
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) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(II) PROPOSED OPEN OFFER ON THE BASIS OF
TWO (2) OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE;
(III) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF CONVERTIBLE BONDS;
(IV) ISSUE OF THE FA REMUNERATION SHARES; AND
(V) NOTICE OF SGM**

Financial Adviser to the Company

VEDA | CAPITAL
智略資本

Independent Financial Adviser to
the Independent Board Committee and 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 14 to 40 of this Circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Open Offer is set out on pages 41 and 42 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 Open Offer and the CB Subscription is set out on pages 43 and 81 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 Monday, 31 October 2022 at 3:00 p.m. is set out on pages SGM-1 to SGM-5 of this Circular. A form of proxy for use at the SGM is enclosed. 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. **The Open Offer will proceed on a non-underwritten basis.** If the conditions referred to in the paragraph headed "Conditions of the Open Offer" in the letter from the Board are not fulfilled, the Open Offer will not proceed.

PRECAUTIONARY MEASURES FOR THE SGM

Please refer to pages 1 and 2 of this circular for the precautionary measures to be implemented at the SGM to ensure the safety of the SGM attendees and to prevent the spreading of the coronavirus disease 2019 ("COVID-19") pandemic, including:

- compulsory temperature checks;
- mandatory health declarations;
- mandatory wearing of surgical face masks (no mask will be provided at the SGM venue); and
- no distribution of corporate gifts and no serving of refreshments.

Any attendee who (a) refuses to comply with the precautionary measures; or (b) is subject to any prescribed quarantine by the Hong Kong government or has close contact with any person under quarantine; or (c) has a fever or any flu-like symptoms or is otherwise unwell, will be denied entry into or be required to leave the SGM venue at the absolute discretion of the Company to such extent permitted under law. Shareholders are encouraged to appoint the chairman of the SGM as their proxy and to return their proxy forms by the time specified above, instead of attending the SGM in person.

14 October 2022

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PRECAUTIONARY MEASURES FOR THE SGM

In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendees at the entrance of the SGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time may be denied entry into the SGM venue;
- (ii) all attendees of the SGM are required to complete a health declaration form and submit the same at the entrance of the SGM venue before admission into the SGM venue;
- (iii) the Company requires attendees to wear surgical face masks inside the SGM venue at all times, and to maintain a safe distance between seats, please note that no face masks will be provided at the SGM venue and attendees should bring and wear their own face masks;
- (iv) no refreshments will be served, and there will be no corporate gifts at the SGM; and
- (v) any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Hong Kong government and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic.

Any attendee who (a) refuses to comply with the precautionary measures; or (b) is subject to any prescribed quarantine by the Hong Kong government or has close contact with any person under quarantine; or (c) has a fever or any flu-like symptoms or is otherwise unwell will be denied entry into or be required to leave the SGM venue at the absolute discretion of the Company to such extent permitted under law, to ensure the safety of the attendees at the SGM.

The Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights in the Company. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person.

Shareholders are requested (a) to consider carefully the risk of attending the SGM, which will be held in an enclosed environment; (b) to follow any prevailing requirements or guidelines of the Hong Kong government relating to COVID-19 pandemic in deciding whether or not to attend the SGM; and (c) not to attend the SGM if they have contracted or are suspected to have contracted COVID-19 pandemic or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19 pandemic.

PRECAUTIONARY MEASURES FOR THE SGM

The Company will closely monitor the development of the COVID-19 pandemic and ensure that the SGM will be conducted in compliance with the laws, regulations and measures introduced by the Hong Kong government from time to time. The Company may implement further changes and precautionary measures where necessary, and may issue further announcement on such measures as and when appropriate.

Shareholders are strongly encouraged to appoint the chairman of the SGM as their proxy to vote on the resolutions, instead of attending the SGM in person.

The proxy forms are attached to this Circular for Shareholders who opt to receive physical circular. Alternatively, the proxy forms can be downloaded from the website of Hong Kong Exchanges and Clearing Limited, at www.hkexnews.hk and the website of the Company at www.huscoke.com respectively. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the HKSCC), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

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

“Agreement”	the agreement dated 15 March 2022 (as supplemented on 14 April 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
“Announcements”	announcements of the Company dated 19 August 2022 and 19 September 2022
“Application Form(s)”	the form(s) of application to be issued to the Qualifying Shareholders to apply for the Offer Shares for their assured entitlement under the Open Offer in the agreed form
“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”	a day (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning typhoon No. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CB Specific Mandate”	the specific mandate to 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 proposed issue of Convertible Bonds by the Company to the Subscriber under the CB Subscription Agreement
“CB Subscription Agreement”	the subscription agreement dated 19 September 2022 and entered into between the Company and the Subscriber in respect of the CB Subscription

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chairman”	the chairman of the Company
“Cinda HK”	China Cinda (HK) Asset Management Co., Limited
“Cinda Facility”	the loan facility in the principal amount of HK\$200 million made available by Cinda HK to the Company with the maturity date of 8 July 2022 and interest rate of 10% per annum
“Circular”	this circular
“Company”	Huscoke Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 704)
“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\$0.212 per Conversion Share initially (subject to adjustments pursuant to the terms of the instrument of the Convertible Bonds)
“Conversion Share(s)”	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 2024 in the aggregate principal amount of HK\$154,000,000 to be issued by the Company to the Subscriber pursuant to the CB Subscription Agreement
“Cooperation Agreement”	the cooperation agreement entered into between GRG Huscoke, Energy Technology and Jinyan Electricity on 26 March 2021
“CWUMPO”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)

DEFINITIONS

“Director(s)”	the director(s) of the Company from time to time
“EAF(s)”	the excess application form(s) to be issued to the Qualifying Shareholders, pursuant to which the Qualifying Shareholders may apply for the Offer Shares in excess of their assured entitlement under the Open Offer in the agreed form
“Energy Technology”	Shanxi Jinyan Energy Technology Company Limited* (山西金岩能源科技有限公司), a company established in the PRC with limited liability and is principally engaged in coke production and coke trading business
“FA Remuneration Shares”	3,301,886 new Shares proposed to be allotted and issued by the Company to the Financial Adviser (or its nominees) at HK\$0.212 per Share
“Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the financial adviser to the Company in respect of the Resumption
“GRG Huscoke”	GRG Huscoke (Shanxi) Limited* (山西金岩和嘉能源有限公司), a company established in the PRC with limited liability and is an indirect 90% owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incident”	the incident that involves loans (including the Possible Loan, the Loans, and the Contingent Liabilities) that were unauthorised and inappropriately conducted by, among others, Jinyan Electricity and the then management of GRG Huscoke, and were not booked in the financial statements of the Group since July 2012

DEFINITIONS

“Increase in the Authorised Share Capital”	the proposed increase in authorised share capital of the Company from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$400,000,000 divided into 4,000,000,000 Shares
“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, established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Open Offer and the CB Subscription
“Independent Financial Adviser” or “SBI China”	SBI China Capital Hong Kong Securities Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Open Offer and the CB Subscription
“Independent Investigation Committee”	an independent investigation 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, established to investigate the matters relating to the Incident
“Independent Shareholders”	Shareholders 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 Open Offer, the CB Subscription and the transactions contemplated thereunder
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Irrevocable Undertaking”	the irrevocable undertaking given by Shun Wang in favour of the Company, the principal terms of which are disclosed in the section headed “The Irrevocable Undertaking” in this Circular

DEFINITIONS

“Jinyan Electricity”	Xiaoyi Jinyan Electricity Coke Chemical Company Limited* (孝義市金岩電力煤化工有限公司), a company established in the PRC with limited liability and is a 9% minority shareholder of GRG Huscoke
“Last Trading Day”	26 March 2021, being the last trading day of the Shares prior to the date of release of the announcement of the Company dated 19 August 2022 (i.e. prior to the suspension of trading of the Shares from 9:00 a.m. on 29 March 2021)
“Latest Lodging Time”	4:30 p.m. on Thursday, 1 December 2022 or such date and/or time as the Company may determine as the latest time for lodging transfer of Shares in order to qualify for the Open Offer
“Latest Practicable Date”	10 October 2022, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained in this Circular prior to its publication
“Latest Time for Acceptance”	4:00 p.m. on Friday, 23 December 2022 or such date and/or time as the Company may determine as the latest time for acceptance of, and payment for, the Offer Shares under the Open Offer
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Exchange Governing the Listing of Securities on the Stock Exchange
“Loans”	the outstanding bank loans of GRG Huscoke
“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, chief executive officer and an executive Director, who is also the beneficial owner of the entire issued share capital of Shun Wang
“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not subscribe for the Offer Shares (whether partially or fully) in their assured entitlements

DEFINITIONS

“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them
“Offer Share(s)”	up to 574,142,698 new Share(s), proposed to be offered to the Qualifying Shareholders for subscription under the Open Offer on the terms and subject to the conditions set out in the Prospectus
“Open Offer”	the proposed issue of the Offer Shares by way of open offer at the Subscription Price to be made by the Company to the Qualifying Shareholders on the basis of two (2) Offer Shares for every one (1) existing Share held on the Record Date in accordance with the terms and conditions to be set out in the Prospectus
“Open Offer Specific Mandate”	the specific mandate to be granted to the Directors by the requisite majority of the Independent Shareholders at the SGM for the allotment and issuance of the Offer Shares
“Overseas Letter”	a letter from the Company to the Non-Qualifying Shareholders, if any, explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Open Offer
“Overseas Shareholder(s)”	the Shareholders with registered addresses as shown in the register of members of the Company which are outside of Hong Kong on the Record Date
“Possible Loan”	the loan in the aggregate principal amount of RMB122.50 million borrowed by GRG Huscoke from Lüliang Rural Credit Union* (呂梁市農村信用合作社聯合社) on 15 October 2014 that was not previously recorded on the financial statements of the Group
“PRC”	the People’s Republic of China and for the purpose of this Circular, excludes Hong Kong, the Special Administrative Region of Macau and Taiwan

DEFINITIONS

“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus, the Application Form and the EAF in relation to the Open Offer to be used by the Qualifying Shareholders to apply for the Offer Shares
“Prospectus Posting Date”	Friday, 9 December 2022 or such other date as may be announced by the Company for the despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Non-Qualifying Shareholders, to the extent legally and practically permissible
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Thursday, 8 December 2022, or such date as the Company may determine, being the date by reference to which entitlements to the Open Offer are to be determined
“Remuneration Specific Mandate”	the specific mandate to be granted to the Directors by the requisite majority of the Shareholders at the SGM for the allotment and issuance of the FA Remuneration Shares
“Repayment Demand Letter”	the repayment demand letter dated 16 August 2022 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 by 23 August 2022
“Resumption”	the resumption of trading of the Shares on the Stock Exchange
“Resumption Guidance(s)”	the resumption guidance(s) set out by the Stock Exchange on the Company from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“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 Increase in Authorised Share Capital, the Open Offer (including the grant of the Open Offer Specific Mandate), the CB Subscription (including the grant of the CB Specific Mandate) and the issue of the FA Remuneration Shares (including the grant of the Remuneration 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)
“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
“Subscription Price”	the subscription price of HK\$0.212 per Offer Share
“Unsubscribed Share(s)”	the Offer Share(s) that are not subscribed by the Qualifying Shareholders, the aggregated fractional Offer Shares and the Offer Shares which would otherwise have been allotted to the Non-Qualifying Shareholders (as the case may be)
“%”	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.*

EXPECTED TIMETABLE

The expected timetable for the Open Offer and the associated trading arrangement set out below are indicative only and it has been prepared on the assumption that all the conditions set out under the paragraph headed “Conditions of the Open Offer” in this Circular will be fulfilled. All times stated in this Circular refer to Hong Kong time and dates stated for events in the following expected timetable are indicative only and may be extended or varied.

The expected timetable for the Open Offer and the associated trading arrangement are as follows:

Event	Hong Kong time
Latest time for registration of Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Monday, 24 October 2022
Closure of register of members of the Company to determine the qualification for attendance and voting at the SGM.	Tuesday, 25 October 2022 to Monday, 31 October 2022 (both dates inclusive)
Latest time for lodging forms of proxy for the SGM	3:00 p.m. on Saturday, 29 October 2022
Record date for attending and voting at the SGM	Monday, 31 October 2022
Time and date of the SGM	3:00 p.m. on Monday, 31 October 2022
Announcement of poll results of the SGM	Monday, 31 October 2022
Re-opening of the register of members of the Company	Tuesday, 1 November 2022
Last day of cum-entitlements of the Open Offer	Tuesday, 29 November 2022
First day of ex-entitlements of the Open Offer	Wednesday, 30 November 2022
Latest Lodging Time	4:30 p.m. on Thursday, 1 December 2022

EXPECTED TIMETABLE

Event	Hong Kong time
Closure of register of members of the Company to determine the entitlements of the Qualifying Shareholders to the Open Offer	Friday, 2 December 2022 to Thursday, 8 December 2022 (both dates inclusive)
Record date for the Open Offer.	Thursday, 8 December 2022
Re-opening of the register of members of the Company	Friday, 9 December 2022
Despatch of Prospectus Documents (in the case of the Non-Qualifying Shareholders, the Prospectus with the Overseas Letter only).	Friday, 9 December 2022
Completion of the transactions contemplated under the Cooperation Agreement and the Agreement	Friday, 16 December 2022
Completion of the conditions of the Open Offer	Monday, 19 December 2022
Completion of the CB Subscription	Wednesday, 21 December 2022
Latest Time for Acceptance	4:00 p.m. on Friday, 23 December 2022
Announcement of the results of the Open Offer.	On or before Wednesday, 4 January 2023
Despatch of share certificates for the fully-paid Offer Shares and refund cheques (if applicable).	On or before Thursday, 5 January 2023
First day of dealings in the fully-paid Offer Shares	Friday, 6 January 2023

EXPECTED TIMETABLE

Effect of bad weather on the Latest Time for Acceptance

The Latest Time for Acceptance will be postponed if there is:

- (i) a tropical cyclone warning signal number 8 or above; or
- (ii) “extreme conditions” caused by super typhoons; or
- (iii) a black rainstorm warning;

in force in Hong Kong at any local time between 9:00 a.m. and 4:00 p.m. on Friday, 23 December 2022, the Latest Time for Acceptance will be postponed to 4:00 p.m. on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Friday, 23 December 2022, the dates mentioned in the above expected timetable may be affected. An announcement will be made by the Company as and when appropriate in such event.

LETTER FROM THE BOARD



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

14 October 2022

To the Shareholders:

Dear Sirs or Madams,

- (I) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(II) PROPOSED OPEN OFFER ON THE BASIS OF
TWO (2) OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE;
(III) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF CONVERTIBLE BONDS;
(IV) ISSUE OF THE FA REMUNERATION SHARES; AND
(V) NOTICE OF SGM**

INTRODUCTION

References are made to the Announcements in relation to, among other things, the Increase in Authorised Share Capital, the Open Offer, the CB Subscription and issue of the FA Remuneration Shares.

LETTER FROM THE BOARD

I. THE INCREASE IN AUTHORISED SHARE CAPITAL

In order to provide the Company with greater flexibility for the issue of the Offer Shares, Conversion Shares and other possible fund-raising activities in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$400,000,000 divided into 4,000,000,000 Shares by the creation of an additional 2,000,000,000 Shares. Subject to the passing of an ordinary resolution by the Shareholders at the SGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the SGM.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM. The Directors are of the view that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

II. THE OPEN OFFER

On 19 August 2022, the Company proposed to raise approximately HK\$121.7 million (before expenses) by way of the Open Offer of a maximum of 574,142,698 Offer Shares at the Subscription Price of HK\$0.212 per Offer Share on the basis of two (2) Offer Shares for every one (1) existing Share. Details of the Open Offer are summarised as follows:

Issue Statistics

Basis of the Open Offer:	Two (2) Offer Shares for every one (1) existing Share held on the Record Date
Subscription Price:	HK\$0.212 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	287,071,349 Shares
Number of Offer Shares:	Up to 574,142,698 Offer Shares
Number of Offer Shares undertaken to be taken up by Shun Wang:	Up to 293,683,808 Offer Shares
Maximum number of Shares to be in issue upon completion of the Open Offer:	Up to 861,214,047 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Offer Shares) will be allotted and issued on or before completion of the Open Offer)
Maximum funds to be raised before expenses:	Up to approximately HK\$121.7 million (assuming all the Offer Shares will be fully taken up)

LETTER FROM THE BOARD

Right of excess applications: Qualifying Shareholders may apply for Offer Shares in excess of their provisional allotment

Assuming there is no change to the issued share capital of the Company from the Latest Practicable Date up to the Record Date, the maximum number of 574,142,698 Offer Shares proposed to be issued pursuant to the terms of the Open Offer represent: (i) 200% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 66.67% of the total issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares (assuming all the Offer Shares will be taken up). The Offer Shares will be issued pursuant to the Open Offer Specific Mandate to be sought at the SGM.

As at the Latest Practicable Date, the Company has no outstanding warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares. Save for the CB Subscription, the Company has no intention to issue any new Shares and any other securities before the completion of the Open Offer.

The Open Offer will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Offer Shares and the level of subscription of the excess Offer Shares. The Qualifying Shareholders are entitled to apply for any Offer Shares in excess of their own assured allotments. In the event that the Open Offer is not fully subscribed, any Offer Shares not taken up by the Qualifying Shareholders will not be issued by the Company and the size of the Open Offer will be reduced accordingly.

