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## **HUSCOKE HOLDINGS LIMITED**

### **和嘉控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 704)**

**(I) FULFILLMENT OF RESUMPTION GUIDANCE;  
AND  
(II) RESUMPTION OF TRADING**

**Financial Adviser to the Company**

**VEDA | CAPITAL**  
**智略資本**

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

### **BACKGROUND**

References are made to the announcements of the Company dated 28 December 2020, 25 March 2021, 29 March 2021, 31 March 2021, 15 April 2021, 22 April 2021, 26 April 2021, 10 May 2021, 3 June 2021, 7 June 2021, 28 June 2021, 26 July 2021, 19 August 2021, 28 September 2021, 15 October 2021, 21 October 2021, 28 October 2021, 28 December 2021, 4 January 2022, 18 January 2022, 8 February 2022, 17 February 2022, 10 March 2022, 28 March 2022, 19 April 2022, 26 May 2022, 28 June 2022, 28 July 2022, 5 August 2022, 8 August 2022, 15 August 2022, 19 August 2022, 29 August 2022, 9 September 2022, 15 September 2022, 19 September 2022, 23 September 2022, 28 September 2022, 7 October 2022, 14 October 2022, 1 December 2022, 19 December 2022, 23 December 2022, 28 December 2022, 28 February 2023, 23 March 2023, 24 March 2023, 28 March 2023, 29 March 2023 and 13 April 2023, in relation to, inter alia, (i) the suspension of trading of the Shares; (ii) the quarterly update

announcements; (iii) the investigations on Incident; (iv) the update on findings of the Independent Investigation Committee in relation to the Incident; (v) the engagement of an independent internal control consultant; (vi) the Resumption Guidance; (vii) the remedy and compensation arrangement pursuant to the Agreement in favour of the Group as a result of the Incident; (viii) despatch of the 2020 Annual Results, the 2020 Annual Report, the 2021 Interim Results, the 2021 Interim Report, the 2021 Annual Results, the 2021 Annual Report, the 2022 Interim Results, the 2022 Interim Report , the unaudited interim results for the twelve months ended 31 December 2022 (the “**2022 Second Interim Results**”) and the interim report for the twelve months ended 31 December 2022 (the “**2022 Second Interim Report**”); (ix) entering of the disposal agreement as an extension of the remedy plan for the Incident; (x) proposed increase in authorised share capital, the open offer, the subscription of convertible bonds and the issue of remuneration shares to the financial adviser; (xi) change of financial year end date; (xii) completion of internal control review; (xiii) completion of very substantial transaction in relation to the Agreement; and (xiv) completion of very substantial disposal and connected transaction in relation to the disposal of equity interest in the Disposal Company (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

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

### **Delay to Publish the audited annual results for the year ended 31 December 2020**

As stated in the announcement of the Company dated 25 March 2021 and 26 April 2021, as the Auditor needed more time to assess the matter on the going concern of the Company, the Board considered that the Company is unable to publish the 2020 Audited Annual Results on 31 March 2021 in accordance with Rules 13.49(1) and 13.49(2) of the Listing Rules. Subsequently, in light the discovery of the Incident, the Company and the Auditor both consider that they would require additional time to gather information in respect of the Possible Loan. Therefore, the publication of the 2020 Audited Annual Results were delayed until information gathering has been completed and the financial impact (if any) of the Possible Loan to GRG Huscoke and the Group as a whole have been determined.

### **The Incident**

As stated in the announcement of the Company dated 26 April 2021, on 23 April 2021, it was brought to the attention of the Board from the public information of Taiyuan public resources auction center that GRG Huscoke may have been involved in the Possible Loan. Having considered that the Possible Loan has never been recorded in the Group’s consolidated financial accounts, the Board promptly reported and formed the Independent Investigation Committee which consists of three independent non-executive Directors to investigate the material fact in relation to the Incident. During the process of verifying the Possible Loan through relevant documents, the Company has further discovered that GRG Huscoke was also involved in the Loans and the Contingent Liabilities. The Independent Investigation Committee had then

appointed Da Tong in July 2021 to conduct the Investigations. Additionally, the Board requested Zhonghui Anda to finish the Company's fiscal year 2020 and 2021 audit. The Company expected Zhonghui Anda, through its independent audit procedure, to verify the Possible Loan, the Loans and the Contingent Liabilities and their overall impact to the Group's operation and to adjust the Group's financial statements accordingly.

