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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)

DISCLOSEABLE TRANSACTIONS

(1) ACQUISITION OF THE YUGANG PRODUCTION CAPACITY

(2) INTRA-GROUP TRANSFER OF THE JINMA PRODUCTION CAPACITY

BACKGROUND

References are made to the Company's announcements dated 9 May 2019, 19 November 2020 and 23 December 2020 in respect of, *inter alia*, the Group's expansion plan involving the construction of the New Coking Furnaces, being two advanced coking furnaces with a height of 7.65 metres and an aggregate production capacity of 1.8 million tonnes of coke per annum.

In order to be in a position to fully utilise the 1.8 million tonnes of coke production capacity of the New Coking Furnaces following their commercial production, the Group intends to (i) proceed with its cooperation with Yugang Coking, through the Coking Subsidiary, in acquiring an additional coke production capacity right of 600,000 tonnes of coke per annum from Yugang Coking, and (ii) allocate part of the Company's coke production capacity right, being the capacity to produce 1,200,000 tonnes of coke per annum, from the Company to the Coking Subsidiary.

ACQUISITION OF THE YUGANG PRODUCTION CAPACITY

The Board is pleased to announce that on 16 August 2021, the Coking Subsidiary and Yugang Coking entered into the Yugang Cooperation Agreement, pursuant to which Yugang Coking has agreed to attend to the relevant Approval Procedures such that the Coking Subsidiary will obtain the Yugang Production Capacity, and hence the said arrangement will in effect constitute a transfer of the Yugang Production Capacity from Yugang Coking to the Coking Subsidiary. In consideration of Yugang Coking's assistance in the Coking Subsidiary's obtaining of the Yugang Production Capacity, the Coking Subsidiary will pay Yugang Coking RMB150 million in aggregate, as compensation.

INTRA-GROUP TRANSFER OF THE JINMA PRODUCTION CAPACITY

The Board is pleased to announce that on 16 August 2021, the Company and the Coking Subsidiary entered into the Jinma Cooperation Agreement, pursuant to which the Company has agreed to attend to the relevant Approval Procedures such that the Coking Subsidiary will obtain the Jinma Production Capacity, and hence the said arrangement will in effect constitute a transfer of the Jinma Production Capacity from the Company to the Coking Subsidiary. In consideration of the Company's assistance in the Coking Subsidiary's obtaining of the Jinma Production Capacity, the Coking Subsidiary will pay the Company RMB300 million in aggregate, as compensation.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under the Listing Rules in respect of each of the Acquisition and the Intra-Group Transfer exceeds 5% but all of which are less than 25%, each of the Acquisition and the Intra-Group Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

References are made to the Company's announcements dated 9 May 2019, 19 November 2020 and 23 December 2020 in respect of, *inter alia*, the Group's expansion plan involving the construction by the Coking Subsidiary of the new coking furnaces, being two advanced coking furnaces with a height of 7.65 metres and an aggregate production capacity of 1.8 million tonnes of coke per annum (the "**New Coking Furnaces**").

In order to be in a position to fully utilise the 1.8 million tonnes of coke production capacity of the New Coking Furnaces following their commercial production, the Group intends to (i) proceed with the cooperation with Yugang Coking, through the Coking Subsidiary, in acquiring the Yugang Production Capacity from Yugang Coking, and (ii) allocate part of the Company's coke production capacity right, being the Jinma Production Capacity, from the Company to the Coking Subsidiary.

The Board is pleased to announce that on 16 August 2021, (i) the Coking Subsidiary and Yugang Coking entered into the Yugang Cooperation Agreement on the acquisition of the Yugang Production Capacity by the Coking Subsidiary from Yugang Coking at a consideration of RMB150 million, and (ii) the Company and the Coking Subsidiary entered into the Jinma Cooperation Agreement on the intra-group transfer of the Jinma Production Capacity from the Company to the Coking Subsidiary at a consideration of RMB300 million.

ACQUISITION OF THE YUGANG PRODUCTION CAPACITY

The Yugang Cooperation Agreement

The principal terms of the Yugang Cooperation Agreement are set out below:

Date: 16 August 2021

Parties: (1) The Coking Subsidiary (as the purchaser)
(2) Yugang Coking (as the vendor)

Assets to be acquired

Yugang Coking is currently the owner of a coke production facility located in Jiyuan City in the Henan Province with a production capacity right of 600,000 tonnes of coke per annum (the “**Yugang Production Capacity**”).

Pursuant to the Yugang Cooperation Agreement, Yugang Coking has agreed to attend to the relevant Approval Procedures such that the Coking Subsidiary will obtain the Yugang Production Capacity, being Yugang Coking’s production capacity right of 600,000 tonnes of coke per annum. Hence, the said arrangement will in effect constitute a transfer of the Yugang Production Capacity from Yugang Coking to the Coking Subsidiary.

Consideration

In consideration of Yugang Coking’s assistance in the Coking Subsidiary’s obtaining of the Yugang Production Capacity, the Coking Subsidiary shall pay Yugang Coking RMB150 million (equivalent to approximately HK\$180.4 million) (the “**Yugang Consideration**”) as compensation, which shall be payable in the following manner:

- (a) an amount of RMB15 million, which had been paid by the Coking Subsidiary to Yugang Coking as earnest money pursuant to the MOU, shall be applied as part payment of the Yugang Consideration; and
- (b) the balance of RMB135 million, shall be paid by the Coking Subsidiary to Yugang Coking in cash, upon completion of the necessary approval procedures involved in the construction of the New Coking Furnaces. Such procedures shall involve, inter alia, (i) the completion of the review, evaluation and approval of the safety design of the New Coking Furnaces, (ii) the completion of and approval of the environmental evaluation in respect the New Coking Furnaces, and (iii) the obtaining of and reviewing of the energy conservation report concerning the New Coking Furnaces) (collectively, the “**Approval Procedures**”).