The gross proceeds of the Open Offer (before expenses) are approximately HK\$121.7 million and net proceeds of the Open Offer (after expenses) are estimated to be approximately HK\$120.2 million. If no Qualifying Shareholders have taken up any of his/her/its entitlement under the Open Offer except for Shun Wang pursuant to the Irrevocable Undertaking and subject to the public float requirement under Rule 8.08(1)(a) of the Listing Rules (taking into account the completion of the allotment and issue of the FA Remuneration Shares), the gross proceeds of the Open Offer (before expenses) are approximately HK\$60.1 million and net proceeds of the Open Offer (after expenses) are estimated to be approximately HK\$58.6 million. It is expected that the net proceeds from the Open Offer will be applied in full for the partial repayment of the Cinda Facility.

LETTER FROM THE BOARD

The Subscription Price

The Subscription Price is HK\$0.212 per Offer Share, payable in full upon acceptance of the relevant assured allotment of the Offer Shares and, where applicable, application for excess Offer Shares under the Open Offer. The net Subscription Price per Offer Share (after deducting the relevant expenses) will be approximately HK\$0.209.

The Subscription Price of HK\$0.212 per Offer Share represents:

- (a) a discount of approximately 30.5% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 31.4% to the benchmarked price of approximately HK\$0.309 per Share (as defined under Rule 13.36(5) of the Listing Rules, taking into account that trading of the Shares has been halted since the Last Trading Day and 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 approximately HK\$0.309 per Share);
- (c) a discount of approximately 13.1% to the theoretical ex-entitlement price of HK\$0.244 per Share based on the benchmarked price of HK\$0.309 per Share;
- (d) a discount of approximately 31.4% to the average closing price of HK\$0.309 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (e) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 21.04% represented by the theoretical diluted price of approximately HK\$0.244 to the benchmarked price of HK\$0.309 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account (i) that trading of the Shares has been halted since the Last Trading Day; (ii) the closing price on the Last Trading Day of HK\$0.305 per Share; and (iii) 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\$0.309 per Share), and calculated on the basis that the Open Offer will be fully subscribed;
- (f) a premium of approximately HK\$0.714 over the audited consolidated net liabilities value per Share of approximately HK\$0.502 as at 31 December 2021 (based on the latest published audited consolidated net liabilities value of the Group attributable to the Shareholders of approximately HK\$144.23 million and 287,071,349 Shares in issue as at 31 December 2021); and

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- (g) a premium of approximately HK\$0.812 over the unaudited net liabilities value per Share of approximately HK\$0.6 per Share as at 30 June 2022 (based on the latest published unaudited consolidated net liabilities value of the Group attributable to the Shareholders of approximately HK\$172.29 million and 287,071,349 Shares in issue as at 30 June 2022).

The Subscription Price was determined by the Company with reference to, among other things, (i) the prolonged suspension of trading of the Shares since 29 March 2021; (ii) the market price of the Shares under the prevailing market conditions; (iii) the Group's current financial position, i.e. the net loss and the net liabilities for the financial year ended 31 December 2021; and (iv) the funding and working capital needs of the Group as set out in the paragraph headed "Reasons for the Open Offer and the CB Subscription and Use of Proceeds" below.

The Open Offer and the CB Subscription will result in a combined theoretical dilution effect of 25.72%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. Having considered that (i) the Company is in net deficit financial position which amounted to approximately HK\$189.15 million as at 30 June 2022; (ii) the net proceeds from the Open Offer and the CB Subscription will be used to repay the Cinda Facility to improve the financial position of the Group; (iii) the Open Offer and the CB Subscription offer the best available option for the Group to raise funds to meet its imminent funding needs due to the difficulties for the Group to obtain alternative financing from other sources under the current circumstances and factors set out in the paragraph headed "Reasons for the Open Offer and the CB Subscription and Use of Proceeds" below; and (iv) the theoretical dilution effect which is calculated based on the average closing price of the Shares for the last five consecutive trading days up to and including the Last Trading Day does not reasonably reflect the existing condition of the Company due to the prolonged suspension of trading of the Shares and given that the trading of the Shares on the Stock Exchange has been suspended since 29 March 2021, there would be practical difficulties in raising funds via the Open Offer without a subscription price set at a reasonable discount. In light of the foregoing exceptional circumstances, the Board is of the view that the combined theoretical dilution effect of the Open Offer and the CB Subscription of slightly over 25% is justifiable and the Open Offer and the CB Subscription are in the interests of the Company and the Shareholders as a whole.

Given that (i) it is a common market practice to set the subscription price of an open offer at a discount to the prevailing market prices taken into account the prolonged suspension of trading of the Shares; (ii) the Group intends to reduce its debt level through the Open Offer and the CB Subscription and provide additional working capital for its business operations; (iii) pursuant to the Irrevocable Undertaking as set out in the subsection headed "The Irrevocable Undertaking" in this letter, the controlling shareholder has irrevocably undertaken its maximum entitlement under the Open Offer (subject to public float requirements under the Listing Rules), which demonstrates a continuous support of the controlling shareholder of the Company to the Group's future development upon completion of the transactions contemplated under the Cooperation Agreement and the Agreement; (iv) the Subscription Price was determined by the Directors with reference to the actual funding

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needs and the maximum numbers of the Offer Shares; (v) the Qualifying Shareholders will be entitled to subscribe for the Offer Shares and can also apply for excess Offer Shares for taking further Shares; and (vi) taking into account the Open Offer and the CB Subscription, the combined material dilution effect of slightly over 25% is justifiable, the Company consider that the Subscription Price to be the best available term for the Open Offer, and the discount of the Subscription Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same Subscription Price in proportion to his/her/its existing shareholding in the Company. The Directors (excluding the members of the Independent Board Committee whose opinions in respect of the Open Offer are set forth in the “Letter from the Independent Board Committee” in this Circular) consider the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Irrevocable Undertaking

To facilitate the implementation of the Open Offer, on 19 August 2022, Shun Wang has provided the Irrevocable Undertaking to the Company. Pursuant to the Irrevocable Undertaking, Shun Wang has irrevocably undertaken to the Company that (i) those 146,841,904 Shares registered in the name of and beneficially owned by it will remain registered in the name of and beneficially owned by it before the date when the announcement of the results of the Open Offer is published; (ii) it will accept its maximum entitlement of up to 293,683,808 Offer Shares under the Open Offer, subject to the compliance of Rule 8.08(1)(a) of the Listing Rules by the Company; and (iii) it will lodge the Application Form in respect of its assured entitlement accompanied by appropriate remittance which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

Save as disclosed above and as at the Latest Practicable Date, the Company has not received any information or irrevocable undertaking from any other substantial shareholder (as defined under the Listing Rules) of the Company of any intention to take up the securities of the Company to be offered to them under the Open Offer.

Conditions of the Open Offer

The Open Offer is conditional upon the following conditions being fulfilled:

- (a) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Offer Shares;

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- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and with all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the CWUMPO not later than the Prospectus Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (d) compliance with and performance of all undertakings and obligations of Shun Wang with the Irrevocable Undertaking in all material respects;
- (e) where applicable, all necessary approvals, permissions, consents, waivers (including Shareholders or Independent Shareholders, regulators and creditors of the Company) required under the memorandum and bye-laws of the Company, applicable laws (including the Listing Rules, the SFO and otherwise) having been obtained in respect of transaction(s) or matter(s) in connection with or relating to or otherwise for the purpose of the Resumption (including without limitation, any open offer, subscription and debt restructuring of the Company);
- (f) the transactions contemplated under the Cooperation Agreement and the Agreement having completed; and
- (g) the Increase in the Authorised Share Capital of the Company having become effective.

The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so), and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Open Offer. The Company expects that condition (f) above will be fulfilled around the mid of December 2022, or such later dates as may be delayed due to the COVID-19 pandemic. If any of the conditions referred to above are not fulfilled at or before 4:00 p.m. on 28 January 2023 (or such later date as the Company may determine), the Open Offer will not proceed. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

The Open Offer is not inter-conditional with the CB Subscription or the issue of the FA Remuneration Shares.

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Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expired on 28 September 2022. If the Company fails to fulfill all the Resumption Guidance, address all issues arising from time to time causing its trading suspension, and re-comply with the Listing Rules by 28 September 2022, the Stock Exchange is entitled to delist the Company under the Listing Rules.

Shareholders and potential investors should note that completion of the Open Offer is conditional upon satisfaction of the above conditions precedent, including, among others, the Stock Exchange granting the listing of, and permission to deal in the Offer Shares. Accordingly, the Open Offer 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.

Status of the Offer Shares

The Offer Shares (when allotted, fully paid and issued) will rank *pari passu* in all respects among themselves and the Shares in issue as at the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid on or after the date of allotment and issue of the Offer Shares, as well as rights to voting and interest in capital. The Offer Shares will be allotted and issued under the Open Offer Specific Mandate to be sought at the SGM.

Qualifying Shareholders

The Open Offer will be made available to the Qualifying Shareholders. The Company will, subject to compliance with the relevant local laws, regulations and requirements, send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus with the Overseas Letter to the Non-Qualifying Shareholders for information purposes only. No Application Form(s) or EAF(s) will be sent to the Non-Qualifying Shareholders.

To qualify for the Open Offer, a Shareholder must (a) be registered as a member of the Company at the close of business on the Record Date; and (b) not be a Non-Qualifying Shareholder.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

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In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Tricor Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than the Latest Lodging Time, i.e. 4:30 p.m. (Hong Kong time) on Thursday, 1 December 2022.

Closure of register of members

The register of members of the Company will be closed from Friday, 2 December 2022 to Thursday, 8 December 2022, both dates inclusive, for the purpose of determining entitlements of Qualifying Shareholders to the Open Offer. No transfer of the Shares will be registered during this period.

Rights of the Non-Qualifying Shareholders

The Prospectus Documents are not intended to be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, the Company identified that there were 22 Overseas Shareholders with registered addresses situated in Australia, Canada, Malaysia, the PRC, Taiwan, the United Kingdom and the United States of America. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors is in the course of make enquiries regarding the legality and feasibility of extending the Open Offer to such Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges and make relevant disclosure of the results of such enquiries in the Prospectus. The Company will, subject to compliance with the relevant local laws, regulations, and requirements, send copies of the Prospectus with the Overseas Letter for information only, but will not send any Application Form(s) or EAF(s), to the Non-Qualifying Shareholders.

The Company will continue to ascertain whether there are any other Overseas Shareholders at the Record Date and will, if necessary, make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Open Offer to such Overseas Shareholders as at the Record Date and make relevant disclosure in the Prospectus. If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place(s) or any requirement of the relevant regulatory body(ies) or stock exchange(s) in that or those place(s), not to offer the Offer Shares to such Overseas Shareholders, no provisional allotment of Offer Shares will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Non-Qualifying Shareholders. The Offer Shares which would otherwise have been in the assured allotments of the Non-Qualifying Shareholders will be available under the EAFs.

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Overseas Shareholders should note that they may or may not be entitled to the Open Offer, subject to the results of enquires made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Application for excess Offer Shares

Pursuant to Rule 7.26A of the Listing Rules, the Company must make arrangements to dispose of the Offer Shares not validly applied for by means of EAFs or by offering the same to independent places for the benefit of those Shareholders.

The Offer Shares (i) to which the Non-Qualifying Shareholders would otherwise have been entitled; (ii) not validly applied for by the Qualifying Shareholders under the Open Offer; and (iii) created by aggregation of fractional assured entitlements, will be available for excess application by the Qualifying Shareholders.

The Qualifying Shareholders are entitled to apply for any Offer Shares in excess of their own assured allotments by completing an EAF and lodging the same with a separate remittance for the excess Offer Shares being applied for, but are not assured of being allocated any Offer Shares in excess of their assured allotments under the Application Forms.

The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis as far as practicable according to the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Offer Shares than they would receive, which is an unintended and undesirable result; and
- (ii) subject to availability of excess Offer Shares, the excess Offer Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the excess Offer Shares applied for by them.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any application may have been made with the intention to abuse the mechanism, such application(s) for excess Offer Shares may be rejected at the sole discretion of the Board.

No preference will be given to topping-up odd lots to whole board lots. Shareholders who have been offered odd lots of the Offer Shares should note that there is no guarantee that such odd lots of the Offer Shares will be topped up to create whole board lots pursuant to applications for excess Offer Shares. Any Offer Shares not applied for by the Qualifying Shareholders and not taken by excess application will not be allotted and issued and the size of the Open Offer will be reduced accordingly.

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Shareholders with their Shares held by a nominee (including HKSCC) should note that the Directors will regard the nominee (including HKSCC) as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the name of a nominee (including HKSCC) should note that the aforesaid arrangements in relation to the allocation of excess Offer Shares will not be extended to them individually. Shareholders should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names prior to the book closure period and apply for the Offer Shares themselves.

The Application Form and the EAF will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to accept the Offer Shares as shown therein subject to payment in full by the Latest Time for Acceptance. Application may be made only by the Qualifying Shareholders by completing an EAF and lodging the same with a separate remittance for the excess Offer Shares being applied for.

Those Qualifying Shareholders who do not take up the Offer Shares in full to which they are entitled to and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open Offer.

Fractions of the Offer Shares

Entitlement to the Open Offer will be rounded down to the nearest whole number. No fractional entitlements to the Offer Shares will be issued to the Qualifying Shareholders. No entitlements of the Non-Qualifying Shareholders to the Offer Shares will be issued to the Non-Qualifying Shareholders. The Non-Qualifying Shareholders (which are excluded from the Open Offer) would not have any entitlement under the Open Offer. All such fractional entitlements will be aggregated and integral numbers of the Offer Shares will be available for excess application by the Qualifying Shareholders. Should there be no excess application by the Qualifying Shareholders, those Offer Shares created from the aggregation of fractional assured entitlements will not be allotted and issued and the size of the Open Offer will be reduced accordingly.

Non-underwritten basis

Given the prolonged suspension of trading of the Shares and the required time for Resumption have resulted in increased difficulties for the Company in seeking potential placing agents or underwriters to express interest in undertaking the Unsubscribed Shares, the Open Offer will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Offer Shares. The Unsubscribed Shares under the Application Forms and the EAFs, if any, will not be issued by the Company and the size of the Open Offer will be reduced accordingly. There are no statutory requirements regarding minimum subscription levels in respect of the Open Offer.

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Application for listing of the Offer Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for the Offer Shares

Subject to the fulfilment of the conditions of the Open Offer, share certificates for all Offer Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Offer Shares on or before Thursday, 5 January 2023 by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares, or if the Open Offer is terminated, refund cheques in respect of the applications for Offer Shares are expected to be posted on or before Thursday, 5 January 2023 by ordinary post to the applicants at their own risk.

Odd lots trading arrangement and matching services

In order to facilitate the trading of odd lots of new Shares arising from the Open Offer, the Company will appoint a designated broker as matching agent to provide matching service, on a best effort basis, to those Shareholders who wish to top-up or sell their shareholdings of odd lots of the Shares during such period to be further announced by the Company. Any Shareholder who is in any doubt about the odd lots trading arrangement is recommended to consult his/her/its own professional advisers. Further details of the odd lot arrangements will be set out in the Prospectus. Holders of odd lots of the Shares should note that the matching of sale and purchase of odd lots of the Shares is not guaranteed.

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III. THE CB SUBSCRIPTION

On 19 September 2022 (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\$154,000,000. Details of the CB Subscription Agreement is set out as below:

Date

19 September 2022 (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, a connected person of the Company.

Conditions of the CB Subscription

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 granting or agreeing to grant and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued upon the conversion of the Convertible Bonds;
- (iii) the Increase in the Authorised Share Capital having become effective;
- (iv) the transactions contemplated under the Cooperation Agreement and the Agreement having completed;

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- (v) all necessary approvals and permissions required to be obtained by the Company in connection with the transactions contemplated under the CB Subscription Agreement having been obtained and not revoked before completion of the CB Subscription; and
- (vi) all necessary approvals and permissions required to be obtained by the Subscriber in connection with the transactions contemplated under the CB Subscription Agreement having been obtained and not revoked before completion of the CB Subscription.

If any of the conditions precedent above have not been fulfilled on or before 4:00 p.m. on 28 January 2023 (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.

The CB Subscription is not inter-conditional with the Open Offer or the issue of the FA Remuneration Shares.

Completion

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.

Principal terms of the Convertible Bonds

Issuer	:	The Company
Aggregate Principal Amount	:	HK\$154,000,000
Issue Price	:	100% of the principal amount

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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 30% or more of the entire issued voting share capital of the Company (or such other percentage as may from time to time be specified in the Takeovers Code as being the level of triggering a mandatory general offer) as at the date of conversion and 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\$0.212 per Conversion Share, subject to adjustments

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The Conversion Price of HK\$0.212 per Conversion Share is equivalent to the Subscription Price and was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the Subscription Price and represents:

- (i) a discount of approximately 30.5% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 31.4% to the average closing price of HK\$0.309 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day.

**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; (ii) capitalisation of profits or reserves; (iii) capital distribution; (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; (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; or (vi) issue of any Shares wholly for cash at a price per Share which is less than 90% of the then market price; and (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.

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- Conversion Shares** : Based on the initial Conversion Price of HK\$0.212 per Conversion Share, a total of 726,415,094 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, representing (i) approximately 253% of the total number of Shares in issue as at the Latest Practicable Date, and (ii) approximately 71.7% of the total number of Shares in issue as enlarged by the allotment and issue of the 726,415,094 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 constituting 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.

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The gross proceeds and the net proceeds from the CB Subscription (assuming the Convertible Bonds are converted in full) are estimated to be HK\$154 million and approximately HK\$153.5 million respectively. The Company intends to use such net proceeds to make up for the shortfall in the repayment of the Cinda Facility after utilising the net proceeds from the Open Offer, and the remaining net proceeds (if any) for the working capital of the Group.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expired on 28 September 2022. If the Company fails to fulfill all the Resumption Guidance, address all issues arising from time to time causing its trading suspension, and re-comply with the Listing Rules by 28 September 2022, the Stock Exchange is entitled to delist the Company under the Listing Rules.