Since the discovery of the Incident, the Board has been taking corresponding remedial actions to resolve the Incident and to fulfill the Resumption Guidance to resumption of trading of the Shares.

## **RESUMPTION GUIDANCE**

As disclosed in the announcements of the Company dated 10 May 2021 and 17 February 2022, the Company has been notified by the Stock Exchange of the Resumption Guidance as follows:

- (i) Conduct an appropriate investigation into the Loans (including the Possible Loan) and the Contingent Liabilities (including the Guarantees), assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;
- (ii) Publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (iii) Demonstrate the Company's compliance with Rule 13.24;
- (iv) Demonstrate that there is no reasonable regulatory concern about management integrity, and/or the integrity of any persons with substantial influence over the company's management and operations, which will pose a risk to investors and damage market confidence;
- (v) Demonstrate that the directors of the Company meet a standard of competence commensurate with their positions as directors of a listed issuer to fulfil duties of skill, care and diligence as required under Rules 3.08 and 3.09;
- (vi) Conduct an independent internal control review and demonstrate that the issuer has in place adequate internal controls and procedures to comply with the Listing Rules; and
- (vii) Inform the market of all material information for the Company's shareholders and investors to appraise the Company's position.

## **(I) FULFILMENT OF THE RESUMPTION GUIDANCE**

The Board is pleased to announce that all the Resumption Guidance have been fulfilled as at the date of this announcement, details of which are set out below.

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

In July 2021, the Independent Investigation Committee had engaged Da Tong to conduct independent investigation(s) in relation to the Incident. On 17 January 2022 and 20 May 2022, Da Tong had submitted the Investigation Reports to the Independent Investigation Committee respectively, which sets out the results of the Investigations and have been accepted by the Independent Investigation Committee and the Board, along with the PRC legal opinion relating to the Incident.

Based on the Investigation Reports, the responsible parties of GRG Huscoke and Jinyan Electricity involved in the Incident confessed during interviews with Da Tong and admitted in writing that since July 2012, Jinyan Electricity had conspired with then directors and management of GRG Huscoke (being Mr. Yang, Shi Tieshan\* (史鐵山), He Youlong\* (賀有龍), Zhang Wenjun\* (張文俊) and Lei Xiaozhong \* (雷孝忠)), with the cooperation of Jianeng Coal Chemical (1% minority shareholder of GRG Huscoke), deliberately ignored the formal approval process and financial control measures of the Group, leveraged the assets and credit of the Group to conduct loans from the banks without authorisation, and misappropriated of the major funds and that the funds involved in the Incident, being the Possible Loan, the Loans and the Contingent Liabilities have been paid to the business partners of Jinyan Electricity, and then ultimately transferred to and utilized by Jinyan Electricity for the construction of the five million tons of coking and supportive production project. Since the loans in the Incident had expired in succession, in the absence of acknowledgement and approval by the Board, GRG Huscoke continued to conceal and hide the Incident from the Group, ignore the formal approval process of the Group and repeatedly renewed the loans to repay the principal amount of the initial loan in the Incident.

It was reported by Da Tong in the Investigation Reports that as at 30 November 2021, the total liabilities arisen from the Incident comprise the outstanding balance of the Possible Loan and the Loans of GRG Huscoke in the amount of RMB540,733,776 and the Contingent Liabilities undertaken by GRG Huscoke in the amount of RMB204,500,000 according to the Da Tong Credit Report.

