible for the business development and operations in Asia from 2009 to 2016. Dr. Wang also served as the chief investment officer of Japan CDW Group and the chief financial officer of its Taiwan subsidiary, as well as co-founder of Yes-Asia.com and played significant role in China Development Industrial Bank. Dr. Wang holds a PhD in Management Science (Financial Engineering) from Imperial College London and researched artificial intelligence and financial big data. Dr. Wang was the fellow of Royal Society of Statistics during 1999 to 2000.

*Senior Management***Ms. Au Wing Sze (“Ms. Au”)**

Has been appointed as the Company Secretary since 1 August 2020. Ms. Au holds a Bachelor Degree in Business Administration and a Master Degree in Corporate Governance. She has solid experience in company secretarial field gained from both listed companies and professional firms in Hong Kong. Ms. Au is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

4. 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 Directors	Capacity	Number of issued Shares held	Approximate percentage of the issued Share capital of the Company
Mr. Zhao	Interest of a controlled corporation (<i>Note 1</i>)	1,283,205,540	441.91%
Mr. To Wing Tim, Paddy	Beneficial owner and interest of spouse (<i>Note 2</i>)	24,333	0.008% (rounded up to 3 decimal places)

Notes:

- Based on the disclosure of interests forms, the Shares included (i) 146,841,904 Shares beneficially owned by Shun Wang; (ii) 1,136,363,636 Shares which may be issued upon the exercise of conversion rights attached to the Convertible Bonds to be issued by the Company to Wahren Investments Limited (“**Wahren Investments**”) pursuant to the CB Subscription Agreement. 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. Wahren Investments is also owned as to 100% by Mr. Zhao. By virtue of the SFO, Mr. Zhao is deemed to be interested in the Shares in which Shun Wang and Wahren Investments are interested.
- 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 Directors	Debenture	Capacity	Amount of debentures held	Approximately percentage to the total amount of debentures in issue
Mr. Zhao	8% unsecured convertible bonds due 2025	Interest of a controlled corporation (<i>Note</i>)	HK\$200,000,000	100%

Note:

On 8 September 2023, Wahan 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 Wahan 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\$0.176 (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 Shareholders	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Wahen Investments Limited	Beneficial owner (<i>Note 1</i>)	1,136,363,636	391.35%
Shun Wang Investments Limited	Beneficial owner (<i>Note 2</i>)	146,841,904	50.57%
Whole Advance Limited	Interest of a controlled corporation (<i>Note 2</i>)	146,841,904	50.57%
Liberal Expansion Limited	Interest of a controlled corporation (<i>Note 2</i>)	146,841,904	50.57%
Rontac Resources Company Limited	Beneficial owner (<i>Note 3</i>)	14,718,922	5.07%
Rontac Investment Company Limited	Interest of a controlled corporation (<i>Note 3</i>)	14,718,922	5.07%
Mr. Li Hong Wei	Interest of a controlled corporation (<i>Note 3</i>)	14,718,922	5.07%

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.

5. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT

As at the Latest Practicable Date, save for the CB Subscription Agreement in which Mr. Zhao is interested, 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 March 2023 (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. DIRECTORS' 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).

7. 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 agreement dated 15 March 2022 (as supplemented on 14 April 2022 and 30 December 2022) entered into among GRG Huscoke, Energy Technology, Jinyan Electricity, the 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) 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;
- (ii) 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;

- (iii) the debt transfer agreement entered into among GRG Huscoke, Energy Technology, Jinyan Electricity and Xiaoyi ILNG Natural Gas Production Company Limited* (孝義市愛路恩濟天然氣製造有限公司) on 15 March 2022 (as supplemented on 14 April 2022), pursuant to which Energy Technology agrees to undertake all the current accounts and interests payable owed by Jinyan Electricity and its related parties to GRG Huscoke;
- (iv) the conditional disposal agreement entered into between Rich Key Enterprises Limited and Mr. Yang Ge* (楊戈) dated 26 July 2022 (as supplemented on 7 September 2022 and 25 January 2023), in respect of the disposal the entire equity interest of Joy Wisdom International Limited and the net amount of the loans owed by Joy Wisdom International Limited to the Company;
- (v) the waiver agreement dated 26 July 2022 entered into between Shanxi Huscoke International Energy Co., Ltd* (山西和嘉國際能源有限公司) and GRG Huscoke in respect of the waiver of the outstanding balance payable by Shanxi Huscoke International Energy Co., Ltd to GRG Huscoke in the amount of RMB60,000,000;
- (vi) the subscription agreement dated 19 September 2022 (as supplemented on 27 January 2023 and 28 July 2023) and entered into between the Company and the Subscriber in respect of the subscription of a convertible bond, which was terminated on 29 August 2023;
- (vii) Supplemental Facility Agreement; and
- (viii) CB Subscription Agreement.