Shareholders and potential investors should note that completions of the Open Offer and the CB Subscription are conditional upon satisfaction of certain condition precedent as set out in the paragraphs headed “Conditions of the Open Offer” and “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 Offer Shares and the Conversion Shares. Accordingly, the Open Offer and 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. Any Shareholder or other person contemplating selling or purchasing Shares who is in any doubt about their position is recommended to consult their own professional advisor.

IV. ISSUE OF THE FA REMUNERATION SHARES

The Company issue 3,301,886 FA Remuneration Shares to settle part of the professional fees in the amount of HK\$700,000 to the Financial Adviser (or its nominees) at an issue price equivalent to the Conversion Price and the Subscription Price, i.e. HK\$0.212 per Share, subject to and upon the approval by the Stock Exchange on the Resumption.

Issue of FA Remuneration Shares

The principal terms of the FA Remuneration Shares are set out as follows:

Amount to be settled by the issue HK\$700,000
of the FA Remuneration Shares:

Issue price: HK\$0.212 per FA Remuneration Share,
equivalent to the Conversion Price and the
Subscription Price

LETTER FROM THE BOARD

Number of the FA Remuneration Shares: 3,301,886 FA Remuneration Shares

The 3,301,886 FA Remuneration Shares represent (i) approximately 1.15% of the total number of issued Shares as at the Latest Practicable Date; (ii) approximately 0.32% of the total number of issued Shares as enlarged by the allotment and issue of the 726,415,094 Conversion Shares upon full conversion of the Convertible Bonds and the 3,301,886 FA Remuneration Shares.

For the avoidance of doubt, the FA Remuneration Shares do not have the entitlements to subscribe for the Offer Shares under the Open Offer since the FA Remuneration Shares will be issued after the Record Date.

The issue of the FA Remuneration Shares is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders on the issue of the FA Remuneration Shares at the SGM;
- (ii) the Listing Committee of Stock Exchange granting approval for the listing of, and permission to deal in, the FA Remuneration Shares (and such listing and permission not being subsequently revoked prior to the completion of the issue of the FA Remuneration Shares);
- (iii) the approval by the Stock Exchange for the Resumption; and
- (iv) the Increase in the Authorised Share Capital having become effective.

Should the issue of the FA Remuneration Shares not be approved by the Shareholders at the SGM, the Company should pay in lieu of cash in the aggregate amount of HK\$700,000 to the Financial Adviser on the date of the Resumption.

Use of proceeds

The issue of the FA Remuneration Shares will be for partial settlement of the professional fees of the Financial Adviser, so no proceeds will be generated therefrom.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Open Offer and the CB Subscription (assuming (a) all Shareholders have taken up their respective entitlement of Offer Shares under the Open Offer); and (b) the Convertible Bonds are converted in full) and the issue of the FA Remuneration Shares; and (iii) immediately after completion of the Open Offer and the CB Subscription (assuming (a) no Qualifying Shareholders have taken up any of his/ her/its entitlement of the Offer Shares under the Open Offer except for Shun Wang pursuant to the Irrevocable Undertaking; and (b) the Convertible Bonds are converted in full) and the issue of the FA Remuneration Shares, are illustrated in the below table (for illustrative purpose only):

	As at the Latest Practicable Date		Immediately after completion of the Open Offer and the CB Subscription (assuming (a) all Shareholders have taken up their respective entitlement of Offer Shares under the Open Offer; and (b) the Convertible Bonds are converted in full) and the issue of the FA Remuneration Shares		Immediately after completion of the Open Offer and the CB Subscription (assuming (a) no Qualifying Shareholders have taken up any of his/her/its entitlements of the Offer Shares under the Open Offer except for Shun Wang pursuant to the Irrevocable Undertaking; and (b) the Convertible Bonds are converted in full) and the issue of the FA Remuneration Shares	
	Approximately		Approximately		Approximately	
	Number of Shares held	% of total Shares in issue	Number of Shares held	% of total Shares in issue	Number of Shares held	% of total Shares in issue
Substantial shareholders						
Shun Wang (Notes 1 & 2)	146,841,904	51.15	440,525,712	27.69	440,525,712	33.62
The Subscriber (Notes 1 & 3)	–	–	726,415,094	45.66	726,415,094	55.43
Director						
To Wing Tim Paddy	24,333	0.01	72,999	0.01	24,333	0.01
Public Shareholders						
Veda Capital	–	–	3,301,886	0.21	3,301,886	0.25
Other public Shareholders	140,205,112	48.84	420,615,336	26.43	140,205,112	10.69
Total public float		48.84		26.64		10.94
Total	287,071,349	100.00	1,590,931,027	100.00	1,310,472,137	100.00

LETTER FROM THE BOARD

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. Pursuant to the Irrevocable Undertaking, Shun Wang has undertaken to take up its entitlement of a maximum of 293,683,808 Offer Shares under the Open Offer, subject to the compliance of Rule 8.08(1)(a) of the Listing Rules by the Company. If no Qualifying Shareholders take up any of his/her/its entitlement under the Open Offer except for Shun Wang pursuant to the Irrevocable Undertaking, the maximum number of Offer Shares which Shun Wang can take up is 283,654,756 Offer Shares (taking into account the completion of the allotment and issue of the FA Remuneration Shares).
3. 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.

Shareholders and public investors should note that the above changes in shareholding structure of the Company are for illustration purpose only and the actual change in the shareholding structure of the Company upon completion of the Open Offer and the CB Subscription is subject to various factors including, among other things, the acceptance level of the Open Offer.

REASONS FOR THE OPEN OFFER AND 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 and the facility has not yet been settled as at the Latest Practicable Date. As at the Latest Practicable Date, the total amount of outstanding principal and accrued interest in respect of the Cinda Facility is approximately HK\$230.3 million. On 16 August 2022, the Company received the Repayment Demand Letter 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. The Company has thoroughly communicated with Cinda HK regarding the arrangement and the payment schedule of repaying the Cinda Facility with proceeds from the Open Offer and the CB Subscription and Cinda HK has expressed its affirmation and continues to support the Company's Resumption work. As at the Latest Practicable Date, no further enforcement action has been commenced by

LETTER FROM THE BOARD

Cinda HK against the Company and the Company is in discussion with Cinda HK to seek proper solution of the Cinda Facility under the consensus of completing the Resumption as soon as possible.

As at the Latest Practicable Date, the cash and bank balance of the Company in Hong Kong is insufficient to repay the loan owed by the Group to Cinda HK 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 proposed Open Offer and the CB Subscription are intended to be applied for the repayment of the Cinda Facility and the remaining amount of net proceeds (if any) for the general working capital of the Group.

Assuming that there is no change in the number of issued Shares on or before the Record Date and all Offer Shares to be issued under the Open Offer have been taken up in full, the gross proceeds from the Open Offer (assuming that all Shareholders subscribe for their respective entitlement of the Offer Shares under the Open Offer) will be approximately HK\$121.7 million. The net proceeds from the Open Offer (assuming that all Shareholders subscribe for their respective entitlement of the Offer Shares under the Open Offer) (after deduction of estimated professional fees and other related expenses of approximately HK\$1.5 million) are estimated to be approximately HK\$120.2 million (assuming no other change in the number of Shares in issue on or before the Record Date). The gross proceeds from the CB Subscription are estimated to be HK\$154 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\$153.5 million respectively.

Accordingly, the maximum aggregate net proceeds from the Open Offer and the CB Subscription are expected to be approximately HK\$273.7 million which will be used to repay the Cinda Facility to improve the financial position of the Group, being the most significant and pressing funding need of the Group as at the Latest Practicable Date, and given the situation, the remaining amount of approximately HK\$43.4 million will be used for the general working capital of the Group.

Given that (i) upon completion of the transactions contemplated under the Cooperation Agreement and the Agreement, the resumption of business operation of the Group would allow the Group to generate sufficient revenue and the net assets value of the Group would be significantly enhanced; (ii) the controlling Shareholder has irrevocably undertaken its maximum entitlement under the Open Offer, showing its continuous support for Group's future development; (iii) the terms of the Open Offer are attractive as the Open Offer allows the Qualifying Shareholders (a) to subscribe for the Offer Shares at a discount, to maintain their shareholding interests in the Company and to participate in the Group's future growth and development upon Resumption; and (b) to apply for excess application for taking further Offer Shares; and (iv) the maximum total of net proceeds from the Open Offer and the CB Subscription will be sufficient to repay the Cinda Facility, which could reduce debt level of the Group and provide additional working capital for its business operations of the Group, the Directors

LETTER FROM THE BOARD

consider it likely that the Independent Shareholders would vote in favour of the relevant resolutions to be proposed at the SGM to approve the Open Offer, the CB Subscription and the transactions contemplated thereunder.

The Company is of the view that upon the completion of the Open Offer and the CB Subscription, the working capital available to the Group will be sufficient for the Group's requirements for at least the next 12 months.

Pursuant to the terms of the Open Offer, the Offer Shares not taken up by the Qualifying Shareholders will be offered under the EAF, and any Unsubscribed Shares will not be allotted and issued and the size of the Open Offer will be reduced accordingly. All net proceeds from the Open Offer will be applied for the settlement of debt owed by the Group to Cinda HK, which is the most significant and pressing funding need of the Group as at the Latest Practicable Date.

The Company has considered other fund-raising alternatives before resolving to the Open Offer and the CB Subscription, including but not limited to debt financing, placing of new Shares and rights issue. Debt financing or bank loans would result in additional interest burden to and higher gearing ratio of the Group. Placing of new Shares would only be available to certain places who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders in the Company.

Although rights issue, as compared to an open offer, can provide an additional option to those Shareholders who do not wish to take up the entitlements by selling their entitled nil-paid rights, rights issue would involve extra administrative work and cost for the preparation, printing, posting and processing of trading arrangements in relation to the nil-paid rights. The Company will also incur additional resources to administer the trading of the nil-paid rights including communication between the Company and other parties such as the registrar or financial printer. In addition, since trading in the Shares has been suspended since 29 March 2021, there would be high uncertainty of the existence of an active market to trade the nil-paid rights. In view of the above, the Board considers raising funds by way of the issue of the Convertible Bonds, together with Open Offer is more cost-effective and efficient as compared to a rights issue.

The objective of the Open Offer is to enable the Shareholders to maintain their proportionate shareholding interests in the Company should they wish to do so, ensuring stability in the Shareholders' base in the Company, and to participate in the Company's future growth and development. The Board therefore considers, since the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company, even without the right to trade their nil-paid rights as in a rights issue, on balance, to conduct an Open Offer instead of a rights issue will be more beneficial to the Company and the Shareholders as a whole in the current circumstances.

LETTER FROM THE BOARD

However, the No Action Shareholders should note that their shareholding interest in the Company will be diluted. The Board has considered that the potential dilution impact on the shareholding interests of the Qualifying Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Offer Shares, to be acceptable.

The objective of the CB Subscription is to serve to make up for the shortfall in the repayment of the Cinda Facility. As the interest rate of the Convertible Bonds is in line with or better than prevailing market rates 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 Open Offer and the CB Subscription, the Directors (excluding the members of the Independent Board Committee whose opinions in respect of the Open Offer and the CB Subscription are set forth in the "Letter from the Independent Board Committee" in this Circular) consider that the terms of the Open Offer and the CB Subscription are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. 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. However, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders (other than the Non-Qualifying Shareholders) to participate in the growth of the Company in proportion to their shareholdings. If the Shareholders were to vote down any resolution in relation to the Increase in Authorised Share Capital, the Open Offer and the CB Subscription, the Company may propose other alternative fund-raising activities to meet the funding needs of the Group.

Having considered the above factors, the Directors (excluding the members of the Independent Board Committee whose opinions in respect of the Open Offer and the CB Subscription are set forth in the "Letter from the Independent Board Committee" in this Circular) consider that the Open Offer and the CB Subscription are appropriate methods to raise the necessary funding for the Company which will allow the Qualifying Shareholders to have the right to participate in the new share issue to maintain their pro rata shareholdings interest in the Company should they wish to do so and is also in the interest of the Company and Shareholders as a whole.

PUBLIC FLOAT

The Company will take necessary steps to ensure the minimum public float requirement, as set out under Rule 8.08 of the Listing Rules, be maintained at all times upon completion of the Open Offer.

LETTER FROM THE BOARD

FUNDS RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the Open Offer and the CB Subscription, the Company has not conducted any equity fund raising activity in the past twelve months before the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

As the Offer Shares will be issued pursuant to the Open Offer Specific Mandate, in accordance with Rule 7.24A(1) of the Listing Rules, the Open Offer must be made conditional on approval by the Independent Shareholders at the SGM and, pursuant to Rule 7.27A(1) of the Listing Rules, any controlling shareholders of the Company and their associates shall abstain from voting in favor of the resolution(s) relating to the Open Offer. As at the Latest Practicable Date, Shun Wang is a controlling shareholder of the Company interested in 146,841,904 Shares, representing approximately 51.15% of the issued share capital of the Company. As such, Shun Wang and its associates are required to abstain from voting on the resolutions in respect of the Open Offer at the SGM.

As at the Latest Practicable Date, the Subscriber is directly wholly-owned by Mr. Zhao, 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.

The Increased in Authorised Share Capital and issue of the FA Remuneration Shares are subject to the Shareholders' approval at the SGM. No Shareholder has a material interest in the transactions contemplated thereunder and accordingly no Shareholder is required to abstain from voting on the relevant resolutions to approve the Increased in Authorised Share Capital and issue of the FA Remuneration Shares at the SGM.

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 Open Offer, CB Subscription Agreement and the transactions contemplated thereunder. SBI China has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer and the CB Subscription are 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.

LETTER FROM THE BOARD

The SGM will be convened to consider and, if thought fit, among other things, approve the Increase in Authorised Share Capital, the Open Offer (including the grant of the Open Offer Specific Mandate), the CB Subscription (including the grant of the CB Specific Mandate) and the issue of the FA Remuneration Shares (including the grant of the Remuneration Specific Mandate). The aforementioned resolutions will be voted on by the Shareholders (or the Independent Shareholders in the case of the Open Offer and the CB Subscription) by way of poll. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, save for Mr. Zhao, Shun Wang and their associates, no other Shareholders have a material interest in the Increase in Authorised Share Capital, the Open Offer (including the grant of the Open Offer Specific Mandate), the CB Subscription (including the grant of the CB Specific Mandate) or the issue of the FA Remuneration Shares (including the grant of the Remuneration Specific Mandate), and save for Mr. Zhao, Shun Wang and their associates (which shall abstain from voting at the SGM in respect of the Open Offer and the CB Subscription), no other Shareholders would have to abstain from voting at the SGM in respect of the Increase in Authorised Share Capital, the Open Offer (including the grant of the Open Offer Specific Mandate), the CB Subscription (including the grant of the CB Specific Mandate) or the issue of the FA Remuneration Shares (including the grant of the Remuneration Specific Mandate). Save for Mr. Zhao (who had a material interest in the CB Subscription as the Subscriber is a company wholly-owned by him), no other Director has material interest in the Increase in Authorised Share Capital, the Open Offer (including the grant of the Open Offer Specific Mandate), the CB Subscription (including the grant of the CB Specific Mandate) or the issue of the FA Remuneration Shares (including the grant of the Remuneration Specific Mandate) and accordingly no other Director is 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 completions of the Open Offer and the CB Subscription are conditional upon satisfaction of certain condition precedent as set out in the paragraphs headed “Conditions of the Open Offer” and “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 Offer Shares and the Conversion Shares. Accordingly, the Open Offer and 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

CONTINUED SUSPENSION OF TRADING

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

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expired on 28 September 2022. If the Company fails to fulfill all the Resumption Guidance, address all issues arising from time to time causing its trading suspension, and re-comply with the Listing Rules by 28 September 2022, the Stock Exchange is entitled to delist the Company under the Listing Rules.

The publication of this Circular and completion of the Open Offer and the CB Subscription do not indicate any decision or conclusion from the Stock Exchange not to delist the Company nor warrant any approval from the Stock Exchange on the Resumption, or indicate any decision or conclusion from the Stock Exchange about the Company's fulfilment of the Resumption Guidance, including compliance with Rule 13.24 of the Listing Rules.

The Company will disclose updates on the satisfaction of Resumption Guidance by way of announcement, as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

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
Huscoke Holdings Limited
Mr. Zhao Xu Guang
Chairman and Chief Executive Officer

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 Open Offer and the CB Subscription.



HUSCOKE HOLDINGS LIMITED

和嘉控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 704)

14 October 2022

To the Independent Shareholders

Dear Sir or Madam,

- (I) PROPOSED OPEN OFFER ON THE BASIS OF
TWO (2) OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE;
(II) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION OF CONVERTIBLE BONDS; AND
(III) NOTICE OF SGM**

INTRODUCTION

We refer to the circular of the Company dated 14 October 2022 (“**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 Open Offer and 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 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 Open Offer and the CB Subscription are set out in the “Letter from the Board” contained in the Circular. SBI China, 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the principal factors and reasons it has taken into consideration in arriving such advice, are contained in its letter set out on pages 43 to 81 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.

RECOMMENDATION

Having considered the terms of the Open Offer, the CB Subscription and the advice and recommendations of the Independent Financial Adviser as contained in its letter set out on pages 43 to 81 of the Circular, we consider that although the Open Offer and the CB Subscription are not in the ordinary and usual course of business of the Group, the terms of the Open Offer and the CB Subscription are in normal commercial terms or better and 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 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 Open Offer, the CB Subscription and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee of
Husoke 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

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



14 October 2022

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

Dear Sir or Madam,

**(1) PROPOSED OPEN OFFER ON THE BASIS OF
TWO (2) OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE; AND
(2) CONNECTED TRANSACTION IN
RELATION TO SUBSCRIPTION OF CONVERTIBLE BONDS**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer and the CB Subscription, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 14 October 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise specified.