## Remedial actions

Based on the findings of the Investigation Reports and having considered that the Company has the 18-month time frame for the fulfillment of all the Resumption Guidance for resumption of trading, the Board and the Independent Investigation Committee considered that it was in the interests of the Company and the Shareholders as a whole, to explore and put in place remedy and compensation actions relating to the Incident. As a result, the Company (i) entered into the Agreement sets out the remedy and compensation arrangement of the Incident in favour of the Group; (ii) entered into the Disposal Agreement to dispose of the Disposal Group; (iii) identified and removed then directors and management of GRG Huscoke involved in the Incident (being Mr. Yang, Shi Tieshan\* (史鐵山), He Youlong\* (賀有龍), Zhang Wenjun\* (張文俊) and Lei Xiaozhong \* (雷孝忠)) from the Group; and (iv) engaged the independent IC Adviser to conduct a comprehensive review of the internal controls and procedures of the Group and/or Restructured Group.

On 15 March 2022, after trading hours, the Company, GRG Huscoke, Energy Technology, Jinyan Electricity and ILNG have entered into the Agreement (as supplemented by the Supplemental Agreement on 14 April 2022), pursuant to which, among other matters, to set out the principal terms supplement the terms of the Cooperation Agreement with the inclusion of remedy and compensation actions as a result of the Incident. Energy Technology agreed to transfer 90% equity interests in the Target Subsidiary which holds the Target Assets (bearing all the investment and construction costs) to the Shanxi Huscoke International Energy Co., Ltd\* (山西和嘉國際能源有限公司), a wholly-owned subsidiary of the Company ) (the “**New Subsidiary**”) instead of Jinyan Electricity and undertake all the current accounts and interests payable owed by Jinyan Electricity and its related parties to GRG Huscoke, in exchange of the settlement of outstanding consideration payable by ILNG (or Energy Technology on behalf of ILNG) to Jinyan Electricity. There was no cash inflow of the Group for the abovementioned compensation. After arm’s length and commercial negotiation between the Company and Energy Technology, Energy Technology holds the remaining 10% equity interests in the Target Subsidiary as it possess the necessary government license, including but not limited to, construction permit, environmental evaluation, safety production evaluation and pollutant discharge permit, and public auxiliary facilities such as water and electricity supply, sewage and waste treatment, warehousing and transportation, dry quenching and processing of the coke by products and coke oven gas which allows the Target Assets to operate.

Moreover, as part of the remedy plan for the Incident and in order to resolve the adverse impact arisen from the Incident from the Group, facilitate the Group’s operation and further strive for the interest of the Company and the Shareholders as a whole, on 26 July 2022, after trading hours, the Vendor and Mr. Yang have entered into the Disposal Agreement (as supplemented by the Supplemental Disposal Agreement on 7 September 2022), pursuant to which, among other matters, the Vendor conditionally agreed to sell and Mr. Yang conditionally agreed to acquire the Sale Shares, representing the entire equity interest of the Disposal Company, and the Sale Loans, representing the net amount of the loans owned by the Disposal Company to the Company which amounted to HK\$642,852,705 as at 31 July 2022, for a cash consideration of HK\$1.

On 18 October 2022, the proposed ordinary resolution in relation to approve, confirm and ratify the Agreement and the Disposal Agreement and the transactions contemplated thereunder was duly passed by the Shareholders by way of poll at the SGM.

#### *Completion of the Very Substantial Transactions*

On 12 January 2023, the New Subsidiary and Shanxi Jinyan Energy Technology Company Limited\* (山西金岩能源科技有限公司) (“**Energy Technology**”), have entered into a shareholder agreement (the “**Shareholder Agreement**”) to set out the obligations of the shareholders of the Shanxi Jinyan Energy Jiarun Co., Ltd\* (山西金岩能源嘉潤有限責任公司) (the “**Target Subsidiary**”), including but not limited to, that (i) all the directors of the Target Subsidiary shall be solely appointed by the New Subsidiary; (ii) Energy Technology is obligated to grant the Target Subsidiary all the necessary license and permit for the operation of the Target Subsidiary, including but not limited to, the operating license, the administrative permit, the right of use of the land, etc. ; and (iii) Energy Technology is obligated to grant the Target Subsidiary the right of use of the public auxiliary facilities within the useful life of the equipment. On 7 March 2023, Energy Technology has issued a confirmation letter to confirm that it will comply with terms of the Shareholder Agreement and has forfeited the rights to nominate any member to the board or senior management of the Target Subsidiary.