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 1076.19 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. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who have given opinions or advices contained in this Circular:

Name	Qualification
Dakin Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

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 March 2023, 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.

10. 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.

11. DOCUMENTS ON DISPLAY

The following documents are available on the websites of the Company (www.huscoke.com) and the Stock Exchange (www.hkexnews.hk) for a period of 14 days from the date of this Circular:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the letter from the Board, the text of which is set out on pages 5 to 19 of this Circular;

- (iii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 20 to 21 of this Circular;
- (iv) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 22 to 44 of this Circular;
- (v) the material contracts referred to under the paragraph headed “6. Material Contracts” in this appendix;
- (vi) the letters of consent referred to under the paragraph headed “8. Expert and Consent” in this appendix; and
- (vii) this Circular.

12. MISCELLANEOUS

- (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.

NOTICE OF SGM



HUSCOKE HOLDINGS LIMITED

和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

NOTICE OF THE SGM

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Huscoke Holdings Limited (the “**Company**”) will be held at 3:00 p.m., on Friday, 3 November 2023 at Room 2301, 23/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong for the purpose of considering the following ordinary resolutions. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 17 October 2023 (the “**Circular**”) of which the notice convening the SGM forms part.

ORDINARY RESOLUTIONS

1. “**THAT** subject to the satisfaction of all conditions as set out in the paragraph headed “Conditions of the CB Subscription” in the “Letter from the Board” in the Circular:
 - (A) the subscription agreement dated 8 September 2023 (the “**Subscription Agreement**”) and entered into between the Company and Wahan Investments Limited as subscriber in relation to the subscription for convertible bonds to be issued by the Company in the principal amount of HK\$200,000,000 (the “**Convertible Bonds**”) (a copy of the Subscription Agreement having been produced to the SGM and initialed by the chairman of the SGM for identification purpose) and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
 - (B) the grant of the specific mandate to the Directors to allot and issue up to 1,136,363,636 new Shares (the “**Conversion Shares**”) upon the exercise of the conversion rights attaching to the Convertible Bonds in accordance with the terms and conditions thereof be and is hereby approved, confirmed and ratified; and

NOTICE OF SGM

(C) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with the implementation of giving effect to the Subscription Agreement and the transactions contemplated thereunder including but not limited to the issue of the Conversion Shares.”

By Order of the Board
Huscoke Holdings Limited
Mr. Zhao Xu Guang
Chairman and executive Director

Hong Kong, 17 October 2023

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

Notes:

1. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote on behalf of him/her/it. A proxy needs not be a member. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares of the Company in respect of which each such proxy is so appointed.
2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, must be deposited at 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and delivery of the form of proxy shall not preclude a member from attending and voting in person at the SGM or any adjournment thereof should such member so wishes and, in such event, the form of proxy shall be deemed to be revoked.
3. The register of members of the Company will be closed from Tuesday, 31 October 2023 to Friday, 3 November 2023, both date inclusive, during which no transfer of shares will be registered. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the SGM will be Friday, 3 November 2023. All transfers of shares of the Company 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 no later than 4:30 p.m. on Monday, 30 October 2023.

NOTICE OF SGM

4. In the case of joint holders of any share, this form of proxy must be signed by the shareholder whose name stands first in the register of members of the Company. Where there are joint holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he were solely entitled to it; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
6. If a Typhoon Signal No. 8 or above is hoisted, “extreme conditions” caused by super typhoons, or a Black Rainstorm Warning Signal is in force at or at any time after 12:00 noon on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the Company’s website and HKExnews website to notify the shareholders of the Company of the date, time and place of the rescheduled SGM.
7. As at the date of this notice, the Board of Directors 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.
8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
9. Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this notice will be decided by poll at the above meeting.