The trading of the Shares has been suspended since 29 March 2021. On 7 May 2021, the Company received a letter from the Stock Exchange in which the resumption guidance (the “**Initial Resumption Guidance**”) was set out for the Company. Pursuant to which, if the Company fails to remedy the issues causing its trading suspension, fulfil the Initial Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction, and resume trading in Shares by 28 September 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company’s listing.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 14 February 2022, the Company received a letter from the Stock Exchange, in which the Stock Exchange notified the Company to modify one of the Initial Resumption Guidance and to include additional resumption guidance, which formed the latest resumption guidance (the “**Resumption Guidance**”). The Resumption Guidance required, among others, the publication of all outstanding financial results required under the Listing Rules and address any audit modifications. One of the audit modifications in the annual report for the year ended 31 December 2021 is material uncertainty related to going concern. Zhonghui Anda CPA Limited (the “**Company’s Auditor**”) mentioned in its disclaimed opinion that the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group’s ability to completion of the very substantial transaction of new operating assets under the Agreement (the “**Assets Transfer**”), the completion of the fundraising activities (the “**Fundraising**”) and the success in delaying the payments by persuading the creditors of the Group not to insist on demanding repayment before the full operation of the Group’s new operating assets (collectively, “**Validity Conditions**”). Please refer to the announcement dated 19 April 2022 for details of the Assets Transfer and the announcement dated 8 August 2022 for details of a very substantial disposal and connected transaction for carving out relevant debt and liabilities from the Group (the “**Disposal**”).

The Company proposes to carry out the Open Offer to raise approximately HK\$121.7 million before expenses, of a maximum of 574,142,698 Offer Shares at the Subscription Price of HK\$0.212 per Offer Share on the basis of two (2) Offer Shares for every one (1) existing Share held on the Record Date. The Open Offer is not underwritten and will not be extended to the Non-Qualifying Shareholder(s), if any. As at the Latest Practicable Date, the Company has no outstanding warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares. Save for the CB Subscription, the Company has no intention to issue any new Shares and any other securities before the completion of the Open Offer.

The net proceeds of the proposed Open Offer are intended to be applied for the partial repayment of the Cinda Facility, which will alleviate the indebtedness of the Group. Please refer to “(2) Reasons for entering into of the Open Offer, the CB Subscription and use of proceeds – (i) Immediate repayment of the Cinda Facility – The Cinda Facility” below for details of the Cinda Facility.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, 146,841,904 Shares are held by Shun Wang (the controlling Shareholder, which is indirectly wholly-owned by Mr. Zhao), representing approximately 51.15% of the issued share capital of the Company. Pursuant to the Irrevocable Undertaking, Shun Wang has irrevocably undertaken to the Company that (i) those 146,841,904 Shares registered in the name of and beneficially owned by it will remain registered in the name of and beneficially owned by it before the date when the announcement of the results of the Open Offer is published; (ii) it will accept its maximum entitlement of up to 293,683,808 Offer Shares under the Open Offer, subject to the compliance of Rule 8.08(1)(a) of the Listing Rules by the Company; and (iii) it will lodge the Application Form in respect of its assured entitlement accompanied by appropriate remittance which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance. Save for the Irrevocable Undertaking, the Board has not received any information or irrevocable undertakings from any other substantial shareholders of the Company of any intention to take up the securities of the Company to be offered to them under the Open Offer.

As the Offer Shares will be issued pursuant to the Open Offer Specific Mandate, in accordance with Rule 7.24A(1) of the Listing Rules, the Open Offer must be made conditional on approval by the Independent Shareholders at the SGM and, pursuant to Rule 7.27A(1) of the Listing Rules, any controlling Shareholders and their associates shall abstain from voting in favor of the resolution(s) relating to the Open Offer. As such, Shun Wang and its associates are required to abstain from voting on the resolutions in respect of the Open Offer at the SGM.

The Open Offer is conditional upon, among other things, where applicable, all necessary approvals, permissions, consents, waivers required under the memorandum and bye-laws of the Company, applicable laws having been obtained in respect of transaction(s) or matter(s) in connection with or relating to or otherwise for the purpose of the Resumption.

On 19 September 2022 (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\$154,000,000.

Based on the initial Conversion Price of HK\$0.212 per Conversion Share, a total of 726,415,094 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, representing (i) approximately 253% of the total number of Shares in issue as at the Latest Practicable Date, and (ii) approximately 71.7% of the total number of Shares in issue as enlarged by the allotment and issue of the 726,415,094 Conversion Shares upon full conversion of the Convertible Bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The gross proceeds and the net proceeds from the CB Subscription (assuming the Convertible Bonds are converted in full) are estimated to be HK\$154 million and approximately HK\$153.5 million respectively. The Company intends to use such net proceeds to make up for the shortfall in the repayment of the Cinda Facility after the proceeds from the Open Offer and the remaining proceeds (if any) for the working capital of the Group.

As at the Latest Practicable Date, the Subscriber is directly wholly-owned by Mr. Zhao, 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.

At the SGM, the Open Offer (including the grant of the Open Offer Specific Mandate) and the CB Subscription (including the grant of the CB Specific Mandate) will be voted on by the Independent Shareholders by way of poll.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Lam Hoy Lee, Laurie, Mr. To Wing Tim, Paddy and Dr. Wang Wei Hsin, has been established to make recommendation to the Independent Shareholders regarding the Open Offer, the CB Subscription and the respective transactions contemplated thereunder, including the Open Offer Specific Mandate and the CB Specific Mandate. We, SBI China Capital Hong Kong Securities Limited ("SBI"), has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of (i) the Open Offer including the Subscription Price; and (ii) the CB Subscription including the Conversion Price are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and advise on how to vote at the SGM.

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company that could reasonably be regarded as relevant to the independence of SBI. We are not associated with the Company, Shun Wang, the Subscriber, Mr. To Wing Tim Paddy, their respective substantial shareholders or any party acting in concert with any of them. In the last two years, we have not acted as the independent financial adviser or financial adviser to the Independent Board Committees and the Independent Shareholders, except for other engagements (which we act in the same capacity as in this engagement) in relation to certain transactions to be contemplated by the Company as part of the plan for the Resumption including our appointment as independent financial adviser for the very substantial disposal and connected transaction in relation to the disposal of equity interest in the disposal company announced on 8 August 2022. Apart from normal professional fees payable to us in connection with this engagement and such other engagements, no arrangement exists whereby SBI will receive any fees or benefits from the Company, Shun Wang, the Subscriber, Mr. To Wing Tim Paddy, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

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

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group. We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Offer Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Offer Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Open Offer and, if in any doubt, should consult their own professional advisers.

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

This letter is issued for the information of the Independent Board Committees and the Independent Shareholders solely in connection with their consideration of the Open Offer, the CB Subscription and the respective transactions contemplated thereunder 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Open Offer and the CB Subscription and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

(1) **Financial information of the Group**

Financial results

The following table summarises the financial information of the Group for each of the three years ended 31 December 2021 and the six months ended 30 June 2021 and 2022 as extracted from the annual report of the Company for the year ended 31 December 2020 (the “**Annual Report 2020**”), the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report 2021**”) and the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report 2022**”), respectively.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) For the six months ended 30 June 2022

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

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

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

(b) For the year ended 31 December 2021

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

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

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

(c) For the year ended 31 December 2020

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

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

The Group had overgone a change in the transportation mode of coke. Transportation costs were transferred to customers and decreased from approximately HK\$118.1 million for the year ended 31 December 2019 to HK\$ 8.1 million for the year ended 31 December 2020. Meanwhile, with the implementation of effective cost control measures, the Group's administrative expenses decreased from approximately HK\$109.1 million for the year ended 31 December 2019 to approximately HK\$93.6 million for the year ended 31 December 2020. The Group's finance costs increased from HK\$60.0 million for the year ended 31 December 2019 to approximately HK\$73.4 million for the year ended 31 December 2020. Such increase was mainly due to its other borrowings added in the second half of 2019, which incurred only half-year interest expense in 2019, compared to a full-year interest expense in 2020. Impairment incurred from property, plant and equipment and provision of loss allowance of trade and other receivables were substantial, which amounted to approximately HK\$477.2 million and approximately HK\$161.4 million, respectively, for the year ended 31 December 2020 (as compared to HK\$Nil and HK\$0.9 million, respectively, for the year ended 31 December 2019). Above all, the Group's loss before tax increased significantly from approximately HK\$6.6 million for the year ended 31 December 2019 to approximately HK\$532.5 million for the year ended 31 December 2020.

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Financial position

The following table summarises the financial position of the Group for each of the three years ended 31 December 2021 as extracted from the published Annual Report 2020, Annual Report 2021 and the Interim Report 2022, respectively:

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group experienced substantial drop in revenue from coke production mainly due to government's request for shutting down the 4.3-metre coking furnace during the year ended 31 December 2020. As a result, the loss-making position of the Group persisted for three consecutive years from 2019 to 2021 and the six months ended 30 June 2022. With cessation of all business operation, the Group generates no operating cash inflow and was in a cash strapped position. As at 30 June 2022, it recorded net liabilities of approximately HK\$189.1 million and net current liabilities of approximately HK\$1,730.6 million and cash and bank balances remained only approximately HK\$7.2 million. The net proceeds from the Open Offer of approximately HK\$120.2 million and the CB Subscription approximately HK\$153.5 million, after the settlement of the Cinda Facility (as described in "(2) Reasons for entering into of the Open Offer, the CB Subscription and use of proceeds – (i) Immediate repayment of the Cinda Facility – The Cinda Facility" below), if any will be used for the general working capital of the Group. The total amount of outstanding principal and accrued interest in respect of the Cinda Facility was approximately HK\$230.3 million as at the Latest Practicable Date. We are of the view that with the net proceeds from the Open Offer and the CB Subscription, the Group will be able to improve its working capital and alleviate its indebtedness position with settlement of the Cinda Facility.

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(2) Reasons for entering into of the Open Offer, the CB Subscription and use of proceeds

(i) Immediate repayment of the Cinda Facility

As mentioned in the Letter from the Board, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders (other than the Non-Qualifying Shareholders) to participate in the growth of the Company in proportion to their shareholdings.

Assuming that there is no change in the number of issued Shares on or before the Record Date and all Offer Shares to be issued under the Open Offer have been taken up in full, the gross proceeds from the Open Offer (assuming that all Shareholders subscribe for their respective entitlement of the Offer Shares under the Open Offer) will be approximately HK\$121.7 million. The net proceeds from the Open Offer (assuming that all Shareholders subscribe for their respective entitlement of the Offer Shares under the Open Offer) (after deduction of estimated professional fees and other related expenses of approximately HK\$1.5 million) are estimated to be approximately HK\$120.2 million (assuming no other change in the number of Shares in issue on or before the Record Date), which are intended to be applied for the partial repayment of the Cinda Facility. Please refer to the “The Cinda Facility” below for details. The Company confirmed that as at the Latest Practicable Date, Shun Wang, the controlling Shareholder was owned as to 100% by the Whole Advance Limited. The total issued share capital of Whole Advance Limited was held as to 50% by Mr. Zhao, the Chairman and an executive Director, and 50% by Cinda HK (i.e. the creditor of the Cinda Facility) respectively, with Mr. Zhao indirectly held all the issued voting ordinary shares of Whole Advance Limited, and Cinda HK indirectly held all the issued non-voting convertible preference shares of Whole Advance Limited.

As mentioned in the Letter from the Board, the gross proceeds from the CB Subscription are estimated to be HK\$154 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\$153.5 million. The Company intends to use such net proceeds to make up for the shortfall in the repayment of the Cinda Facility after the proceeds from the Open Offer and the remaining proceeds (if any) for the working capital of the Group.

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The Cinda Facility

As disclosed in the Letter from the Board, 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. It is mentioned in the Annual Report 2021 that the Group failed to make its contractual interest payment of the Cinda Facility in 2020. During the year ended 31 December 2021, Cinda HK and the Group entered into memorandum of understanding on the default interest payment, pursuant to which, the event of default was removed upon the settlement of outstanding interest and default interest on 23 March 2021.

On 16 August 2022, the Company received the Repayment Demand Letter 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. It is mentioned in the Letter from the Board that the Company has thoroughly communicated with Cinda HK regarding the arrangement and the payment schedule of repaying the Cinda Facility with proceeds from Open Offer and the CB Subscription and Cinda HK has expressed its affirmation and continues to support the Company's Resumption work. As at the Latest Practicable Date, no further enforcement action has been commenced by Cinda HK against the Company and the Company is in discussion with Cinda HK to seek proper solution of Cinda Facility under the consensus of completing the Resumption as soon as possible.

Insufficient existing financial resources for repayment to Cinda HK and intended use of proceeds from Fundraising

As at 30 June 2022, the cash and bank balances of the Group amounted to approximately HK\$ 7.2 million. As mentioned in the Letter from the Board, the cash and bank balances of the Company in Hong Kong is insufficient to repay the loan owed by the Group to Cinda HK and meet the general working capital requirement of the Group, including staff costs, rental costs, professional fees and other overhead expenses. Net proceeds from the Open Offer and the CB Subscription will be applied for repayment of the Cinda Facility; and the remaining amount of the proceeds (if any) will be used for the general working capital of the Group.

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The Company is of the view that additional capital funding raised by the Open Offer of approximately HK\$120.2 million (assuming no other change in the number of Shares in issue on or before the Record Date) and the issue of Convertible Bonds in the principal amount of approximately HK\$154 million (if materialised) is crucial to the Resumption given the repayment of the Cinda Facility will (i) significantly alleviate the Group's indebtedness position; and (ii) avoid possible legal actions taken by Cinda HK towards the Group in view of the breach of the facility agreement. The Company advised that the Open Offer is not part of the Company's resumption plan; and it merely serves as a plan for the partial settlement of the Cinda Facility. Nevertheless, the Company considered that repayment of the Cinda Facility with net proceeds from the Open offer and the CB Subscription will facilitate the Resumption in view of the reasons stated above.

(ii) Suitable source of financing among other fundraising alternatives

As disclosed in the Letter from the Board, the Company has considered other fundraising alternatives before resolving to the Open Offer and the CB Subscription, including but not limited to debt financing, placing of new Shares and rights issue.

In respect of debt financing or bank loans, the Company considers it would result in additional interest burden to and higher gearing ratio of the Group.

In respect of placing of new Shares, the Company considers it would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders in the Company.

In respect of rights issue, although it can provide an additional option to those Shareholders who do not wish to take up the entitlements by selling their entitled nil-paid rights, rights issue would involve extra administrative work and cost for the preparation, printing, posting and processing of trading arrangements in relation to the nil-paid rights. The Company will also incur additional resources to administer the trading of the nil-paid rights including communication between the Company and other parties such as the registrar or financial printer. In addition, since trading in the Shares has been suspended since 29 March 2021, there would be high uncertainty of the existence of an active market to trade the nil-paid rights. In view of the above, we concur with the Board that raising funds by ways of the Open Offer and the issue of the Convertible Bonds is more cost-effective and efficient as compared to a rights issue.

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Having considered the above and that (i) the funding needs in light of the Group's cease of business operation and prolonged suspension of trading of the Shares; (ii) open offer provides an opportunity for the Shareholders to maintain their proportionate shareholding interests in the Company should they wish to do so; and (iii) the interest rate of the Convertible Bonds is in line with the prevailing market rates and the Convertible Bonds have term of 2 years which falls within the market range. Please refer to "(4) The CB Subscription – Principal terms of the CB Subscription" below for details. We concur with the Directors that the Open Offer and the issue of the Convertible Bonds are appropriate sources of financing among other fundraising alternatives.

(3) The Open Offer

In order to assess the fairness and reasonableness of the Open Offer, we have analysed the principal terms of the Open Offer as follows:

Principal terms of the Open Offer

The Company proposes to carry out the Open Offer to raise approximately HK\$121.7 million before expenses, of a maximum of 574,142,698 Offer Shares at the Subscription Price of HK\$0.212 per Offer Share on the basis of two (2) Offer Shares for every one (1) existing Share held on the Record Date.

Principal terms of the Open Offer are summarised as below:

Basis of the Open Offer	:	Two (2) Offer Shares for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.212 per Offer Share
Number of Shares in issue as at the Latest Practicable Date	:	287,071,349 Shares
Number of Offer Shares	:	Up to 574,142,698 Offer Shares
Number of Offer Shares undertaken to be taken up by Shun Wang	:	Up to 293,683,808 Offer Shares
Maximum number of Shares to be in issue upon completion of the Open Offer	:	Up to 861,214,047 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Offer Shares) will be allotted and issued on or before completion of the Open Offer)

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- Maximum funds to be raised before expenses : Up to approximately HK\$121.7 million (assuming all the Offer Shares will be fully taken up)
- Right of excess applications : Qualifying Shareholders may apply for Offer Shares in excess of their provisional allotment

As at the Latest Practicable Date, the Company has no outstanding warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares. Save for the CB Subscription, the Company has no intention to issue any new Shares and any other securities before the completion of the Open Offer. For more details of the terms of the Open Offer, please refer to the disclosures in the Letter from the Board.

The Offer Shares

Assuming there is no change to the issued share capital of the Company from the Latest Practicable Date and up to the Record Date, the maximum number of 574,142,698 Offer Shares proposed to be issued pursuant to the terms of the Open Offer represent:

- (i) 200% of the total number of issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 66.67% of the total number of issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares (assuming all the Offer Shares will be taken up).