On 18 January 2023, Energy Technology completed the equity transfer of 90% equity interest of the Target Subsidiary to the New Subsidiary of the Company. Upon the Asset Transfer, the Group has engaged Da Tong to issue a legal opinion (the “**Completion Legal Opinion**”) in respect of the validity of the Transaction Completion. Da Tong implemented the relevant tasks for issuing the Completion Legal Opinion, including but not limited to, reviewing related documents, searching information from public sources, and arranging site visit to communicate with relevant local departments and so on. Based on the existing laws and regulations in PRC and certain basic assumptions, Da Tong issued the Completion Legal Opinion on 15 March 2023 which was accepted by the Board of the Company on 21 March 2023. The Completion Legal Opinion summarizes that, (i) 90% equity interest of the Target Subsidiary has been transferred to the Group and the Assets Transfer has been completed in all material respects; (ii) the Group has the Target Assets’ legal and beneficial ownership, its operation and usage right which are granted by Energy Technology, including but not limited to, the operating license, the administrative permit, the right of use of the land, etc. ; (iii) the Group owns the Target Assets free from any pledge, mortgage, security interest, lien, encumbrances or other third party rights; (iv) the Shareholder Agreement are true, legal and valid in all material aspect and the New Subsidiary and Energy Technology, being the shareholder of the Target Subsidiary, are liable to perform their obligation under the Shareholder Agreement; and (v) all directors in the Target Subsidiary were solely appointed by the Company.

The Group has appointed (i) Zhonghui Certified Public Accountants LLP Chengdu Branch (“**Zhonghui China**”) to conduct a special audit (the “**PRC Special Audit**”) under the PRC Accounting Standards for the Target Subsidiary; and (ii) Zhonghui Anda to conduct a special audit (the “**HK Special Audit**”) in accordance with Hong Kong Accounting Standards with reference to the report under the PRC Special Audit. As set out in the report of the HK Special Audit, the Target Assets has been included in the consolidated statement of financial position of Huscoke Management Limited (“**Huscoke Management**”), in which the New Subsidiary is directly wholly-owned by it and it is indirectly wholly-owned by the Company.

As stated in the announcement of the Company dated 24 March 2023, in view of the Completion Legal Opinion, PRC Special Audit and HK Special Audit, the Board is of the view that all conditions under the Agreement and the Disposal Agreement have been fulfilled, therefore the Transaction Completion and the completion of the Disposal took place on 18 January 2023 and 30 March 2023 respectively.

Upon the Transaction Completion, the Target Subsidiary has become an indirect non-wholly owned subsidiary of the Company and the results of the Target Subsidiary have been consolidated into the financial statements of the Group.

Upon the completion of the Disposal, GRG Huscoke has been carved out from the Group and the Disposal Group has ceased to be subsidiaries of the Group. As such, the financial results of the Disposal Group have no longer been consolidated into the financial statements of the Group.

Detailed summary of the findings of the Investigations has been set out in the announcements of the Company dated 18 January 2022 and 26 May 2022.

Upon the conducting of the Investigations, Da Tong also expressed its PRC legal opinion to the Board and the Independent Investigation Committee, the details of which have been set out in the announcement of the Company dated 18 January 2022.

Having considered that:-

- (i) the Investigation Reports have enabled the Independent Investigation Committee to (a) conclude the basic facts and the legal nature of the Incident; (b) determine the total amount involved in the Incident; and (c) assess the impact on the Company’s business operation and financial position, and provide sufficient material information and basis for the Company to assess possible remedy and compensation arrangement in favour of the Company and the Shareholders as a whole; and
- (ii) the actions taken by the Company relating to the Incident, namely (a) the entering into the Agreement sets out the remedy and compensation arrangement of the Incident in favour of the Group; (b) the entering into the Disposal Agreement to dispose of the Disposal Group; and (c) engaging the independent IC Adviser to conduct a comprehensive review of the internal controls and procedures of the Group and/or Restructured Group are in the interests of the Company and the Shareholders as a whole,

the Independent Investigation Committee is of the view that the Investigation Reports and the PRC legal opinion from Da Tong have provided credible and material information regarding the Incident along with the legal support of the remedial actions to be accepted by the Company.

