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河南金馬能源股份有限公司

HENAN JINMA ENERGY COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6885)

**MAJOR TRANSACTION
AND DISCLOSEABLE TRANSACTION**

**FORMATION OF A JOINT VENTURE,
ACQUISITION OF THE XINYANG LAND
AND
TRANSFER OF THE COKE PRODUCTION CAPACITY**

FORMATION OF A JOINT VENTURE

The Board is pleased to announce that on 22 September 2020 (after trading hours), the Company and Angang Group Xinyang Steel Co., Ltd. (安鋼集團信陽鋼鐵有限責任公司) (“**Xinyang Co**”) entered into the JV Agreement, pursuant to which the Parties have conditionally agreed to establish a joint venture company in Xinyang City, Henan Province, the PRC; such joint venture company will be principally engaged in the production and sale of coke, the production and sale of electricity with heat dissipated in the relevant production process, and the production and sale of heat energy. The Company has conditionally agreed to contribute RMB700 million to the JV Company, representing 70% of the total capital contributions.

Following completion of the capital injections by the Parties as contemplated under the JV Agreement, the JV Company will be held as to 70% by the Group and, accordingly, be accounted for as a subsidiary of the Company.

Acquisition of the Xinyang Land

In respect of the formation of the JV Company, Xinyang Co has conditionally agreed to contribute RMB300 million to the JV Company, and a part of such capital contribution in the amount of RMB60 million will be satisfied by the injection of the Xinyang Land into the JV Company. Since the JV Company will be accounted for as a subsidiary of the Company, the injection of the Xinyang Land by Xinyang Co into the JV Company would in effect result in an acquisition of the Xinyang Land by the Group.

Transfer of the Coke Production Capacity

Pursuant to the JV Agreement, the Parties have agreed that the development of the Xinyang Coke Production Project (currently registered in the name of Xinyang Co) shall be conducted by the JV Company instead, and hence, Xinyang Co has agreed to attend to the change of the registration in respect the Xinyang Coke Production Project from Xinyang Co to the JV Company, and also take a lead in coordinating and completing the relevant Approval Procedures. Following completion of the change in registration and the Approval Procedures, the JV Company will obtain the right to develop the Xinyang Coke Production Project and in turn obtain the Coke Production Capacity, and hence the said arrangement will in effect constitute a transfer of the Coke Production Capacity from Xinyang Co to the JV Company. In consideration of the change in registration of the Xinyang Coke Production Project and Xinyang Co's assistance in the JV Company's obtaining of the Coke Production Capacity, the JV Company will pay Xinyang Co an amount calculated based on RMB200 per tonne of coke production capacity, which will amount to up to RMB240 million in aggregate, as compensation.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the formation of the JV Company is more than 25% but all of which are less than 100%, the formation of the JV Company contemplated under the JV Agreement constitutes a major transaction of the Company under the Listing Rules and is subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In respect of the injection of the Xinyang Land into the JV Company (being part of the capital contribution to be satisfied by Xinyang Co), which would constitute an acquisition of the Xinyang Land by the Group, all the applicable percentages are less than 5%.

In respect of the obtaining of the Coke Production Capacity by the JV Company, since the highest applicable percentage ratio under the Listing Rules in respect of the obtaining of the Coke Production Capacity exceeds 5% but all of which are less than 25%, the obtaining of the Coke Production Capacity constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

DESPATCH OF CIRCULAR

An EGM will be convened by the Company to approve the JV Agreement and the transaction contemplated thereunder. A circular containing, inter alia, further details of the JV Agreement and the formation of the JV Company, is expected to be despatched to the Shareholders on or before 10 November 2020.

INTRODUCTION

The Board is pleased to announce that on 22 September 2020 (after trading hours), the Company and Xinyang Co entered into the JV Agreement, pursuant to which the Parties have conditionally agreed to establish a joint venture company in Xinyang City, Hunan Province, the PRC.

THE JV AGREEMENT

Date: 22 September 2020

Parties: (1) The Company

(2) Xinyang Co

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Xinyang Co and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Business of the JV Company

Subject to the approval from relevant government authorities of the PRC, the scope of business of the JV Company includes the production and sale of coke, the production and sale of electricity with heat dissipated in the relevant production process, and the production and sale of heat energy.