The Subscription Price

The Subscription Price is HK\$0.212 per Offer Share, payable in full upon acceptance of the relevant assured allotment of the Offer Shares and, where applicable, application for excess Offer Shares under the Open Offer. The Subscription Price represents:

- (i) a discount of approximately 30.5% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on the Last Trading Day;

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- (ii) a discount of approximately 31.4% to the benchmarked price of approximately HK\$0.309 per Share (as defined under Rule 13.36(5) of the Listing Rules, taking into account that trading of the Shares have been halted since the Last Trading Day and 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 approximately HK\$0.309 per Share);
- (iii) a discount of approximately 12.8% to the theoretical ex-entitlement price of HK\$0.243 per Share based on the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 31.4% to the average closing price of HK\$0.309 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 21.04% represented by the theoretical diluted price of approximately HK\$0.244 to the benchmarked price of HK\$0.309 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.305 per Share and 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\$0.309 per Share), and calculated on the basis that the Open Offer will be fully subscribed;
- (vi) a premium of approximately HK\$0.714 over the audited consolidated net liabilities value per Share of approximately HK\$0.502 as at 31 December 2021 (based on the latest published audited consolidated net liabilities value of the Group attributable to the Shareholders of approximately HK\$144.23 million and 287,071,349 Shares in issue as at 31 December 2021); and
- (vii) a premium of approximately HK\$0.812 over the unaudited net liabilities value per Share of approximately HK\$0.6 per Share as at 30 June 2022 (based on the latest published unaudited consolidated net liabilities value of the Group attributable to the Shareholders of approximately HK\$172.29 million and 287,071,349 Shares in issue as at 30 June 2022).

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As mentioned in the Letter from the Board, the Subscription Price of HK\$0.212 per Offer Share was determined by the Company with reference to, among other things, (i) the prolonged suspension of trading of the Shares since 29 March 2021; (ii) the market price of the Shares under the prevailing market conditions; (iii) the Group's current financial position, i.e. the net loss and the net liabilities for the financial year ended 31 December 2021; and (iv) the funding and working capital needs of the Group.

In order to assess the fairness and reasonableness of the terms of the Open Offer, we have searched for all resumption proposals announced by companies listed on the Stock Exchange within the two-year period before the date of the Announcement (i.e. 19 August 2022) with the criteria that (i) their shares had been suspended for more than one year; (ii) the trading of shares of those companies had been resumed after implementation of their resumption proposals; and (iii) the resumption proposals of those companies constituted open offers. However, we were unable to identify any company based on the above criteria. As such, we expanded our scope to include all open offer exercises initially announced and completed by the companies listed on the Stock Exchange (i.e. to include those companies not having announced any resumption proposals) for the period from 1 January 2020 up to the date of the Open Offer announcement. Based on our best effort basis, we have identified 7 open offer transactions (the “**Comparable Open Offer**”) which are exhaustive, fair and representative based on the selection criteria as set out above.

We consider that the aforesaid review period is adequate and appropriate to (a) capture the recent market practice in relation to open offer exercises under the prevailing market conditions, in particular the effect of the recent COVID-19 outbreak which has significantly affected the economic sentiment; and (b) provide sufficient samples for comparison with the Open Offer. Shareholders should note that the comparison is aimed to provide a general reference and for illustrative purpose as each of the Comparable Open Offer may not be directly comparable to the Company as they may have different business activities and prospects.

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Details of the Comparable Open Offer are summarised below:

Company name (stock code)	Date of announcement	Basis of entitlement	Premium/ (discount) of the offer price over/ to the		Premium/ (discount) of the offer price over/to the theoretical price over/to the entitlement price per share	Premium/ (discount) of the offer price over/to the theoretical price over/to the entitlement price per share	Premium/ (discount) of the offer price over/to the theoretical price over/to the entitlement price per share	Premium/ (discount) of the offer price over/to the theoretical price over/to the entitlement price per share	Theoretical dilution effect (Note 1)	Maximum dilution effect to the shareholding of existing public shareholders after Completion if none take up their entitlements (save for those subscribed under the irrevocable undertaking) (Note 2)	Underwriting	Excess Application
			Premium/ (discount) of the offer price over/ to the closing price on the last trading day/ including the	Premium/ (discount) of the offer price over/ to the closing price on the last trading day/ including the								
Celestial Asia Securities Holdings Limited (1049)	27 March 2020	2 for 1	-32.58%	-27.71%	-14.29%	-75.00%	-21.35%	-40.79%	No	No (Note 3)		
Courage Investment Group Limited (1145)	24 July 2020	1 for 1	-32.64%	-34.01%	-20.73%	-78.75%	-17.17%	-50.0%	Yes	Yes		
North Asia Strategic Holdings Limited (8080)	26 March 2021	1 for 5	-14.46%	-18.95%	-16.27%	-83.64%	-3.01%	0.0%	No	No (Note 3)		
National United Resources Holdings Limited (254)	24 June 2021	1 for 1	-92.30%	-92.80%	-85.62%	Net liabilities	-46.4% (Note 4)	-50% (Note 5)	Yes	No (Note 3)		
First Shanghai Investments Limited (227)	23 July 2021	1 for 5	-19.4%	-17.9%	-16.7%	-85.3%	-3.00%	-2.96%	No	No (Note 3)		
Da Sen Holdings Group Limited (1580)	1 September 2021 (Note 6)	3 for 5 (Note 6)	-65.52%	-65.22%	-54.55%	-75.76%	-24.57%	-32.6% (Note 5)	No	Yes		
First Shanghai Investments Limited (227)	19 November 2021	1 for 11	-17.6%	-16.7%	-16.3%	-88.4%	-1.4%	0.0%	No	No (Note 3)		
		max	-14.46%	-16.70%	-14.29%	-75.00%	-1.40%	0.00%				
		average	-39.21%	-39.04%	-32.07%	-81.14%	-16.70%	-25.19%				
		min	-92.30%	-92.80%	-85.62%	-88.40%	-46.40%	-50.00%				
Company	19 August 2022	2 for 1	-30.50%	-31.40%	-12.80%	Net liabilities	-21.04%	-50.55% (Note 7)	No	Yes		

Note 1: As defined under Rule 7.27B of the Listing Rules

Theoretical dilution effect of an issue refers to the discount of the “theoretical diluted price” to the “benchmark price” of shares.

(a) The “theoretical diluted price” means the sum of (i) the issuer’s total market capitalization (by reference to the “benchmark price” and the number of issued shares immediately before the issue) and (ii) the total funds raised and to be raised from the issue, divided by the total number of shares as enlarged by the issue.

(b) The “benchmark price” means the higher of:

(i) the closing price on the date of the agreement involving the issue; and

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(ii) the average closing price in the 5 trading days immediately prior to the earlier of:

- (1) the date of announcement of the issue;
- (2) the date of the agreement involving the issue; and
- (3) the date on which the issue price is fixed.

Note 2: Maximum dilution effect of each of the Comparable Open Offer is calculated as: (number of new shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.

Note 3: The company has made an arrangement to dispose of any unsubscribed shares in compliance with Rule 7.26A(1)(b) of the Listing Rules / Rule 10.42(1)(b) of the GEM Listing Rules.

Note 4: Based on the benchmark price as the theoretical closing price of HK\$1.52 per consolidated share as adjusted for the effect of share consolidation of the average closing price of the last five consecutive trading days up to and including the last trading day.

Note 5: On the basis of open offer alone.

Note 6: Da Sen Holdings Group Limited announced a proposed open offer on the basis of one (1) offer share for every two (2) existing shares on 8 January 2021 and subsequently revised the open offer on 1 September 2021

Note 7: Based on the table under “EFFECTS ON SHAREHOLDING STRUCTURE” in announcement dated 19 August 2022 in relation to the (I) proposed increase in authorised share capital; and (II) the Open Offer

Closing price to subscription price comparison

As illustrated in the table above, the discounts represented by the subscription prices to the closing prices of shares of the Comparable Open Offer on the last trading days prior to the release of the respective announcements ranged from approximately 14.46% to 92.30% with an average discount of approximately 39.21%. The discounts represented by the subscription prices to the theoretical ex-entitlement price per share of the Comparable Open Offer ranged from 14.29% to 85.62% with an average discount of approximately 32.07%.

In respect of the Open Offer, the discount of approximately 30.50% as represent by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the market range and below the average. The discount of approximately 12.80% as represented by the Subscription Price to the theoretical ex-entitlement price per Share is below the market range and the average discount.

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For a company with a prolonged period of suspension of trading and in net liabilities position, it is reasonable for it to set a subscription price at a relatively large discount to its closing price before suspension in order to attract its shareholders to participate in an open offer. In the case of the Company, the discount based on the Subscription Price to the closing price of the Shares on the Last Trading Day as mentioned above reflects that the Subscription Price has taken into consideration the value of the Company in view of (i) the Open Offer is conditional on the Assets Transfer; (ii) the Assets Transfer will enable the Company to resume its business operation and increase the Company's annual production capacity of coke from 600,000 tons before the shut-down to 1,200,000 tons and (iii) the Directors are confident that with the Company's solid experience and expertise in coke production, client base of GRG Huscoke and the two new 7.1-meter coking furnaces, the Group will be able to resume its business activities to the level comparable or better than that of before the shut-down of the 4.3-metre coking furnace.

Having considered the above and that (i) commitment of Shun Wang in the Open Offer with the provision of Irrevocable Undertaking that would guarantee gross proceeds up to approximately HK\$60.1 million (assuming no Qualifying Shareholders have taken up any of his/her/its entitlement under the Open Offer except for Shun Wang pursuant to the Irrevocable Undertaking, subject to the public float requirement under Rule 8.08(1)(a) of the Listing Rules and taking into account the completion of the allotment and issue of the FA Remuneration Shares), which would be applied to improve the Group's financial positions; (ii) demand of immediate repayment of the outstanding principal and accrued interest in respect of the Cinda Facility in the principal amount of HK\$200 million with interest rate of 10% per annum by 23 August 2022 (please refer to "(2) Reasons for entering into of the Open Offer, the CB Subscription and use of proceeds – (i) Immediate repayment of the Cinda Facility – The Cinda Facility" above for details of the Cinda Facility); (iii) alleviation on indebtedness position of the Group as proceeds from the Open Offer will be used for partial repayment of the Cinda Facility, and (iv) together with the Company's plan to issue Convertible Bonds in principal amount of approximately HK\$154 million, proceeds from which (if materialised) will enhance the cashflow position of the Group and will also be applied for partial repayment of the Cinda Facility. The Company's plan to issue convertible bonds is to make up the shortfall in the proposed net proceeds of the Open Offer such that the Cinda Facility can be fully settled and if there is any remaining proceeds, to enhance the financial position of the Group for daily operation, we are of the view that the Open Offer is in the interests of the Company and the Shareholders as a whole and the Subscription Price of HK\$0.212 per Offer Share is acceptable.

Comparison of premium/discount represented by the Subscription Price to the net assets value per Share with those of the Comparable Open Offer is not applicable as the Group recorded a net liabilities position.

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Irrevocable undertaking

Pursuant to the Irrevocable Undertaking, Shun Wang has irrevocably undertaken to the Company that (i) those 146,841,904 Shares registered in the name of and beneficially owned by it will remain registered in the name of and beneficially owned by it before the date when the announcement of the results of the Open Offer is published; (ii) it will accept its maximum entitlement of up to 293,683,808 Offer Shares under the Open Offer, subject to the compliance of Rule 8.08(1)(a) of the Listing Rules by the Company; and (iii) it will lodge the Application Form in respect of its assured entitlement accompanied by appropriate remittance which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

Save for the Irrevocable Undertaking, as at the Latest Practicable Date, the Company has not received any information or irrevocable undertakings from any other substantial shareholders of the Company of any intention to take up the securities of the Company to be offered to them under the Open Offer.

Having considered that, assuming compliance of Rule 8.08(1)(a) of the Listing Rules by the Company, Shun Wang as the controlling Shareholder shall subscribe a maximum of 293,683,808 Offer Shares under the Open Offer and hence guarantee gross proceeds up to approximately HK\$60.1 million (assuming no Qualifying Shareholders have taken up any of his/her/its entitlement under the Open Offer except for Shun Wang pursuant to the Irrevocable Undertaking, and taking into account the completion of the allotment and issue of the FA Remuneration Shares), which shall be used to alleviate the financial position of the Group, we consider the terms of the Irrevocable Undertaking are fair and reasonable.

Excess application

As stated in the Letter from the Board, the Qualifying Shareholders are entitled to apply for any Offer Shares in excess of their own assured allotments by completing an EAF and lodging the same with a separate remittance for the excess Offer Shares being applied for, but are not assured of being allocated any Offer Shares in excess of their assured allotments under the Application Forms. For further information of the application of excess Offer Shares allocation basis, please refer to the section headed “Application for excess Offer Shares” in the Letter from the Board.

Taking into consideration that such excess application arrangement shall give the Shareholders a right to subscribe for excess Offer Shares to increase their shareholding and to participate in the future development of the Group should they wish to do so, we concur with the Directors that the arrangement for the excess Offer Shares is fair and reasonable so far as the Shareholders (other than Shun Wang and Mr. Zhao) are concerned.

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Non-underwritten basis

We also note from the Letter from the Board that given the prolonged suspension of trading of the Shares and the required time for the Resumption have resulted in increased difficulties for the Company in seeking potential placing agents or underwriters to express interest in undertaking the Unsubscribed Shares.

Having considered the above, and that (i) commitment of Shun Wang in the Open Offer with the provision of Irrevocable Undertaking would guarantee gross proceeds up to approximately HK\$60.1 million (assuming no Qualifying Shareholders have taken up any of his/her/its entitlement under the Open Offer except for Shun Wang pursuant to the Irrevocable Undertaking, subject to the public float requirement under Rule 8.08(1)(a) of the Listing Rules and taking into account the completion of the allotment and issue of the FA Remuneration Shares), (ii) reasons of the Open Offer as explained in the paragraphs headed “(2) Reasons for entering into of the Open Offer, the CB Subscription and use of proceeds” and (iii) open offers conducted on non-underwritten basis is not unusual as illustrated by the Comparable Open Offer in the table under “The Subscription Price” above, we are of the view that the Open Offer to proceed on a non-underwritten basis is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Conditions precedent to the Open Offer

The Open Offer is not inter-conditional with the CB Subscription or the issue of the FA Remuneration Shares. The Open Offer is conditional upon (i) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Offer Shares; (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents; (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Non-Qualifying Shareholders, if any; (iv) compliance with and performance of all undertakings and obligations of Shun Wang with the Irrevocable Undertaking in all material respects; (v) where applicable, all necessary approvals, permissions, consents, waivers having been obtained in respect of transaction(s) or matter(s) in connection with or relating to or otherwise for the purpose of the Resumption; (vi) the transactions contemplated under the Cooperation Agreement and the Agreement having completed (the “**Transaction Completion**”); and (vii) the Increase in the Authorised Share Capital of the Company having become effective. As mentioned in the Letter from the Board, the Company expects that condition (vi) above will be fulfilled around the mid of December 2022, or such later dates as may be delayed due to the COVID-19 pandemic. The Company advised that there will be no transitional arrangements during the period of construction of the coking furnaces.

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Based on the above, we consider that the principal terms of the Open Offer (including the offer of excess application to Qualifying Shareholders and the Open Offer is not underwritten) is in line with the market practice.

Having considered the terms of the Open Offer and the proceeds from the Open Offer will be used for satisfying the payment obligations to Cinda HK, we are of the view that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We are of the view that any delay of Transaction Completion will cause delay of the timetable of the Open Offer as the Open Offer is conditional on the Transaction Completion. Receipt of net proceeds from the Open Offer by the Company and the use of such proceeds for partial settlement of the Cinda Facility will then be deferred. In the event that the Group is not able to delay the demands of repayments of approximately HK\$236,219,000 from the creditors before the Fundraising (including the Open Offer), the Group will face financial difficulties. Net proceeds from the Open Offer can strengthen the financial position of the Group and can satisfy part of its pressing funding need. Even if the Company and Cinda HK will reach a revised timetable for the repayment of the Cinda Facility through communications, it can still serve as a standby funding for settlement of the Cinda Facility.

Having considered the existing financial resources and financial position, the loss-making situation and the cessation of business operation of the Group, we are of the view that the Group has the need for fund raising to satisfy the repayment of the outstanding principal amount and accrued interest under the Cinda Facility. Although as at the Latest Practicable Date, no further enforcement action has been commenced by Cinda HK against the Company, we cannot rule out the possibility that Cinda HK will commence enforcement action against the Company if the Open Offer is being voted down and the Company is unable to identify other alternative financial resources for settlement of the Cinda Facility.

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

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Theoretical value dilution of the Open Offer

The theoretical value dilution of the Open Offer is approximately 21.04% which is the discount of the theoretical diluted price of HK\$0.244 to benchmarked price of HK\$0.309 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.305 per Share and 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\$0.309 per Share), and calculated on the basis that the Open Offer will be fully subscribed.

The theoretical value dilution of the Comparable Open Offer, ranged from approximately 1.40% to approximately 46.40% with an average of approximately 16.70%. The theoretical value dilution effect of the Open Offer of approximately 21.04% is within the range of theoretical value dilution of the Comparable Open Offer.

Having considered that the trading of the Shares has been suspended for a prolonged period of time, the theoretical value dilution of the Open Offer falls within the range of theoretical value dilution of the Comparable Open Offer, is acceptable.

(4) The CB Subscription

In order to assess the fairness and reasonableness of the CB Subscription, we have analysed the principal terms of the CB Subscription as follows:

Principal terms of the CB Subscription

Issuer	The Company
Aggregate Principal Amount	HK\$154,000,000
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.

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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	<p>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.</p> <p>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 30% or more of the entire issued voting share capital of the Company (or such other percentage as may from time to time be specified in the Takeovers Code as being the level of triggering a mandatory general offer) as at the date of conversion and a mandatory general offer obligation will be triggered under the Takeovers Code, the Bondholder shall not be allowed to convert the Convertible Bonds.</p>
Conversion Price	HK\$0.212, per Conversion Share, subject to adjustments

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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; (ii) capitalisation of profits or reserves; (iii) capital distribution; (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; (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; or (vi) issue of any Shares wholly for cash at a price per Share which is less than 90% of the then market price; and (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.