In light of the above, the Board could (i) reiterate the causes and effect of the Incident; (ii) address the concerns from the Stock Exchange in respect of the Incident; and (iii) to put in place feasible remedy and compensation solutions efficiently to compensate the Company and the Shareholders, which are considered acceptable by the Board and the Independent Investigation Committee and in the interests of the Company and Shareholders as a whole. The Board are of the view that (i) the Investigations are sufficient to conclude the material facts in relation to the Possible Loan, the Loans and the Contingent Liabilities; (ii) the Independent Investigation Committee, through the Investigations, was able to assess the impact on the Company's business operation and financial position; and (iii) the Company has taken appropriate remedial actions for the Incident based on the Investigation Reports. Therefore, the Company is of the view that Resumption Guidance (i) has been fulfilled.

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

Zhonghui Anda has been appointed as the auditor of the Company since January 2021 and performed the audits of the Company's financial statements for the financial years ended 31 December 2020 and 2021.

The Company's preparation of the interim results and annual results had been delayed previously due to auditor (i) needs more time to assess the matter on the going concern of the Company; (ii) needs to consider the facts on the findings of the Investigations and review additional information, including but not limited to certain bank statements and certain loan and guarantees or other financing agreements in relation to the Incident; and (iii) COVID-19 restrictions and lockdowns in the PRC, which affected the auditors' ability to access and review physical copies of corporate records and documents as well as the ability of employees located in the PRC to assist in the audit work.

Nonetheless, as at the date of this announcement, all of the Company's outstanding financial results and financial reports required under the Listing Rules have been published and the timeline is set out as follows:

<b>Financial results/reports</b>	<b>Published Date</b>
2020 Annual Results, the 2021 Interim Results and 2021 Annual Results	28 July 2022
2020 Annual Report, 2021 Interim Report and 2021 Annual Report	5 August 2022



2022 Interim Results	29 August 2022
2022 Interim Report	15 September 2022
2022 Second Interim Results	28 February 2023
2022 Second Interim Report	29 March 2023

Zhonghui Anda has issued the disclaimer of opinion on the audited consolidated financial statements of the Company for the years ended 31 December 2020 and 2021. The basis for the disclaimer of opinion is set out in the annual reports of the Company for the years ended 31 December 2020 and 2021.

Below is the disclaimer of opinion as extracted from the annual report of the Company for the year ended 31 December 2021:

*"1. Material uncertainty related to going concern*

*The Group incurred loss attributable to owners of the Company of HK\$31,259,000 and HK\$484,675,000 respectively for two consecutive years of year ended 31 December 2021 and 2020, the Group has recorded a net operating cash outflow of approximately HK\$8,753,000 for the year ended 31 December 2021 and as at 31 December 2021, the Group had net current liabilities and net liabilities of HK\$1,699,654,000 and HK\$158,092,000, respectively. Further, the Group's major subsidiary was required to shut down its operating assets, which bring significant impacts on the Group's operations. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to completion of the very substantial transaction of new operating assets, the completion of the fundraising activities and the success in delaying the payments by persuading its creditors of the Group not to insist on demanding repayment before the full operation of the Group's new operating assets. The consolidated financial statements do not include any adjustments that would result from the failure to complete the very substantial transaction, to complete the fundraising activities and to delay the repayments. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to complete the very substantial transaction, to complete the fundraising activities and to delay the repayments, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.*

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

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

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

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

## *3. Trade receivables and prepayments, deposits and other receivables from noncontrolling shareholder of a subsidiary and related companies*

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

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

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

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

The Company has taken the following measures in response to the audit modification, including (i) the entering into the Agreement sets out the remedy and compensation arrangement of the Incident in favour of the Group; and (ii) the entering into the Disposal Agreement to dispose of the Disposal Group.

Upon Transaction Completion, the Group is able to resume its coke and coal related business operation through the Target Assets. The Target Assets allow the Group to meet the environmental standard of the PRC, improve the production quality of its coke products and double its production scale as compared to that prior to the Shut-down, which results the Group in having sufficient level of operations and assets.