Upon obtaining of the Coke Production Capacity from the relevant governmental authorities as further elaborated in the section headed "Transfer of the Coke Production Capacity" below, the JV Company is expected to develop the Xinyang Coke Production Project, being coking production facilities on the Xinyang Land and, in turn, fully utilise the relevant Coke Production Capacity. Based on the assumption that the Coke Production Capacity would be obtained by the end of 2020, the Board expects that the development of the Xinyang Coke Production Project would involve an investment of approximately RMB1,500 million, and the relevant production of coke is expected to commence in 2022.

It is also expected that after completion of the transaction contemplated under the JV Agreement, the JV Company may enter into certain transactions with Xinyang Co, which may constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Group will comply with the applicable requirements under the Listing Rules as and when appropriate.

Capital contributions by the Parties and acquisition of the Xinyang Land

Pursuant to the JV Agreement, the Parties have conditionally agreed to make capital contributions in the following manner:

Name	Capital contribution to be contributed by each party (RMB'million)	Percentage of equity interest in the JV Company
Company	700	70.00%
Xinyang Co	300 <i>(Note)</i>	30.00%
Total	1,000	100.00%

Note: Part of such capital contribution in the amount of RMB60 million shall be satisfied by the injection of the Xinyang Land currently held by Xinyang Co into the JV Company and the remaining RMB240 million shall be injected in the form of cash. Please refer to the sub-section headed "Second tranche contribution" below for further details.

The amount of the capital contributions to be injected by each party to the JV Agreement was determined after arm's length negotiations between the Parties with reference to the JV Company's initial estimated funding needs and the agreed share by each party to the JV Agreement, and the appraised value of the Xinyang Land of RMB60,053,200 (equivalent to approximately HK\$68,573,000) as at 31 August 2020 based on a valuation report prepared by an independent PRC valuer prepared based on the market comparison approach.

Following completion of the capital injections by the Parties as contemplated under the JV Agreement, the JV Company will be held as to 70% by the Group and, accordingly, be accounted for as a subsidiary of the Company.

Subject to the satisfaction of the condition as set out in the section headed "Condition precedent" below, the capital contributions mentioned above shall be payable by the Parties in three tranches in the following manner:

- ***First tranche contribution and acquisition of the Xinyang Land***

Within 30 days after the successful registration of the Xinyang Coke Production Project under the name of the JV Company with the relevant governmental authorities, the Company shall inject RMB140 million (equivalent to approximately HK\$160 million) in cash and Xinyang Co shall inject the Xinyang Land into the JV Company.

- ***Second tranche contribution***

Within 15 days after the necessary approval procedures involving the obtaining of the Coke Production Capacity have been completed (which procedures shall be completed no later than 31 December 2020 and will involve, inter alia, (i) the completion of the review, evaluation and approval of the safety design of the Xinyang Coke Production Project, (ii) the completion of and approval of the environmental evaluation in respect the Xinyang Coke Production Project, and (iii) the obtaining of and reviewing of the energy conservation report concerning the Xinyang Coke Production Project) (collectively, the “**Approval Procedures**”), the Company and Xinyang Co shall inject RMB420 million (equivalent to approximately HK\$480 million) and RMB180 million (equivalent to approximately HK\$206 million), respectively, in cash into the JV Company.

- ***Third tranche contribution***

The remainder of the capital contribution amount, comprising RMB140 million (equivalent to approximately HK\$160 million) by the Company and RMB60 million (equivalent to approximately HK\$69 million) by Xinyang Co, shall be injected into the JV Company in accordance with the capital needs of the JV Company to be determined depending on the progress of the development of the Xinyang Coke Production Project, but in any event, no later than 31 December 2070.

The Company’s portion of the capital contribution in the aggregate amount of RMB700 million (equivalent to approximately HK\$799 million) as disclosed above is expected to be funded by the Group’s internal resources, and it is expected that the making of such capital contribution would not have any material impact on the financial position of the Group.

Transfer of the Coke Production Capacity

Xinyang Co is a manufacturer of iron and steel products and since coke is the main and irreplaceable reducing agent, heat agent and column skeleton for blast furnaces used in the production of pig iron by iron and steel manufacturers, Xinyang Co had in April 2020 applied for and obtained the relevant governmental registration for the development of a new production facility of coke which would involve an annual production capacity of up to 1.2 million tonnes of coke (the “**Xinyang Coke Production Project**”).

