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HUSCOKE HOLDINGS LIMITED

和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

**MAJOR TRANSACTION INVOLVING
FORMATION OF A JOINT VENTURE COMPANY**

The Board announces that on 12 September 2019, the Shareholders Agreement is entered into between the Hong Kong Subsidiary and the JV Partner, pursuant to which the Shanxi JV will be established in Shanxi Province, the PRC.

The Shanxi JV will be engaged principally in project(s) of utilization of coke oven gas transforming into and producing LNG, methanol and ethylene glycol and related products, as well as the development of clean energy business including hydrogen. The Shanxi JV will be owned beneficially as to 90% by the Hong Kong Subsidiary and as to the balance of 10% by the JV Partner. Upon establishment, the Shanxi JV will become a 90% owned subsidiary of the Company.

Pursuant to the terms of the Shareholders Agreement, the proposed registered capital of the Shanxi JV will be RMB220,000,000. RMB198,000,000 will be contributed by the Hong Kong Subsidiary by way of cash. RMB22,000,000 will be contributed by the JV Partner by way of cash.

As the highest applicable percentage ratio in respect of the Shareholders Agreement is more than 25% but is less than 100%, the entering into of the Shareholders Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among others, further details of the Shareholders Agreement and the transactions contemplated thereunder and notice of SGM is expected to be despatched to the Shareholders on or before 31 October 2019.

The Board announces that on 12 September 2019, the Shareholders Agreement is entered into between the Hong Kong Subsidiary and the JV Partner, pursuant to which the Shanxi JV will be established in Shanxi Province, the PRC.

The Shanxi JV will be engaged principally in project(s) of utilization of coke oven gas transforming into and producing LNG, methanol and ethylene glycol and related products, as well as the development of clean energy business including hydrogen. The Shanxi JV will be owned beneficially as to 90% by the Hong Kong Subsidiary and as to the balance of 10% by the JV Partner. Upon establishment, the Shanxi JV will become a 90% owned subsidiary of the Company.

The entering into of the Shareholders Agreement constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. Set out below are the principal terms of the Shareholders Agreement.

THE SHAREHOLDERS AGREEMENT

Date : 12 September 2019 (after trading hours)

Parties: : (a) the Hong Kong Subsidiary
(b) the JV Partner

The Hong Kong Subsidiary is a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of the Company.

The JV Partner is a company established in the PRC and is principally engaged in trading of coals, cokes and chemical products. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the JV Partner and its ultimate beneficial owner(s) are Independent Third Parties.

The parties to the Shareholders Agreement agreed that the Shanxi JV will be established in Shanxi Province, the PRC. The Shanxi JV will be engaged principally in project(s) of utilization of coke oven gas transforming into and producing LNG, methanol and ethylene glycol and related products, as well as the development of clean energy business including hydrogen, subject to the approval of relevant PRC regulatory authorities. As at the date of this announcement, no application has been made to the relevant PRC authorities for the necessary permits and business licences for the establishment of the Shanxi JV and the same will be made in due course.

Conditions precedent

The establishment of the Shanxi JV shall be subject to the following conditions:

- (1) all necessary consents and approval (including any board's and shareholders' approval) in relation to the establishment of the Shanxi JV having been obtained by the parties to the Shareholders Agreement;
- (2) compliance with the Listing Rules requirements on the part of the Hong Kong Subsidiary in relation to the establishment of the Shanxi JV;
- (3) all necessary PRC regulatory approval, waiver and consents in relation to the establishment of the Shanxi JV having been obtained; and
- (4) completion of necessary fund raising or financing activities on the part of the Hong Kong Subsidiary for its capital commitment to the Shanxi JV.

In the event that the conditions precedent cannot be fulfilled within one year from the date of the Shareholders Agreement, the Shareholders Agreement shall cease to have any effect and save for any antecedent breaches, the parties to the Shareholders Agreement shall not bear any rights and obligations thereunder.

Registered capital

Pursuant to the terms of the Shareholders Agreement, the proposed registered capital of the Shanxi JV will be RMB220,000,000 and will be contributed by the parties in proportion to their respective shareholdings in the Shanxi JV. As at the date of the Shareholders Agreement, no contribution has been made by the parties to the Shareholders Agreement yet.

Regarding the registered capital of the Shanxi JV, RMB198,000,000 will be contributed by the Hong Kong Subsidiary by way of cash and RMB22,000,000 will be contributed by the JV Partner by way of cash.

The Group intends to finance the capital contribution of the Hong Kong Subsidiary to the Shanxi JV from its internal and/or external resources.

The contributions to the registered capital of the Shanxi JV shall be made by the respective parties within seven working days upon the issue of the business license of the Shanxi JV.

The proposed registered capital of the Shanxi JV was determined after arm's length negotiations between the relevant parties with referencing to the future business development of the Shanxi JV. The Directors (including the independent non-executive Directors) consider that the proposed registered capital of the Shanxi JV is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Completion of establishment

Upon completion of the registration with the relevant PRC authorities and the obtaining of relevant business license, the establishment of the Shanxi JV will be completed. The parties shall procure completion of the establishment of the Shanxi JV within 30 days upon fulfillment of the conditions precedent.