Conversion Shares

Based on the initial Conversion Price of HK\$0.212 per Conversion Share, a total of 726,415,094 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, representing (i) approximately 253% of the total number of Shares in issue as at the Latest Practicable Date, and (ii) approximately 71.7% of the total number of Shares in issue as enlarged by the allotment and issue of the 726,415,094 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.

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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 constituting 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).

Conditions Precedent to the CB Subscription

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;

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- (ii) the Listing Committee granting or agreeing to grant and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued upon the conversion of the Convertible Bonds;
- (iii) the Increase in the Authorised Share Capital of the Company having become effective;
- (iv) the transactions contemplated under the Cooperation Agreement and the Agreement having completed;
- (v) all necessary approvals and permissions required to be obtained by the Company in connection with the transactions contemplated under the CB Subscription Agreement having been obtained and not revoked before completion of the CB Subscription; and
- (vi) all necessary approvals and permissions required to be obtained by the Subscriber in connection with the transactions contemplated under the CB Subscription Agreement having been obtained and not revoked before completion of the CB Subscription.

If any of the conditions precedent above have not been fulfilled on or before 4:00 p.m. on 28 January 2023 (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.

The CB Subscription is not inter-conditional with the Open Offer or the issue of the FA Remuneration Shares.

Completion

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.

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Analysis on the Conversion Price

With reference to the Letter from the Board, the Conversion Price is equivalent to the Subscription Price and was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the Subscription Price.

The Conversion Price of HK\$0.212 per Conversion Share represents:

- (i) a discount of approximately 30.5% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 31.4% to the average closing price of HK\$0.309 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day.

In order to assess the fairness and reasonableness of the Conversion Price, we have identified transactions in relation to the subscription/issue of convertible bonds/notes under which were announced by companies listed on the Stock Exchange during the period of approximately six months from 20 March 2022 up to the date of the CB Subscription Agreement (the "**CB Comparables**"). We have identified 32 transactions which met the said criteria and the list of the CB Comparables is exhaustive.

We consider that the aforesaid review period is adequate and appropriate to (a) capture the recent market practice in relation to issue of convertible bond transactions under the prevailing market conditions, in particular the effect of the recent COVID-19 outbreak which has significantly affected the economic sentiment; and (b) provide sufficient samples for comparison with the CB Subscription. Shareholders should note that the comparison is aimed to provide a general reference and for illustrative purpose as each of the comparable convertible bonds/notes issue may not be directly comparable to the Company as they may have different business activities and prospects.

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Company name (stock code)	Date of announcement	Maturity (Years) (Note 1)	Interest rate (per annum)	Premium/(discount) of the conversion price to closing price per share on the last trading date/date of agreement/ announcement in relation to the respective placing/ subscription of convertible bonds/notes	Premium/(discount) of the conversion price to closing price per share over the last five (5) consecutive trading days prior to/ up to and including the date of agreement/ announcement in relation to the respective placing/ subscription of convertible bonds/notes
South China Financial Holdings Limited (619)	13 September 2022	3	1%	0.00%	0.63%
Capital VC Limited (2324)	7 September 2022	2	1.50%	19.00%	16.10%
Grand Field Group Holdings Limited (115)	5 September 2022	1.5	6%	15.20%	15.20%
Luye Pharama Group Limited (2186)	2 September 2022	0.83	6.50%	54.20%	53.60%
Central Development Holdings Limited (475)	19 August 2022	3	0%	0.00%	0.82%
Lenovo Group Limited (992) (note 2)	18 August 2022	7	2.50%	42.50%	40.02%
ShiFang Holding Limited (1831)	4 August 2022	0.17-0.58	0.00%	0.00%	78.12%
China Baoli Technologies Holdings Limited (164)	1 August 2022	3	4.00%	50.00%	49.25%
Vobile Group Limited (3738)	1 August 2022	3	4.00%	32.67%	30.65%
Luye Pharama Group Limited (2186)	28 July 2022	0.99	6.50%	40.00%	41.00%
Virtual Mind Holding Company Limited (1520)	27 July 2022	2	10.00%	6.84%	8.13%
Town Health International Medical Group Limited (3886)	11 July 2022	1-3	0.00%	53.54%	63.09%
Jiayuan International Group Limited (2768)	8 July 2022	1	8.00%	56.32%	53.85%
YEAHKA Limited (9923)	5 July 2022	5.02	6.25%	4.11%	0.91%
Grand Ocean Advanced Resources Company Limited (65)	21 June 2022	1	1-year HIBOR plus 0.25%	6.95%	2.49%
China Zenith Chemical Group Limited (362)	21 June 2022	1	0.00%	49.30%	47.10%
Ev Dynamics (Holdings) Limited (476) (note 3)	14 June 2022	3	2.00%	20.73%	10.00%
Anchorstone Holdings Limited (1592)	10 June 2022	1	2.00%	(note 4)	(note 4)
China Health Group Limited (673)	9 June 2022	2	6.00%	112.77%	100.00%
China Fordoo Holdings Limited (2399)	8 June 2022	2	8.00%	5.26%	5.26%
Beaver Group (Holding) Company Limited (8275)	23 May 2022	2	2.50%	33.33%	30.29%
Sino Splendid Holdings Limited (8006)	23 May 2022	2	1.50%	31.60%	32.30%
Huazhang Technology Holding Limited (1673)	13 May 2022	2-4	12.00%	0.00%	-2.80%
Grown Up Group Investment Holdings Limited (1842)	12 May 2022	2	2.50%	-19.60%	-13.20%
Orient Securities International Holdings Limited (8001)	12 May 2022	1	0.00%	-15.79%	-16.84%
China Infrastructure Investment Limited (600)	5 May 2022	1	8.00%	1.28%	0.00%
IBO Technology Company Limited (2708)	21 April 2022	2	0.00%	3.32%	0.00%
China Baoli Technologies Holdings Limited (164)	21 April 2022	1	0.00%	4.48%	3.86%
CIFI Holdings (Group) Co. Ltd. (884)	12 April 2022	2.99	6.95%	19.18%	19.75%
Capital Finance Holdings Limited (8239)	4 April 2022	1.72	0.00%	61.29%	60.26%
		2.34	0.00%	61.29%	60.26%
CIFI Holdings (Group) Co. Ltd. (884)	1 April 2022	3.02	6.95%	19.96%	32.55%
	Maximum		12.00%	112.77%	100.00%
	Minimum		0.00%	-19.60%	-16.84%
	Average		3.70%	24.83%	26.54%

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Note 1: 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

Note 2: For Lenovo Group Limited, the conversion price of HK\$9.818 is derived based on 42.5% premium to the closing price of HK\$6.89 on the date of agreement

Note 3: For Ev Dynamics (Holdings) Limited, this represents the initial conversion price of HK\$0.0594 for the first five sub-tranches of the Tranche 1 Notes

Note 4: The conversion price shall be 90% of the average closing price per share (subject to adjustment) on any five consecutive business days as selected by the noteholder during the 45 business days immediately preceding the relevant conversion date on which shares were traded on the Stock Exchange

We noted from the above table that the conversion prices of the CB Comparables ranged from (i) a discount of approximately 19.60% to a premium of approximately 112.77% with average premium of approximately 24.83% over the respective closing price per share on the last trading date/date of agreement/announcement in relation to the respective placing/subscription of convertible bonds/notes; and (ii) a discount of approximately 16.84% to a premium of approximately 100.00% with average premium of approximately 26.54% over the last five (5) consecutive trading days prior to/up to and including the date of agreement/announcement in relation to the respective placing/subscription of convertible bonds/notes (the “**Discount/Premium Market Range**”).

We noted that the discount of approximately 30.5% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on the Last Trading Day and the discount of approximately 31.4% to the average closing price of HK\$0.309 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of the CB Subscription are below the low end of the Discount/Premium Market Range. However, none of the CB Comparables were suspended in trading at the relevant time of issue.

Discount of the Conversion Price to the closing price before suspension is outside of the Discount/Premium Market Range and is relatively high to increase the attractiveness of the CB Subscription. The Group has been in a loss-making position, recorded net liabilities of approximately HK\$189.1 million as at 30 June 2022; and the Company could be delisted by the Stock Exchange if it fails to fulfil all the requirements from the Stock Exchange for resumption by 28 September 2022. We also consider that the closing price of the Shares should not be the primary reference in the evaluation of the reasonableness of the Conversion Price as trading the Shares has been suspended since 29 March 2021 and the business operation of the Group had eventually been ceased and the financial condition of the Group was deteriorated since then.

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Having considered the above and that (i) the Conversion Price is the same as the Subscription Price under the Open Offer; (ii) the pressing funding need of the Group to satisfy demand of repayment of the outstanding principal amount and accrued interest in respect of the Cinda Facility; and (iii) the Open Offer and the CB Subscription will raise capital to discharge certain indebtedness of the Group and at the same time, will enlarge the share capital and shareholder base of the Company, we are of the view that the Conversion Price is acceptable.

Analysis on the interest rate

As presented by the table above, the CB Comparables had annual interest rates from 0% to 12% (the “**CB Interest Market Range**”). As disclosed in the Letter from the Board, the Directors consider that the interest rate of the Convertible Bonds is in line with or better than prevailing market rates. As disclosed in the Interim Report 2022, the effective interest rate for unsecured other borrowings of the Company over HK\$20 million ranged from 10% to 12.78%, which are higher than the interest rate of 8% of the unsecured Convertible Bonds.

Based on the above, the prolonged period of trading suspension of the Shares and the net liabilities position of the Group, we are of the view that the interest rate of 8% of the Convertible Bonds is fair and reasonable.

Taking into account the principal terms of the CB Subscription as highlighted above, we are of the view that the terms of the CB Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(5) Possible dilution effect on shareholding interests of the public Shareholders

As mentioned in the Letter from the Board, the Board has considered that the potential dilution impact on the shareholding interests of the Qualifying Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Offer Shares, to be acceptable. Those Qualifying Shareholders who do not take up the Offer Shares in full to which they are entitled to and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open Offer.

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As at the Latest Practicable Date, the existing public Shareholders held approximately 48.84% of the total issued share capital of the Company. Upon completion of the Open Offer and the CB Subscription (assuming (a) no Qualifying Shareholders have taken up any of his/her/its entitlements of the Offer Shares under the Open Offer except for Shun Wang pursuant to the Irrevocable Undertaking and (b) the Convertible Bonds are converted in full) and the issue of the FA Remuneration Shares, the shareholding of the existing public Shareholders will be diluted to approximately 10.94%. The Company will take necessary steps to ensure the minimum public float requirement, as set out under Rule 8.08 of the Listing Rules, be maintained at all times upon completion of the Open Offer. On the other hand, Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Open Offer may, subject to availability, apply for excess Offer Shares.

As illustrated by the table under “(3) The Open Offer – The Subscription Price” above, the maximum dilution of the Comparable Open Offer ranged from Nil to approximately 50.00%. For the Non-Qualifying Shareholders and the Qualifying Shareholders who do not take up their full provisional allotments under the Open Offer, depending on the extent to which they subscribe for the Offer Shares, their shareholding interests in the Company upon completion of the Open Offer will be potentially diluted by up to a maximum of approximately 50.55%, which is close to the upper end of the range.

Having considered that (i) the reasons for the Open Offer and the CB Subscription mentioned in “(2) Reasons for entering into of the Open Offer, the CB Subscription and use of proceeds” above, (ii) both the Open Offer and the CB Subscription are conditional on the completion of transactions contemplated under the Cooperation Agreement and the Agreement, which will bring the two 7.1-meter coking furnaces to the Group and as a result, the Group will be able to resume its business operation; (iii) the dilution effect of the Open Offer is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and Independent Shareholders’ interests in the Company (excluding the effects from the CB Subscription and the issue of the FA Remuneration Shares) will not be diluted if they elect to exercise their full provisional allotments under the Open Offer; (iv) the maximum dilution of the Open Offer is above the upper end but is not far from the range of those of the Comparable Open Offer; (v) the dilution effect of the CB Subscription is acceptable in view of the pressing funding need of the Group; and together with net proceeds from the Open Offer will be able to satisfy the full settlement of the Cinda Facility; and (vi) the completion of Fundraising forms part of the Validity Conditions and if the Open Offer, the CB Subscription or other fundraising exercises could not be completed, it is probable that the Stock Exchange may eventually cancel the listing of the Shares, we are of the view that the potential dilution effect on the shareholding as a result of the Open Offer and the CB Subscription, is acceptable.

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Combined theoretical value dilution of the Open Offer and the CB Subscription

The theoretical value dilution of the Open Offer is approximately 21.04%. If also taking the CB Subscription into account, the theoretical value dilution will increase to approximately 25.72%. Nonetheless, it is still within the range of the theoretical value dilution of the Comparable Open Offer. We concur with the Board that the combined theoretical dilution effect of the Open Offer and the CB Subscription of slightly over 25% is justifiable and the Open Offer and the CB Subscription are in the interests of the Company and the Shareholders as a whole having considered that (i) the Company is in net liabilities position of approximately HK\$189.1 million as at 30 June 2022; (ii) the Open Offer and the CB Subscription will facilitate the Resumption as they will enable the Group to alleviate indebtedness position with the repayment of the Cinda Facility in full; and to improve the Group's liquidity with the remaining net proceeds, if any; and (iii) the Shares have been in prolonged suspension since 29 March 2021 and theoretical dilution effect is calculated with reference to average closing price of the Shares for the last five consecutive trading days up to and including the Last Trading Day, which does not reasonably reflect the existing condition of the Company.

(6) Financial effects of the Open Offer and the CB Subscription to the Company

Net assets/liabilities

According to the Interim Report 2022, the net liabilities of the Group amounted to approximately HK\$189.1 million as at 30 June 2022. After taking into account the inflow of the estimated net proceeds from the Open Offer of approximately HK\$120.2 million and the estimated net proceeds from the Open Offer of approximately HK\$153.5 million, the Group will turn from net liabilities to net assets of approximately HK\$84.6 million.

Earnings

Following completion of the Open Offer and the CB Subscription, total debt of the Group will be reduced. The total amounts of net proceeds of approximately HK\$273.7 million shall be applied to repayment of the Cinda Facility; and the remaining proceeds (if any) will enhance the working capital of the Group. As such, the finance costs arising from the Cinda Facility are expected to be reduced accordingly, which will bring a positive impact to the earnings of the Group. It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company following completion of the Open Offer and the CB Subscription.

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Liquidity

As the total net proceeds of approximately HK\$273.7 million from the Open Offer and the CB Subscription will be used to repay the Cinda Facility; and the remaining proceeds (if any) to enhance the working capital of the Group, under such circumstance, working capital position of the Group would be improved upon completion of the Open Offer and the CB Subscription.

Gearing position

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade payables, other payables, accruals and deposits received, bank and other borrowings, lease liabilities and tax payable, net of restricted bank deposits and cash and bank balances. Capital includes equity attributable to owners of the Company. As at 30 June 2022, gearing ratio of the Group was 109%. Assuming the Open Offer and the CB Subscription are approved and other things being constant, the proceeds from the Open Offer and the CB Subscription will enhance the capital base of the Group and for repayment of debt, the Group's gearing level will be improved and result in a healthier gearing position to the Group immediately after the completion of the Open Offer and the CB Subscription.

RECOMMENDATION

Having considered and balanced by the abovementioned principal factors and reasons, in particular that:

- (i) both the Open Offer and the CB Subscription are conditional on the Transaction Completion. Although Open Offer can be delayed with the delay in the Transaction Completion, this is acceptable having considered that interest of the Shareholders can be safeguarded with such arrangement as capital contribution of the Target Assets by Energy Technology to the Target Subsidiary is crucial for resuming business operation of the Group;
- (ii) the discounts of the Subscription Price and the Conversion Price to the closing price of the Shares on the Last Trading Day are acceptable as explained under “(3) The Open Offer – Closing price to subscription price comparison” and “(4) The CB Subscription – Analysis on the Conversion Price” above;
- (iii) the combined theoretical value dilution of the Open Offer and the CB Subscription of slightly over 25% is acceptable as explained under “(5) Possible dilution on the shareholding interests of the public Shareholders – Combined theoretical value dilution of the Open Offer and the CB Subscription” above;

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- (iv) the Open Offer and the CB Subscription are proposed to raise fund to repay the Cinda Facility which would help to relieve insolvency of the Company, alleviate the liquidity pressure and improve the financial position of the Group; and the remaining balance of the proceeds (if any) will provide working capital to the Group for its operation after Resumption;
- (v) Fundraising is one of the Validity Conditions on going concern; and the uplift of audit modifications is required for the Resumption;
- (vi) the Open Offer and the CB Subscription will strengthen the Company's capital base and provides the Shareholders and the Subscriber with an opportunity to participate in future growth and development of the Group after the Resumption; and
- (vii) as set out in the paragraphs headed “-(5) Possible dilution effect on shareholding interests of the public Shareholders” above, the level of dilution to the shareholding interests of the existing public Shareholders being inevitable but acceptable,

we are of the view that the terms of the Open Offer and the CB Subscription, though not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committees to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the resolutions in relation to the Open Offer and the CB Subscription to be proposed at the SGM.