Pursuant to the JV Agreement, the Parties have agreed that the development of the Xinyang Coke Production Project be conducted by the JV Company instead, and hence, Xinyang Co has agreed to attend to the change of the registration in respect the Xinyang Coke Production Project from Xinyang Co to the JV Company, and also take a lead in coordinating and completing the relevant Approval Procedures. Following completion of the change in registration and the Approval Procedures, the JV Company will obtain the right to develop the Xinyang Coke Production Project and in turn obtain the Coke Production Capacity, and hence the said arrangement will in effect constitute a transfer of the Coke Production Capacity from Xinyang Co to the JV Company. In consideration of the change in registration of the Xinyang Coke Production Project and Xinyang Co’s assistance in the JV Company’s obtaining of the Coke Production Capacity, the JV Company will pay Xinyang Co an amount calculated based on RMB200 per tonne of coke production capacity, which will amount to up to RMB240 million in aggregate (equivalent to approximately HK\$274 million) (the “**Production Capacity Consideration**”), as compensation upon completion of Approval Procedures.

As the abovementioned arrangement between Xinyang Co and the JV Company will, in effect, constitute a transfer of the Coke Production Capacity from Xinyang Co to the JV Company, the Production Capacity Consideration was calculated based on RMB200 per tonne of coke production capacity, which was arrived at after arm's length negotiations between the Parties with reference to prices of coke production capacities based on market transactions of transfer of coke production capacities that were publicly available.

Condition precedent

The performances of the terms of the JV Agreement by the Company and Xinyang Co are conditional upon the obtaining of the necessary approvals by the Parties, including the relevant Shareholders' approval at the EGM pursuant to the requirements of the Listing Rules.

Ownership of the JV Company

The Parties, as holders of equity interests in the JV Company, shall be entitled to rights of equity holders (including voting rights) in proportion to their respective equity interests in the JV Company. Pursuant to the JV Agreement, at the equity holders' meeting of the JV Company, general matters shall be approved by a majority vote of the holders of equity interests, whereas for certain important matters, including amendment to the JV Company's articles of association, alteration of its registered capital, and the amalgamation or dissolution of the JV Company, shall require the approval of two-thirds of the votes of the holders of equity interest in the JV Company.

In the event of a transfer of equity interest in the JV Company by any equity holder, the equity holder interested in over 50% of the equity interests in the JV Company shall have a pre-emptive right to acquire such interest.

Management of the JV Company

The board of directors of the JV Company shall consist of three (3) directors, among which, the Company shall nominate two (2) directors and Xinyang Co shall nominate one (1) director. The chairman of the board of directors of the JV Company shall be a director nominated by the Company. The general manager of the JV Company shall be nominated by the Company while the deputy general manager of the JV Company shall be nominated by Xinyang Co.

The supervisory committee of the JV Company shall consist of three (3) supervisors, among which, the Company and Xinyang Co shall each nominate one (1) supervisor and the employees shall elect one (1) employee representative supervisors. The chairman of the supervisory committee of the JV Company shall be nominated by Xinyang Co.

INFORMATION ON XINYANG CO

Xinyang Co is a company incorporated in the PRC with limited liability. It is principally engaged in the production and sale of pig iron, billet, rod and strip materials, and is a steel conglomerate involved in various operations including the production of iron and steel, mining, mineral separation, railway transportation, cement, energy generation and trading.

Insofar as the Directors are aware, Xinyang Co is held as to approximately 53.22% by He Dianzhou* (何殿洲), approximately 15.84% by Henan Hengchang Trading Co., Ltd.* (河南省恒昌商貿有限公司), and approximately 8.57% by Anyang Steel Group Co., Ltd.* (安陽鋼鐵集團有限公司), and the remaining interest of approximately 22.37% is held by 10 individuals. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, all the above equity holders and their ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY, THE ACQUISITION OF THE XINYANG LAND AND THE TRANSFER OF THE COKE PRODUCTION CAPACITY

The Group is a leading coke producer and processor of coking by-products in the coking chemical industry in Henan province, the PRC. The Group operates a vertically integrated business model along the coking chemical value chain from coke production to the processing of coking by-products into refined chemicals and energy products.

In line with the Group's business strategy in expanding its business vertically and horizontally along the coking chemical value chain of the coal chemical industry, the Group has been making continuous efforts in expanding its coke production capacity. In view of the PRC government's policies in recent years imposing stricter environmental protection measures and requirements, the Board is of the view that new coke production capacities have become more and more difficult to come by. Through entering into of the JV Agreement, the Company will have the opportunity to obtain the Coke Production Capacity, being a valuable resource for the Group's expansion of business operations. Upon fully utilising the relevant Coke Production Capacity through the development of the Xinyang Coke Production Project on the Xinyang Land, the Group will be able to further expand its production volume in respect of coke production, and hence further improve the Group's overall revenue as a whole.