Upon the completion of the Disposal, the Disposal Group is ceased to being the subsidiaries of the Group, the financial results of the Disposal Group, including all the liabilities, litigations and guarantee obligations of the GRG Huscoke, (i.e. Possible Loan, the Loans and the Contingent Liabilities) are no longer consolidated into the financial statements of the Group.

As mentioned in the above, the Target Assets has been included in the consolidated statement of financial position of Huscoke Management.

On 15 March 2023, Zhonghui Anda has confirmed in writing that upon Transaction Completion, completion of the Disposal, the Open Offer and the CB Subscription (collectively, the “**Fund Raising**”), the disclaimer opinion on the consolidation financial statements for the year ended 31 December 2021 would be resolve as follow:

- (i) Material uncertainty related to going concern

Subject to the Group's cashflow projection upon the Transactions Completion, completion of the Disposal and the cash position upon the completion of Fund Raising, if there is no indication that material uncertainty is existed which may cast significant doubt on the Group's ability to continue as a going concern, disclaimer opinion will not be expressed.

- (ii) Trade receivable and prepayments, deposits and other receivables repayments, deposits and other receivables from third parties

Except for the trade deposits from Energy Technology of approximately HK\$133,692,000 (the "Trade Deposits") as at 31 December 2021, the above-mentioned balances will be derecognized upon the Transactions Completion and the completion of disposal. With reference to the unaudited pro forma consolidated statement of financial position in the Company's circular dated 28 September 2022, the balance of the Trade Deposits do not constitute a majority part of the Group's asset after the Transactions completion and the completion of Disposal.

Accordingly, Zhonghui Anda has confirmed that upon the Transactions Completion and the completion of Disposal, even if the audit modification related to the Trade Deposits cannot be resolved, a disclaimer opinion will not be expressed by that audit modification solely. However, a qualified opinion could be expressed for that audit modification.

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

The above-mentioned balances will be derecognized upon the Transactions Completion and the completion of Disposal. Such audit modification is expected to be resolved upon the Transactions completion and the completion of Disposal.

Accordingly, the Company is of the view that Resumption Guidance (ii) has been fulfilled.

### **3. Resumption Guidance (iii) - Demonstrate the Company's compliance with Rule 13.24**

The Company is an investment holding company whose subsidiaries are principally engaged in (i) trading of coke; (ii) washing of raw coal into refined coal for sale and for further processing and the sale of electricity and heat generated as by-products produced during the washing of raw coal; and (iii) processing of refine coal into coke for sale, and sale of coke by-products in the PRC.

The Group had two 4.3-meter coking furnaces through GRG Huscoke for its operation and production before 2021. Due to the government policy to shut-down all furnaces with coking chambers that have heights of less than 4.3 metres inside the Xiaoyi City, Shanxi Province, GRG Huscoke received a notification from the government authority of Xiaoyi city to shut – down the 4.3-meter coking furnace on 15 April 2021 and 15 October 2021 respectively.

After shutting down the 4.3-meter coking furnace of GRG Huscoke in October 2021 and prior to the Transaction Completion, without the Target Assets, the Group has no other coking furnace in operation and the operation of the Group’s coke production segment was temporary ceased.

Upon Transaction Completion, the Company is ensured to commence its business through the Target Subsidiary, being an indirect 90% owned subsidiary of the Company, with use of the Target Assets to resume its operation and generate revenue from the sales of coke products and by-products produced from the Target Assets in Shanxi province in PRC.

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

<b>Target Assets</b>	<b>Coking Furnace A</b> 7.1-meter top-loading coking furnace (Model 56-hole HT50-710 7.1-meter regenerative top-loading coking furnace, civil construction and related coking ancillary construction)
	<b>Coking Furnace B</b> 7.1-meter top-loading coking furnace (Model 56-hole HT50-710 7.1-meter regenerative top-loading coking furnace, civil construction and related coking ancillary construction)
	<b>Shared rights in use of the public auxiliary facilities</b> (principally including but not limited to coal charging cars, pusher machines, coke transfer cars, wet quenching cars, crane systems for dry quenching and byproduct recovery plants of coke furnace gas (COG) treatment, etc.)
<b>Location</b>	Xiaoyi City, Shanxi Province, the PRC
<b>Production</b>	Aggregate annual production capacity being not less than 1,200,000 tons of coke and its by-products including not less than 65,000 tons of tar oil, not less than 15,000 tons of crude benzene and not less than 15,000 tons of ammonium sulfate, etc.