Yours faithfully,

For and on behalf of

SBI China Capital Hong Kong Securities Limited

Ringo Kwan

Managing Director

Evelyn Fan

Executive Director

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

1. FINANCIAL INFORMATION OF THE GROUP

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

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

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

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

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

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

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

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

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

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

The following is a summary of the consolidated statement of profit and loss and other comprehensive income of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021, as extracted from the annual reports of the Company respectively:

	Financial year ended 31 December		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)		
Revenue	1,605,356	1,176,982	866,602
Profit/(loss) before tax	4,971	(527,533)	(21,513)
Income tax expense	(11,547)	(4,999)	(9,669)
Loss for the year	(6,576)	(532,532)	(31,182)
Profit/(loss) for the year attributable to:			
Owners of the Company	(9,391)	(484,675)	(31,259)
Non-controlling interests	2,815	(47,857)	77
Total comprehensive income attributable to:			
Owners of the Company	(6,020)	(489,746)	(32,824)
Non-controlling interests	2,604	(48,253)	(367)
Earnings per share			
Basic (<i>HK cents</i>)	(3.4)	(168.8)	(10.9)
Diluted (<i>HK cents</i>)	(3.4)	(168.8)	(10.9)

The following is a summary of the consolidated statement of financial position of the Group as at 31 December 2021, as extracted from the relevant annual report of the Company:

	As at
	31 December
	2021
	<i>HK\$'000</i>
Total non-current assets	1,560,835
Total current assets	660,569
Total current liabilities	2,360,223
Net current liabilities	(1,699,654)
Total assets less current liabilities	(138,819)
Total non-current liabilities	19,273
Net liabilities	(158,092)
Equity attributable to owners of the Company	
Share capital	28,707
Reserves	(172,940)
Non-controlling interests	(13,859)
Total deficit	(158,092)

2. INDEBTEDNESS STATEMENT

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

	The Group		Total
	Secured	Unsecured	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of bank borrowings	339,262	–	339,262
Carrying amount of other borrowings	–	357,740	357,740
Lease liabilities	–	11,716	11,716
Financial guarantee contract	<u>–</u>	<u>71,905</u>	<u>71,905</u>
	<u>339,262</u>	<u>441,361</u>	<u>780,623</u>

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

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

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

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

3. WORKING CAPITAL

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

- (i) the proceeds of approximately HK\$280,000,000 assumed to be financed from the Open Offer and the CB Subscription (the “**Fund-raising Activities**”) during the working capital forecast period, which is contingent on several conditions being fulfilled;
- (ii) the success in delaying the demands of repayments of approximately HK\$236,219,000 from the creditors of the Group before the Fund-raising Activities; and
- (iii) the proceeds of approximately HK\$104,853,000 assumed to be collected from one of the Group’s major debtors, which already defaulted on the repayment schedule up to the date of the board memorandum.

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

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

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

- (i) On 19 August 2022, the Company proposed to implement the Increase in Authorised Share Capital and to raise approximately HK\$121.7 million before expenses by way of the Open Offer on the basis of two (2) Offer Shares for every one (1) existing Share. Shun Wang, being the controlling shareholder of the Company, has undertaken its maximum entitlement under the Open Offer. For details, please refer to the announcement of the Company dated 19 August 2022;

- (ii) On 19 September 2022, the Company entered into the CB Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in an aggregate principal amount of HK\$154 million. For details, please refer to the announcement of the Company dated 19 September 2022;
- (iii) The Company has thoroughly communicated with the major creditor (i.e. Cinda HK) regarding the arrangement and the payment schedule of repaying the Cinda Facility with proceeds from the Open Offer and the CB Subscription and Cinda HK has expressed its affirmation and continues to support the Company's Resumption work. The Company will continue to maintain good communication and negotiation with Cinda HK to seek proper solution of Cinda Facility under the consensus of completing the Resumption as soon as possible. As at the Latest Practicable Date, no further enforcement action has been commenced by Cinda HK against the Company; and
- (iv) The Company has maintained active communication with Group's major debtor (i.e. Energy Technology) to keep following the refund of the trade deposit due to the termination of trade cooperation with them, they have shown positive attitude in preparing the repayment of the outstanding amount and has provided a written guarantee to the Company in respect of the repayment schedule.

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

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2021, being the date to which the latest audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Company is a company established in Bermuda with limited liability. 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.

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

Based on the basic investigation results of the Incident by the Independent Investigation Committee, and after conducting negotiation with relevant entities on resolving the Incident under the framework of PRC laws, the Company has entered into the Agreement with GRG Huscoke, Jinyan Electricity, Energy Technology 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, in relation to the compensation and remedy to the Group of the Incident. Energy Technology has agreed to deliver two 7.1m high coking furnaces of a total of 1.2 million tonnes of annual production capacity to the Company, whereas the two coking furnaces will meet the national industry standards and environmental protection standards and has advanced technology. The Company will establish a wholly-owned subsidiary to operate the two coking furnaces and are expected to resume the Group’s coke production business in December 2022. The Board is of the opinion that entering into the Agreement can mitigate the operational and financial impact of the Incident to the Company, and satisfy the operation needs of the Group’s coke production as well as expand the coke production scale of the Group, thus achieving greater benefits for the Company and its shareholders.

As an extension of the remedy plan and compensation plan for the Incident, on 26 July 2022, after trading hours, the vendor, a whole-owned subsidiary of the Company and Mr. Yang have entered into the Disposal Agreement, pursuant to which, among other matters, GRG Huscoke will be disposed to the party involved in the Incident and will no longer be a subsidiary of the Group. The Company believes that the disposal of GRG Huscoke could completely resolve the adverse impact arisen from the Incident.

The Company has formulated the resumption plan and actively implemented various measures to meet the resumption guidance of the Stock Exchange. Currently, various measures such as independent investigation, audit work has been completed and the Company has submitted the proposal for resumption to the Stock Exchange. Meanwhile, the Company has proposed the Open Offer and the CB Subscription respectively on 19 August 2022 and 19 September 2022, so as to enhance the financial position of the Company for the Group’s daily operation and reduction of the Group’s debt level. With the implementation of the resumption proposal as set out in the above, the Company is confident to complete the resumption plan to meet the resumption guidance of the Stock Exchange, and is expected to resume trading in shares of the Company in 2022.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET
TANGIBLE ASSETS OF THE GROUP

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group should be read in conjunction with the Company’s circular dated 28 September 2022 in relation to the very substantial transaction and very substantial disposal and connected transaction (the “VSTs Circular”). Capitalised terms used in this statement shall have the same meanings as those defined in the VSTs Circular unless the context otherwise requires.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to illustrate the effect of the Transactions, the Disposal, the Open Offer, the CB Subscription and the issue of the FA Remuneration Shares on the unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company as if the Transactions, the Disposal, the Open Offer, the CB Subscription and the issue of the FA Remuneration Shares had taken place on 30 June 2022. The Open Offer and the CB Subscription are collectively referred to as the “Fund-raising Transactions”.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited net liabilities of the Group attributable to owners of the Company as at 30 June 2022, as extracted from the published interim report of the Company for the six months ended 30 June 2022 and is adjusted for the effect of the Transactions, the Disposal, the Fund-raising Transactions and the issue of the FA Remuneration Shares.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Transactions, the Disposal, the Fund-raising Transactions and the issue of the FA Remuneration Shares.

	Unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2022 <i>(Note 1)</i> HK\$'000	Pro forma adjustments in relation to the Transactions and the Disposal <i>(Note 2)</i> HK\$'000	Estimated net effects of the Fund-raising Transactions and the issue of the FA Remuneration Shares <i>(Note 3)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Transactions, the Disposal, the Fund-raising Transactions and the issue of the FA Remuneration Shares HK\$'000	Unaudited consolidated net tangible liabilities per Share as at 30 June 2022 <i>(Note 4)</i> HK\$	Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after the completion of the Transactions, the Disposal, the Fund-raising Transactions and the issue of the FA Remuneration Shares <i>(Note 5)</i> HK\$
Scenario I	<u>(172,289)</u>	<u>1,569,218</u>	<u>161,840</u>	<u>1,558,769</u>	<u>(0.600)</u>	<u>1.803</u>
Scenario II	<u>(172,289)</u>	<u>1,569,218</u>	<u>102,383</u>	<u>1,449,312</u>	<u>(0.600)</u>	<u>2.567</u>

Notes:

1. The unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2022 is extracted from the published interim report of the Company for the six months ended 30 June 2022.
2. The pro forma adjustments in relation to the Transactions and the Disposal are the aggregated amount of pro forma adjustments to the equity attributable to owners of the Company as shown in the unaudited pro forma consolidated statement of financial position of the Restructured Group, which are extracted from Appendix VI to the VSTs Circular.
3. For the purpose of the Unaudited Pro Forma Financial Information, the following adjustments have been made to reflect the effect of the Fund-raising Transactions and the issue of the FA Remuneration Shares:

	Scenario I	Scenario II
	HK\$'000	HK\$'000
Estimated net proceeds from the Open Offer (<i>Note (a)(i) & Note (a)(ii)</i>)	121,718	62,261
CB Subscription (<i>Note (b)</i>)	42,222	42,222
Issue of the FA Remuneration Shares (<i>Note (c)</i>)	–	–
Less: Estimated expenses related to the above transactions to be paid by cash	<u>(2,100)</u>	<u>(2,100)</u>
	<u>161,840</u>	<u>102,383</u>

Notes:

- (a) The estimated net proceeds from the Open Offer are calculated under two scenarios based on:
 - (i) gross proceeds from the Open Offer of approximately HK\$121,718,000 is calculated based on 574,142,698 Offer Shares to be issued on the basis of two Offer Shares for every one existing Share held on the Record Date at the Subscription Price of HK\$0.212 per Offer Share, assuming all Shareholders have taken up their respective entitlement of Offer Shares under the Open Offer; and
 - (ii) gross proceeds from the Open Offer of approximately HK\$62,261,000 is calculated based on 293,683,808 Offer Shares to be issued on the basis of two Offer Shares for every one existing Share held on the Record Date at the Subscription Price of HK\$0.212 per Offer Share, assuming no Qualifying Shareholders have taken up any of his/her/its entitlement under the Open Offer except for Shun Wang pursuant to the Irrevocable Undertaking.
- (b) The Convertible Bonds with an aggregate principal amount of HK\$154,000,000 to be issued by the Company are recognised in the Unaudited Pro Forma Financial Information in accordance with the HKFRS 9 “Financial Instruments”, which requires the Convertible Bonds to be separated into liability portion and equity portion. The principal amount of the Convertible Bonds to be issued is fixed at HK\$154,000,000, and the conversion price of the Convertible Bonds is subject to adjustments upon occurrence of certain events, such as consolidation or sub-division of shares, capitalisation of profits or reserves, capital distribution, right issues, issue of convertible or exchangeable securities.

The principal terms of the Convertible Bonds are disclosed in the section headed “Letter from the Board – III. The CB Subscription” of this Circular. In accordance with the term of the Convertible Bonds, the Bondholder (as defined in this Circular) 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 (as defined in this Circular).

The Company engaged Ascent Partners Valuation Service Limited (“**Ascent Partners**”), an independent professional valuer, to carry out an assessment of the fair value of the liability portion of the Convertible Bonds. Based on the valuation report issued by Ascent Partners, the fair value of the liability portion of the Convertible Bonds amounted to approximately HK\$111,778,000. The effect of the CB Subscription on the consolidated net tangible assets of the Group attributable to owners of the Company sets out below:

	<i>HK\$'000</i>
Gross proceeds from the CB Subscription	154,000
Less: Fair value of the liability portion of the Convertible Bonds	<u>(111,778)</u>
Net increase in the consolidated net tangible assets of the Group	<u><u>42,222</u></u>

- (c) The issue of the FA Remuneration Shares will be for partial settlement of the professional fees of the Financial Adviser and no proceeds will be generated therefrom. As such, this transaction has no effect on the consolidated net tangible assets of the Group attributable to owners of the Company.
4. The number of Shares used for the calculation of the unaudited consolidated net tangible liabilities per Share as at 30 June 2022 is based on 287,071,349 Shares of the Company in issue as at 30 June 2022.
5. The unaudited pro forma adjusted consolidated net tangible assets per Share immediately after the completion of the Transactions, the Disposal, the Fund-raising Transactions and the issue of the FA Remuneration Shares is calculated based on:
- (i) 864,515,933 Shares which comprise (i) the existing 287,071,349 Shares in issue as at 30 June 2022; (ii) 574,142,698 Offer Shares assumed to be issued under the scenario stated in note 3(a)(i) above on the completion of the Open Offer as if the Open Offer had been completed on 30 June 2022; and (iii) 3,301,886 FA Remuneration Shares to be issued as if the issue of the FA Remuneration Shares had been completed on 30 June 2022; and
- (ii) 584,057,043 Shares which comprise (i) the existing 287,071,349 Shares in issue as at 31 December 2021; (ii) 293,683,808 Offer Shares assumed to be issued under the scenario stated in note 3(ii) above on the completion of the Open Offer as if the Open Offer had been completed on 30 June 2022; and (iii) 3,301,886 FA Remuneration Shares to be issued as if the issue of the FA Remuneration Shares had been completed on 30 June 2022.
6. No adjustments have been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2022.

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

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



14 October 2022

To the Directors of Huscoke Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Huscoke Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2022 and related notes as set out on pages II-1 and II-2 of the circular issued by the Company dated 14 October 2022 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 and II-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of (i) the proposed open offer of maximum 574,142,698 offer shares at the subscription price of HK\$0.212 per offer share on the basis of two offer shares for every one existing share held on the record date (the “**Open Offer**”) on the Group’s financial position as at 30 June 2022 as if the Open Offer had taken place at 30 June 2022; (ii) the proposed issue of the convertible bonds with an aggregate a principal amount of HK\$154,000,000; (iii) the proposed issue of 3,301,886 new shares to the Company’s financial adviser; and (iv) the very substantial transaction and the very substantial disposal and connected transaction as disclosed in the Company’s circular dated 28 September 2022 (the “**VSTs Circular**”) as if these transactions had taken place at 30 June 2022. As part of this process, information about the Group’s financial position and the pro forma adjustments have been extracted by the Directors from the interim report of the Company for the six months ended 30 June 2022, on which no review report has been published, and the unaudited pro forma financial information of the Restructured Group in the VSTs Circular, on which an accountants’ report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

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

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Hong Kong

14 October 2022

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, include particulars given in the compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Increase in Authorised Share Capital, the completion of the Open Offer (assuming no further issue of Shares from the Latest Practicable Date up to the completion of the Open Offer), the issue of the FA Remuneration Shares and 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>2,000,000,000</u>	Shares of HK\$0.1 each	<u>200,000,000</u>
<i>Issued and fully paid:</i>		
<u>287,071,349</u>	Shares of HK\$0.1 each	<u>28,707,135</u>

- (ii) **Immediately following the Increase in Authorised Share Capital, the completion of the Open Offer (assuming no further issue of Shares from the Latest Practicable Date up to the completion of the Open Offer), the issue of the FA Remuneration Shares and the issue of Conversion Shares**

Authorised: *HK\$*

<u>4,000,000,000</u>	Shares of HK\$0.1 each	<u>400,000,000</u>
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Issued and fully paid:

<u>287,071,349</u>	Shares of HK\$0.1 each	<u>28,707,134.9</u>
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Maximum number of Offer Shares to be issued:

<u>574,142,698</u>	Shares of HK\$0.1 each	<u>57,414,269.8</u>
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The FA Remuneration Shares to be issued:

<u>3,301,886</u>	Shares of HK\$0.1 each	<u>330,188.6</u>
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Maximum number of Conversion Shares to be issued (based on the initial Conversion Price of HK\$0.212 per Conversion Share):

<u>726,415,094</u>	Shares of HK\$0.1 each	<u>72,641,509.4</u>
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Maximum number of Shares in issue immediately following completion of the Open Offer, the FA Remuneration Shares and the Conversion Shares issued:

<u>1,590,931,027</u>	Shares of HK\$0.1 each	<u>159,093,102.7</u>
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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 fully-paid Offer Shares, the new Conversion Shares and the new FA Remuneration 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 Offer Shares, the new Conversion Shares and new FA Remuneration 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 December 2021, 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 December 2021, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, 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

Name	Address
<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
<i>Senior Management</i>	
Ms. Au Wing Sze	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 59, 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, 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 59, has been appointed as an executive Director since 10 July 2019. Mr. Wang served as a director and general manager of Shanxi Yiling Investment Inc.* (山西億量投資有限公司) from March 2010 to November 2018. Mr. Wang also served as chief executive director of Shanxi Zhongrui Group* (山西中瑞集團) and general manager of Shanxi Zhongrui Trading Company Limited* (山西中瑞貿易有限公司) from August 1999 to March 2010. Mr. Wang holds a professional qualification in industrial and civil architecture at Taiyuan University.

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

Aged 67, 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 with effect from 30 April 2021, the shares of which are listed on the Main Board of the Stock Exchange (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. 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 47, 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 has more than 15 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's 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 60, has been appointed as a nonexecutive Director since 15 January 2020. Mr. Jiang has served as a senior consultant and general manager of Inner Mongolia Andeli Chemical Co., Ltd.* (內蒙古安德力化工有限公司) since 2018. Mr. Jiang respectively served as deputy general manager, chief engineer of the chemical sector, director of the coal-to-liquids project and senior consultant of Inner Mongolia Yitai Coal Oil Production Plant* (內蒙古伊泰煤製油廠). Mr. Jiang also served as chemical process design engineer and dean of the design and research institute of Yanchang Petroleum Shaanxi Xingping Fertilizer Plant* (延長石油陝西興平化肥廠)(now known as Yanchang Petroleum Shaanxi Xinghua Group Company* (延長石油陝西興化集團公司)) from 1984 to 2005. Mr. Jiang was the chairman of the National Nitrogen Fertilizer Association, the chairman of Technical Committee of the National Chemical Synthetic Ammonia Design Technology Center Station, a member of a committee on standardization of Coal Fuel of National Energy Administration, a member of the professional committee on Coal Chemical Utilization of The Chemical Industry and Engineering Society of China, a member of Technical Committee of the National Gas Purification Information Centre, an expert of the Coal Chemical Industry Expertise Committee of China Petroleum and Chemical Industry Federation and evaluation expert of the China Development Bank, etc. Mr. Jiang holds a professional qualification of inorganic chemical engineering in chemical engineering and bachelor degree in engineering at Inner Mongolia University of Technology. Mr. Jiang is a senior engineer in professor-level and a registered chemist in chemical process design.