In addition, Xinyang Co is an iron and steel manufacturing with established businesses in Xinyang City in Henan Province. It is expected that the Group will be able to leverage on the resources and expertise of such joint venture partner and gain access to new business opportunities and further depth its business development along the coking chemical value chain.

In light of the above, the Directors (including the independent non-executive Directors) believe that the terms of the JV Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the formation of the JV Company is more than 25% but all of which are less than 100%, the formation of the JV Company contemplated under the JV Agreement constitutes a major transaction of the Company under the Listing Rules and is subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In respect of the injection of the Xinyang Land into the JV Company (being part of the capital contribution to be satisfied by Xinyang Co), which constitutes an acquisition of the Xinyang Land by the Group, all the applicable percentages are less than 5%.

In respect of the obtaining of the Coke Production Capacity by the JV Company, since the highest applicable percentage ratio under the Listing Rules in respect of the obtaining of the Coke Production Capacity exceeds 5% but all of which are less than 25%, the obtaining of the Coke Production Capacity constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

As mentioned in the section headed “Business of the JV Company” above, it is expected that after the formation of the JV Company and the commencement of production of coke by the JV Company, the Group may enter into certain transactions with Xinyang Co, which may constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As at date of this announcement, no definitive agreement or terms have been entered into or finalised in relation to such transactions and further announcement(s) in relation to the continuing connected transactions will be made in accordance with the Listing Rules as and when appropriate.

DESPATCH OF CIRCULAR

An EGM will be convened by the Company to approve the JV Agreement and the transaction contemplated thereunder. A circular containing, inter alia, further details of the JV Agreement and the formation of the JV Company will be despatched to the Shareholders in accordance with the requirements of Rule 14.41(b) (as modified by Rule 19A.39A) of the Listing Rules. As additional time is required to prepare the relevant information to be included in the circular, it is expected that the circular will be despatched to the Shareholders on or before 10 November 2020.

DEFINITIONS

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

“Approval Procedures”	has the meaning ascribed to it under the section headed “Capital contributions by the Parties and acquisition of the Xinyang Land – Second tranche contribution”;
“Board”	the board of Directors;
“Coke Production Capacity”	a right to produce up to 1.2 million tonnes of coke annually after completing the relevant Approval Procedures;
“Company”	河南金馬能源股份有限公司 (Henan Jinma Energy Company Limited), a company established in the PRC with limited liability;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;

“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, the JV Agreement and the transaction contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“JV Agreement”	the joint venture agreement dated 22 September 2020 and entered into between the Company and Xinyang Co in relation to the formation of a joint venture, the acquisition of the Xinyang Land and the transfer of the Coke Production Capacity;
“JV Company”	a company to be established in the PRC with limited liability pursuant to the JV Agreement, the proposed name of which is 信陽鋼鐵金港能源有限公司 (Xinyang Steel Jingang Energy Co., Ltd.*);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	the Company and Xinyang Co;
“PRC”	the People’s Republic of China;
“Production Capacity Consideration”	has the meaning ascribed to it under the section headed “Transfer of the Coke Production Capacity” in this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Xinyang Co”	Angang Group Xinyang Steel Co., Ltd.* (安鋼集團信陽鋼鐵有限責任公司), a limited company incorporated in the PRC;

“Xinyang Coke Production Project”	has the meaning ascribed to it under the section headed “Transfer of the Coke Production Capacity” in this announcement;
“Xinyang Land”	the land located at the north of Junmin Road, Minggang Town, Pingqiao District, Xinyang City, Henan Province, the PRC (中國河南省信陽市平橋區明港鎮軍民路北側) with an aggregate site area of approximately 154,220 square meters; and
“%”	per cent.

* For identification purposes only

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.141865 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

By order of the Board
Henan Jinma Energy Company Limited
Yiu Chiu Fai
Chairman

Hong Kong, 22 September 2020

As at the date of this announcement, the executive Directors of the Company are Mr. YIU Chiu Fai, Mr. WANG Mingzhong and Mr. LI Tianxi; the non-executive Directors of the Company are Mr. HU Xiayu, Mr. WANG Kaibao and Ms. YE Ting; and the independent non-executive Directors of the Company are Mr. WU Tak Lung and Mr. MENG Zhihe.