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

The Target Assets are expected to provide the Company with a competitive edge and attract large-scale iron and steel manufacturers within Shanxi province and adjacent provinces who typically consumes over 4 million tons of coke annually. The Target Subsidiary has entered into strategic cooperation contracts with two large steel and iron manufacturers respectively, pursuant to which the buyers promise to purchase coke in the aggregated amounts of not less than 1.2 million tons per year. Given the high demand of coke from large steel and iron manufacturers in Shanxi and surrounding provinces, it can ensure the Target Subsidiary fully consumes all the production capacity of the Restructured Group without substantial difficulties. On the other hand, potential major customers of other coke by-products such as tar oil, sulfuric acid, ammonium sulfate and crude benzene are expected to be purchased by local manufacturers or traders in the chemical industry within Shanxi province.

The source of supply, suppliers and manpower required in operating the Target Assets are principally retained from those in GRG Huscoke. As at the date of this announcement, the New Subsidiary has retained around 169 employees from GRG Huscoke including production workers for coke furnace operation, procurement and sales teams and back office staff. The Company are of the view that current staff members of GRG Huscoke are sufficient for the operation of the Target Subsidiary and will recruit more staffs depending on the actual operation need. The board and senior management of the Target Subsidiary were solely appointed by the Group and they possess substantial experience and business network and are considered competent and suitable for the operation and development of Target Subsidiary. Moreover, the Target Subsidiary can be operating with the necessary licenses and public auxiliary facilities according to the terms of the Shareholder Agreement.

Having considered that (i) the Group is familiar with the business model of the Target Subsidiary given its coke and related industrial experience and reputation in the Shanxi province; (ii) the competitive edges provided by the Target Assets to the Target Subsidiary; (iii) there is an existing developed customers and suppliers base that has been supported by the strategic cooperation contracts, maintained by the current retained employees and can be further developed by the new management; (iv) the expertise of the management of the Target Subsidiary; and (v) following the Transaction Completion, the Restructured Group is able to operate its business through the Target Assets with an increased annual production capacity of 1,200,000 tons of coke and the Restructured Group has upgraded standard of the coking furnaces from 4.3 meters height to 7.1 meters height which surpasses the current national standard of at least 6.0 meters and complies with the industrial and environmental requirement in the PRC, the Directors are confident that the Restructured Group can source and secure sufficient suppliers and customers and generate sufficient revenue and profit in support of its operation and that the business of the Restructured Group will be sustainable and viable to meet the standard under Rule 13.24 of the Listing Rules.

In light of the above, the Company is of the view that Resumption Guidance (iii) has been fulfilled.

- 4. Resumption Guidance (vi) – Demonstrate that there is no reasonable regulatory concern about management integrity, and/or the integrity of any persons with substantial influence over the company's management and operations, which will pose a risk to investors and damage market confidence**
- 5. Resumption Guidance (vii) – Demonstrate that the directors of the Company meet a standard of competence commensurate with their positions as directors of a listed issuer to fulfill duties of skill, care and diligence as required under Rules 3.08 and 3.09.**

Based on the findings from the Investigations, it is noted that none of Ernst & Young, Mazars CPA Limited or BDO Limited, being the succession auditors of the Company since 2010, discovered or reported the Incident. In November 2016, Shun Wang Investments Limited as Subscriber to subscribe new shares of the Company and the board of the Company was restructured, although the restructured board has reviewed the previous audited annual reports of the Company at that moment, given the fact that the then responsible management of GRG Huscoke involved in the Incident removed the loans of the Incident from the financial statements of GRG Huscoke and the Group, deliberately conceal the bank accounts and respective bank statements involved in the Incident and even made up an inaccurate credit report, there has been no record, traces or leads which indicates that the Incident might have happened.

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

Since the discovery of the Incident, the Directors have been fulfilling their duties aggressively and sincerely by investigating the Incident, coming up and putting in place various remedial actions, including but not limited to, the entering into of the Agreement and the Disposal Agreement by the Company and conducting independent internal control review, to minimize the impacts to the Group and the Shareholders resulted from the Incident and to demonstrate how these actions can fulfill the Resumption Guidance for resumption of trading.