Mr. Tang Ching Fai (“Mr. Tang”)

Aged 58, has been appointed as a nonexecutive 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 ChinaCoal Holch Capital Management Co., Ltd.* (中煤厚持資本管理有限公司) since 2018. Mr. Tang was the head of the treasury department of China Rural Trust Development Corporation* (中國農村信託發展公司) from 1990 to 1994, and served as the vice president of Jinnuo Investment Co., Ltd.* (金諾投資有限公司) from 2001 to 2005. He was the strategic vice president of Alcatel China Co., Ltd.* (阿爾卡特中國有限公司) from 2005 to 2007, and served as the chairman of Tianjin Wanjing Hongcheng Real Estate Co., Ltd.* (天津萬景宏城置業有限公司) from 2007 to 2010. He was the chairman of Beijing Bajianfang Consulting Company* (北京八間房諮詢公司) from 2010 to 2015, and served as the deputy secretary general of China Association of Equity Investment Funds* (中國股權投資基金協會) from 2015 to 2018.

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

Aged 69, 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 and 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, and 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 64, 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 34 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 nonpracticing counsel of Australia.

Dr. Wang Wei Hsin (“Dr. Wang”)

Aged 56, 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. Dr. Wang served as the chief executive officer of South China Financial Holdings Limited, 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>)	1,166,940,806 (<i>Note 1</i>)	406.49%
Mr. To Wing Tim, Paddy	Beneficial owner and interest of spouse (<i>Note 2</i>)	24,333	0.001% (rounded up to 3 decimal places)

Notes:

- Based on the disclosure of interests forms filed on 23 August 2022 and 22 September 2022, the Shares included (i) 146,841,904 Shares beneficially owned by Shun Wang; (ii) the 293,683,808 new Offer Shares in which Mr. Zhao is deemed to be interested as a result of the Irrevocable Undertaking in respect of the entitlement of Offer Shares of Shun Wang under the Open Offer; and (iii) 726,415,094 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 Director	Debenture	Capacity	Amount of debentures held	Approximate percentage to the total amount of debentures in issue
Mr. Zhao	8% unsecured convertible bonds due 2024	Interest of a controlled corporation (<i>Note</i>)	HK\$154,000,000	100%

Note:

On 19 September 2022, Wahren 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 Wahren Investments has conditionally agreed to subscribe for the Convertible Bonds which are freely transferable and convertible into Shares at the initial conversion price of HK\$0.212 (subject to adjustments) which is equivalent to the Subscription Price.

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 (Note 1)	726,415,094	253.04%
Shun Wang Investments Limited	Beneficial owner (Note 2)	146,841,904	51.15%
Whole Advance Limited	Interest of a controlled corporation (Note 2)	146,841,904	51.15%
Liberal Expansion Limited	Interest of a controlled corporation (Note 2)	146,841,904	51.15%
Rontac Resources Company Limited	Beneficial owner (Note 3)	14,718,922	5.13%
Rontac Investment Company Limited	Interest of a controlled corporation (Note 3)	14,718,922	5.13%
Mr. Li Hongwei	Interest of a controlled corporation (Note 3)	14,718,922	5.13%

Notes:

1. Wahen Investments is wholly-owned by Mr. Zhao, an executive Director, chairman and chief executive officer of the Company.
2. Shun Wang is owned as to 100% by Whole Advance Limited, which voting ordinary shares are owned as to 100% by Liberal Expansion Limited, which in turn is owned as to 100% by Mr. Zhao.
3. Rontac Resources Company Limited is wholly owned by Rontac Investment Company Limited, which in turn is owned as to 71% by Mr. Li Hongwei. Accordingly, Mr. Li Hongwei is deemed to be interested in 14,718,922 Shares under the Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, there was no other person, other than the Directors or chief executive of the Company, who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO.

5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS AND ASSETS

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 December 2021 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service agreement with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

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 merger and acquisition framework agreement entered into between the Company, GRG Huscoke and Energy Technology on 16 September 2020, pursuant to which the Company and/or the Company may through direct investment and/or establishment of a merger and acquisition fund may acquire and subscribe for more than 50% of the enlarged share capital of the Energy Technology;
- (ii) the Cooperation Agreement;
- (iii) an agreement entered into between GRG Huscoke and Shanxi Zhengbenyuan on 15 March 2022, pursuant to which GRG Huscoke agreed to purchase the Possible Loan in the consideration of RMB25,500,000;
- (iv) the Agreement;
- (v) the debt transfer agreement 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;

- (vi) 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), 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;
- (vii) 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; and
- (viii) the CB Subscription Agreement.

8. LITIGATION

- (a) The Group received notification issued by Shanxi Province Taiyuan City Intermediate People's Court (山西省太原市中级人民法院) (the "**Taiyuan Court**") dated 20 May 2016 in which Shanxi International Logistic Co., Ltd. (山西國際物流有限公司) ("**Shanxi Logistic**") commenced legal action against GRG Huscoke. Pursuant to the statement of claim, GRG Huscoke failed to deliver goods and failed to repay the prepayment of RMB50,000,000 (equivalent to HK\$59,035,000) received from Shanxi Logistic in accordance with the cooperation agreements entered into by Shanxi Logistic and GRG Huscoke in March 2013, on 1 April 2014 and 1 May 2015 respectively. As a result, Shanxi Logistic demanded GRG Huscoke to repay RMB50,000,000 (equivalent to HK\$59,035,000) plus profits forgone of RMB14,894,000 (equivalent to HK\$17,410,000) and related legal expense of RMB183,000 (equivalent to HK\$214,000) up to 29 February 2016 as a result of the non-delivery of goods by GRG Huscoke.

During the year ended 31 December 2016, a civil mediation agreement (the "**Civil Mediation Agreement**") was entered into to confirm, among others, that the sums owed by GRG Huscoke to Shanxi Logistic amounted to RMB65,077,000 (equivalent to HK\$76,659,000) as of 11 April 2016 and such sums should be repaid on or before 30 May 2016. Subsequently, GRG Huscoke, Shanxi Logistic, Jinyan Electricity and the controlling owner of Jinyan Electricity (collectively, as the Guarantors of GRG Huscoke) entered into a settlement agreement (the "**Settlement Agreement**") regarding the execution of the Civil Mediation Agreement. Pursuant to the Settlement Agreement, GRG Huscoke shall settle RMB31,000,000 (equivalent to HK\$36,500,000) by installments by 31 December 2016, and monthly installments of RMB6,000,000 (equivalent to HK\$7,100,000) from January 2017 onwards until the full settlement of the outstanding sums (including interest accrued and to be accrued thereon).

GRG Huscoke has made partial payments to Shanxi Logistic after the date of the Settlement Agreement. On 30 April 2019, GRG Huscoke, Shanxi Logistic and the Guarantors of GRG Huscoke entered into a debt reconciliation and settlement agreement given that GRG Huscoke has encountered financial difficulties, pursuant to which GRG Huscoke shall settle the outstanding sums of approximately RMB54,824,000 (equivalent to approximately HK\$61,326,000) by three instalments by 31 July 2019.

On 22 January 2021, Shanxi Logistic lodged the claim to Taiyuan Court again and demanded the outstanding sums of the principal amount of approximately RMB47,324,000 (equivalent to approximately HK\$58,062,000) together with the accrued interests of approximately RMB20,130,000 (equivalent to approximately HK\$24,697,000) immediately from GRG Huscoke. As such, GRG Huscoke has been in negotiation with Shanxi Logistic for the repayment schedule. On 31 May 2021, GRG Huscoke, Shanxi Logistic and the Guarantors of GRG Huscoke entered into the second settlement agreement (“**2nd Settlement Agreement**”), pursuant to which GRG Huscoke shall only repay the outstanding sums of the principal amount under the strict condition that GRG Huscoke will settle the amounts by instalments by each scheduled date in full before 20 December 2021. The amount of the accrued interests shall not be waived in the event that GRG Huscoke fails to settle the outstanding sums on any scheduled repayment date.

The Group eventually failed to repay the outstanding sums according to the repayment schedule and therefore obliged to pay the relevant sums of the accrued interests. Accordingly, the Group has provided the sums of the accrued interests in the consolidated financial statements for the year ended 31 December 2021. The Group has been in negotiation with Shanxi Logistic to re-arrange the payment schedule under the 2nd Settlement Agreement. To the best knowledge of the Directors, no further legal action was lodged by Shanxi Logistics up to the approval date of the financial statements. In the opinion of the Directors, appropriate provision has been made in the financial statements as at 31 December 2021 and 31 December 2020.

- (b) With reference to the Company’s announcement dated 21 October 2021, the Company discovered on the public information platform and noticed that a case of GRG Huscoke was first filed and enforced by the Intermediate People’s Court of Lüliang City on 13 September 2021. Based on the investigation conducted by the Company, it is noted that the litigation was due to the fact that Minsheng Bank had entered into a working capital loan agreement with GRG Huscoke on 29 March 2017, pursuant to which GRG Huscoke borrowed an amount of RMB99,970,000 from Minsheng Bank for a term of one year with a loan interest rate of 4.35% (the “**Loan**”), and pledged by the forest land use right of Qiantong New Energy with an area of 1,076.19 Mu as security. Jinyan Electricity, Xiaoyi Jinyan Building Materials Company Ltd* (孝義市金岩新型建材有限公司), Energy Technology, Mr. Yang Ge*, Mr. Wen Kezhong* and

Ms. Liu Yanping* (collectively the “**Joint and Several Guarantors**”) assumed joint and several guarantee liabilities for the Loan. Upon the expiry of the Loan on 31 March 2018, GRG Huscoke failed to pay the principal and interest when it was overdue.

Minsheng Bank filed a lawsuit request with the court and the Intermediate People’s Court of Lüliang City of Shanxi Province in July 2019 and rendered the first instance judgement on 3 November 2020. Minsheng Bank then filed an appeal against the first instance judgement and the High People’s Court of Shanxi Province rendered the final judgement on 5 July 2021 (the “**Judgement**”).

According to the final judgement, (i) GRG Huscoke shall repay the principal and interest of the Loan in the sum of RMB109,694,558.23 as of 21 June 2019 to Minsheng Bank within one month after the Judgement becomes effective; (ii) GRG Huscoke shall repay the agreed interest and penalty interest from 22 June 2019 to the date of full repayment of the outstanding principal amount of the Loan, based on the principal of RMB99,970,000, to Minsheng Bank within one month after the Judgement becomes effective; and (iii) the Joint and Several Guarantors assumed joint and several repayment liabilities and shall have the right to recover compensation against GRG Huscoke upon the enforcement of joint and several repayment liabilities.

The Company has provided the relevant amounts of the Loan and accrued interests and penalty interests to the consolidated financial statements for the years ended 31 December 2021 and 2020.

Pursuant to the Agreement, Energy Technology and Jinyan Electricity are obligated to coordinate and facilitate debt negotiations between GRG Huscoke and its creditors to settle the loans and the relevant contingent liabilities undertaken by GRG Huscoke arising in the Incident.

Save as disclosed above, as at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

9. EXPERTS AND CONSENTS

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

Name	Qualification
Veda Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
SBI China	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Zhonghui Anda CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its report and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts was 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, none of the above experts have any direct or indirect interest in any assets which have been, since 31 December 2021, i.e. 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. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE OPEN OFFER

Principal place of business of the Company in Hong Kong	Room 2301, 23rd Floor Tower One, Lippo Centre 89 Queensway Admiralty, Hong Kong
Registered office	Victoria Place, 5th Floor 31 Victoria Street Hamilton HM 10 Bermuda
Principal bankers	Nanyang Commercial Bank, Limited 151 Des Voeux Road Central Hong Kong The Bank of East Asia Limited 10 Des Voeux Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Bermuda branch share registrar and transfer office	MUFG Fund Services (Bermuda) Limited 4th Floor North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong

Legal adviser to the Company as to Hong Kong laws	Michael Li & Co. Room 901 and 19/F, Prosperity Tower No. 39, Queen's Road Central Hong Kong
Auditor	Zhonghui Anda CPA Limited 23/F, Tower 2, Enterprise Square Five 38 Wang Chiu Road, Kowloon Bay Hong Kong
Company secretary	Ms. Au Wing Sze Room 2301, 23rd Floor Tower One, Lippo Centre 89 Queensway Admiralty, Hong Kong
Financial adviser	Veda Capital Limited Suite 1001-1002, 10/F, 299 QRC 299 Queen's Road Central Hong Kong
Independent financial adviser	SBI China Capital Financial Services Limited 4/F, Henley Building No. 5 Queen's Road Central Hong Kong

11. EXPENSES

The expenses in connection with the Open Offer and the CB Subscription, including the printing, registration, translation, legal, accounting and other professional fees, are estimated to be approximately HK\$2.0 million, which are payable by the Company.

12. 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.

13. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.huscoke.com) and the Stock Exchange (www.hkexnews.hk) between the period of not less than 14 days from the date of this Circular up to and including the date of the SGM:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for each of the three financial years ended 31 December 2021 and the interim report of the Company for the six months ended 30 June 2022;
- (iii) the letter from the Board, the text of which is set out on pages 14 to 40 of this Circular;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 41 to 42 of this Circular;
- (v) 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 43 to 81 of this Circular;
- (vi) the report from ZHONGHUI ANDA CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this Circular;
- (vii) the material contracts referred to under the paragraph headed “7. Material Contracts” in this appendix;
- (viii) the letters of consent referred to under the paragraph headed “9. Experts and Consents” in this appendix; and
- (ix) this Circular.

14. 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 Monday, 31 October 2022 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 14 October 2022 (the “**Circular**”) of which the notice convening the SGM forms part.

ORDINARY RESOLUTIONS

1. “**THAT:**

- (A) the authorised share capital of the Company be and is hereby increased from HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each (the “**Shares**”) to HK\$400,000,000 divided into 4,000,000,000 Shares by the creation of an additional 2,000,000,000 Shares, and that each such new Share, upon issue and fully paid, shall rank *pari passu* in all respects with the existing issued Shares and have the rights and privileges and be subject to the provisions contained in the memorandum of association and bye-laws of the Company (the “**Increase in Authorised Share Capital**”); and
- (B) any one or more directors (the “**Directors**”) or the company secretary of the Company be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/she/they may, in his/her/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Increase in Authorised Share Capital.”

NOTICE OF SGM

2. “**THAT** subject to the satisfaction of all conditions as set out in the paragraph headed “Conditions of the Open Offer” in the “Letter from the Board” in the Circular:
- (A) the issue by way of open offer (the “**Open Offer**”) of up to 574,142,698 new Shares (the “**Offer Shares**”) (assuming no further change in the issued share capital of the Company up to the Record Date (as defined below)), to the shareholders of the Company (the “**Qualifying Shareholders**”) whose names appear on the register of members of the Company as at 4:30 p.m. on Thursday, 8 December 2022 (or such other time and date as the Company may determine) (the “**Record Date**”), save for the Shareholders whose addresses as at the Record Date are outside of Hong Kong (if any) to whom the Directors, based on the enquiries made by the Directors, consider it necessary or expedient not to offer the Offer Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (the “**Non-Qualifying Shareholders**”), on the basis of two (2) Offer Shares for every one (1) existing Share held on the Record Date at the subscription price of HK\$0.212 per Offer Share and otherwise on terms and conditions set out in the Circular, be and is hereby approved;
- (B) the Directors be and are hereby granted a specific mandate (the “**Open Offer Specific Mandate**”) and authorised to allot and issue the Offer Shares under the Open Offer Specific Mandate pursuant to or in connection with the Open Offer notwithstanding the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and
- (C) any one or more Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Offer Shares, the implementation of the Open Offer, to give effect to or in connection with the Open Offer, or any transaction contemplated thereunder.”

NOTICE OF SGM

3. “**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 19 September 2022 (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\$154,000,000 (the “**Convertible Bonds**”) (a copy of the Subscription Agreement having been produced to the SGM and initialled 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 726,415,094 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
 - (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.”
4. “**THAT** subject to the satisfaction of all conditions as set out in the paragraph headed “Issue of FA Remuneration Shares” in the “Letter from the Board” in the Circular, the Directors be and are hereby authorized to allot and issue 3,301,886 Shares (the “**Remuneration Shares**”) to Veda Capital Limited, and any Director be and is hereby authorised to execute all other documents whether under the common seal of the Company or otherwise and to do all such acts or things for and on behalf of the Company as he/she may consider appropriate or desirable relating to or in connection with the matters contemplated in and/or for implementation of the allotment and issue of the Remuneration Shares.”

By Order of the Board
Husoke Holdings Limited
Mr. Zhao Xu Guang
Chairman and Chief Executive Officer

Hong Kong, 14 October 2022

NOTICE OF SGM

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, 25 October 2022 to Monday, 31 October 2022, 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 Monday, 31 October 2022. 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, 24 October 2022.
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.

NOTICE OF 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. Considering the outbreak of coronavirus disease 2019 (“**COVID-19**”) pandemic, certain measures will be implemented at the SGM with a view to addressing the risk to attendees of infection, including, without limitation (i) all attendees will be required to undergo compulsory body temperature screening; (ii) all attendees will be required to complete and submit health declaration form; (iii) all attendees will be required to wear a surgical face mask throughout the SGM within the SGM venue (no mask will be provided at the SGM venue); and (iv) no corporate gifts and/or refreshments will be distributed. The Company reminds attendees that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. For details, all attendees of the SGM should read the section headed “Precautionary Measures for the SGM” on pages 1 and 2 of the Circular of the Company dated 14 October 2022.
9. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
10. 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.