The Shanxi JV will become a 90%-owned indirect subsidiary of the Group upon its establishment and its results will be consolidated with those of the Group.

Principal obligations of the parties to the Shareholders Agreement

The Hong Kong Subsidiary and the JV Partner as the shareholders of the Shanxi JV shall, among other matters:

1. contribute the registered capital of the Shanxi JV in accordance with the articles and association of the Shanxi JV;
2. bear their respective obligations according to their registered capital of Shanxi JV within the limit of their registered capital of Shanxi JV; and
3. comply with the articles of association and other relevant PRC laws and regulations.

Upon its establishment, the Shanxi JV shall, among other matters:

1. obtain all necessary PRC regulatory approval for its coke oven gas project(s) and other business project(s) within the timeframe stipulated under relevant PRC laws and regulations, including any environmental approvals; and
2. arrange and secure all necessary resources for its coke oven gas project(s) and other business project(s), including land, construction contract(s), raw material supply contract(s) and utilities.

Apart from the principal obligations above, there are no further material capital commitments that are required to be contributed by the parties to the Shareholders Agreement at this stage. Further announcement(s) will be made if there are any further material capital commitments to be put up by the parties to the Shareholders Agreement if and when appropriate to comply with the relevant requirements of the Listing Rules.

Profits sharing in the Shanxi JV

The Hong Kong Subsidiary and the JV Partner will be entitled to share the net profits of the Shanxi JV in proportion to their equity interests in the Shanxi JV upon its establishment.

Board of directors of the Shanxi JV

The board of directors of the Shanxi JV will comprise five directors, of which two will be appointed by the JV Partner and three will be appointed by the Hong Kong Subsidiary.

The chairman of the board of directors of the Shanxi JV will be appointed by the Hong Kong Subsidiary.

The board of directors of the Shanxi JV shall be responsible for determining all significant decisions of the Shanxi JV, including but not limited to amendments to the articles of association, increase or reduction of any registered capital, mergers and acquisitions, fixing the annual budget and engagement of auditors and senior management.

Board of Supervisors of the Shanxi JV

The board of supervisors of the Shanxi JV shall comprise three members, of which the JV Partner will nominate two members and the Hong Kong Subsidiary shall nominate one member. The chairman of the board of supervisors of the Shanxi JV shall be appointed by the Hong Kong Subsidiary. The directors and senior management of the Shanxi JV cannot act as members of the board of supervisors of the Shanxi JV.

REASONS FOR THE SHAREHOLDERS AGREEMENT

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

The Directors have always been proactive in seeking opportunities for expanding and enhancing its coke related business in the PRC. The Directors consider that the entering into the Shareholders Agreement offers the Group a good business opportunity to expand its coke related business in the PRC, which is in line with the Group’s objective of developing and investing in LNG, hydrogen and clean energy related projects in the PRC.

The Directors consider that the investment in the Shanxi JV will enhance the earnings ability to the Group in the future. The JV Partner will utilise its network to assist the Shanxi JV for its business development and the Group can utilize its expertise in coke industry for the Shanxi JV.

The Directors, including the independent non-executive Directors, consider that the terms of the Shareholders Agreement are entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the Shareholders Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GENERAL

As the highest applicable percentage ratio in respect of the Shareholders Agreement is more than 25% but is less than 100%, the entering into of the Shareholders Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among others, further details of the Shareholders Agreement and the transactions contemplated thereunder and notice of SGM is expected to be despatched to the Shareholders on or before 31 October 2019.

To the best of the Directors' knowledge, information and belief, no Shareholders have a material interest in the Shareholders Agreement and no Shareholders would have to abstain from voting at the SGM.

Completion is subject to the fulfilment of various condition precedents and therefore the Shareholders Agreement together with the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Huscoke Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hong Kong Subsidiary”	Bloom Wealth Investment Limited 興財投資有限公司, a company incorporated in Hong Kong with limited liabilities and a wholly owned subsidiary of the Company
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“JV Partner”	Shanxi Baimaoyuan Trading Co., Ltd* 山西百懋源貿易有限公司, a company established in the PRC with limited liabilities
“SGM”	the special general meeting of the Company to be held and convened to approve the Shareholders Agreement and the transactions contemplated thereunder
“Shanxi JV”	Shanxi Golden Rock Rich Hydrogen Energy Co., Ltd. 山西金岩富氫能源有限公司, the joint venture company to be established in Shanxi Province, the PRC under the Shareholders Agreement
“Shareholders Agreement”	the shareholders agreement dated 12 September 2019 and entered into between the Hong Kong Subsidiary and the JV Partner in relation to the establishment of the Shanxi JV
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“**RMB**” Renminbi, the lawful currency of the PRC

“**%**” per cent.

By order of the Board of
Huscoke Holdings Limited
So Chiu Fung
Executive Director

Hong Kong, 12 September 2019

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

** For identification purpose only*

In the event of inconsistency, the English text of this announcement shall prevail over the Chinese text thereof.