The existing Directors have confirmed that since their respective appointments as the Directors, they have fulfilled fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. In performance of their duties as the Director, including but not limited to, they (i) act honestly and in good faith in the interests of the Company as a whole; (ii) act for proper purpose; (iii) avoid actual and potential conflicts of interest and duty, if any; (iv) disclose fully and fairly his interests in contracts with the Company; and (v) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the Company.

Furthermore, the Company is of the view that the experience and expertise of the existing two executive Directors, four non-executive Directors and three independent non-executive Directors, also demonstrates that all Directors meet a standard of competence commensurate with their position as directors of a listed issuer as required under Rules 3.08 and 3.09 of the Listing Rules.

In light of the above, the Company is of the view that Resumption Guidance (vi) and (vii) have been fulfilled.

**6. Resumption Guidance (v) – Conduct an independent internal control review and demonstrate that the issuer has in place adequate internal controls and procedures to comply with the Listing Rules**

To satisfy the Resumption Guidance, identify all internal control deficiencies in light of the Incident and as part of the remedial plan, the Company has engaged the independent IC Adviser in 10 March 2022 to conduct (i) a comprehensive review of the internal controls and procedures of the Group which focused on the review period from 1 January 2021 to 31 March 2022; (ii) further identify, assess, recommended and report on certain aspects of its internal controls in light of the findings under the Investigations; and (iii) a follow-up review to walkthrough remediated internal control measures implemented by the Company.

As stated in the announcement of the Company dated 28 September 2022, the IC Adviser has finalized the advanced draft of the IC Report in late September 2022 and has recommended relevant remedial measures to the Group to improve its internal control. As approved by the Audit Committee of the Company, the final version of the IC report was subject to, among other things, the implementation of remedial measures through the New Subsidiary and the Target Subsidiary. Upon the completion of the Assets Transfer, the New Subsidiary and the Target Subsidiary have become members of the Group and the Audit Committee of the Company was of the view that the remedial measures proposed by the IC Adviser had been implemented by the Company in the New Subsidiary and the Target Subsidiary. Subsequently, the IC Adviser conducted the follow-up review on remediation actions taken by the Company and issued the IC Report on 23 March 2023.



Based on the follow-up review on remediation results for enhancement of the Group's internal control system, the IC Adviser did not identify any further internal control weaknesses and deficiencies nor make any further recommendations on the Group's internal control system and is of the view that the Company has put in place adequate corporate governance and internal control systems to fulfill its obligations under the Listing Rules.

Detailed summary of the findings of the IC Review and the corresponding IC Recommendations taken by the Company have been set out in the announcement of the Company dated 23 March 2023.

Having considered the IC Report and the remedial measures taken by the Group, the Board and the Audit Committee of the Company are of the view that the remedial measures implemented by the Group are adequate and sufficient to address the key findings of the IC Review and the enhanced internal control systems can facilitate the Group to detect and prevent the similar risks. As such, the Board is of the view that the Company has now in place adequate internal control systems to meet the obligations under the Listing Rules.

In light of the above, the Company is of the view that Resumption Guidance (v) has been fulfilled.

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

Since the suspension of trading in the shares of the Company on 29 March 2021, the Company has, in accordance with the requirements of the Listing Rules, informed the market of the material information and the latest situation of the Company, amongst others, the results of the Investigations, the completion of the IC Review, the entering into the Agreement and the Disposal Agreement, the status on fulfillment of the Resumption Guidance and financial results of the Company by publishing announcements from time to time.

On the above basis, the Company is of the view that Resumption Guidance (iv) has been fulfilled.

#### **(II) RESUMPTION OF TRADING**

For the reasons set out above, the Company is of the view that it has fulfilled all the requirements set out in the Resumption Guidance and fully complied with the Listing Rules to the Stock Exchange's satisfaction.

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 29 March 2021. As all the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. 14 April 2023.

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

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

Hong Kong, 13 April 2023

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

*\* For identification purpose only*