The Yugang Consideration was determined based on a price of RMB250 per tonne of coke production capacity, which was arrived at after arm's length negotiations between the Coking Subsidiary and Yugang Coking with reference to prices of coke production capacities based on market transactions of transfer of coke production capacities that were publicly available. The Yugang Consideration is expected to be funded by the Group's internal resources.

Information on Yugang Coking

Yugang Coking is a company incorporated in the PRC with limited liability. It is principally engaged in the production of coke and coking by-products.

Insofar as the Company is aware, as at the date of this announcement, Yugang Coking is held as to approximately 88.03% by Golden Fair Chemicals (Holdings) Limited (which was in turn held as to 65.92% by Mr. Wang Xuezhong) and approximately 11.97% by 洛陽鐵路運通集團有限公司 (Luoyang Railway Yuntong Group Co., Ltd.*, a state-owned enterprise). Mr. Wang Xuezhong was a controlling shareholder of 河南省金塑實業有限公司 (Henan Jinsu Shiye Co., Ltd.*), which was in turn a substantial shareholder of Jinning Energy, a member of Group. Jinning Energy is an insignificant subsidiary of the Company pursuant to Rule 14A.09 of the Listing Rules and therefore Yugang Coking does not constitute a connected person of the Company. Hence, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Yugang Coking and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

INTRA-GROUP TRANSFER OF THE JINMA PRODUCTION CAPACITY

The Jinma Cooperation Agreement

The principal terms of the Jinma Cooperation Agreement are set out below:

Date: 16 August 2021

Parties: (1) The Coking Subsidiary (as the purchaser)
(2) The Company (as the vendor)

Assets to be transferred

The Company is currently the owner of certain chemical coke production facilities in Henan province in the PRC, which comprise, inter alia, two 4.3 metre coking furnaces (“**Jinma 4.3m Furnaces**”) with an aggregate production capacity right of 1,200,000 tonnes of coke per annum (the “**Jinma Production Capacity**”). As disclosed in the Company’s announcement dated 23 December 2020, with the cessation of operations of the Jinma 4.3m Furnaces, the relevant Jinma Production Capacity were no longer being fully utilised.

Pursuant to the Jinma Cooperation Agreement, the Company has agreed to attend to the relevant Approval Procedures such that the Coking Subsidiary will obtain the Jinma Production Capacity, being the Company’s production capacity right of 1,200,000 tonnes of coke per annum. Hence, the said arrangement will in effect constitute a transfer of the Jinma Production Capacity from the Company to the Coking Subsidiary.

Consideration

In consideration of the Company’s assistance in the transfer of the Jinma Production Capacity to the Coking Subsidiary, the Coking Subsidiary will pay the Company RMB300 million (equivalent to approximately HK\$360.8 million) (the “**Jinma Consideration**”) in cash as compensation upon completion of the necessary Approval Procedures involved in the construction of the New Coking Furnaces.

The Jinma Consideration was determined based on a price of RMB250 per tonne of coke production capacity, which was arrived at after arm’s length negotiations between the Coking Subsidiary and the Company with reference to prices of coke production capacities based on market transactions of transfer of coke production capacities that were publicly available. The Jinma Consideration is expected to be funded by the Group’s internal resources.

Financial Effects of the Intra-Group Transfer

The Intra-Group Transfer is in substance an internal reorganisation of assets of the Group which would result in a net disposal of approximately 49% interest in the Jinma Production Capacity. After the completion of the Intra-Group Transfer, the Company will cease to be directly interested in the Jinma Production Capacity. However, the Company will continue to be indirectly interested in the Jinma Production after the completion of the Intra-Group Transfer, as the Coking Subsidiary remains consolidated in the financial results of the Group, as a wholly-owned subsidiary of Shenzhen Jinma (which is in turn a 51% subsidiary of the Company). Accordingly, whilst the actual gain or loss to be recorded by the Group as a result of the Intra-Group Transfer is subject to final audit to be performed by the Company’s auditor, the Group does not expect to record any material gain or loss in relation to the Intra-Group Transfer.

The net proceeds to be received by the Company from the Intra-Group Transfer will be applied towards (i) the Group’s development of the expansion plan involving the construction of the New Coking Furnaces; and (ii) the general working capital requirements of the Group.

REASONS AND BENEFITS FOR THE ACQUISITION AND THE INTRA-GROUP TRANSFER

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 and upgrading its existing production facilities. References are made to the Company's announcements dated 9 May 2019, 19 November 2020 and 23 December 2020 in respect of, inter alia, the phasing out of the Jinma 4.3m Furnaces and the Group's expansion plan involving the Coking Subsidiary's construction of the New Coking Furnaces, being two advanced coking furnaces with a height of 7.65 metres and an aggregate production capacity of 1.8 million tonnes of coke per annum. The New Coking Furnaces are scheduled to commence commercial production in the third quarter of 2021.

In order to be in a position to fully utilise the 1.8 million tonnes of coke production capacity of the New Coking Furnaces following their commercial production, the Coking Subsidiary is required to obtain the relevant production capacity, being the right to carry out the relevant production. 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 the Yugang Cooperation Agreement, the Company will be able to acquire the Yugang Production Capacity; and, through the Intra-Group Transfer, the Group will be able to allocate certain of the Company's unutilised coke production capacity right to the Coking Subsidiary. The above transactions are expected to facilitate the Group's full utilisation of the New Coking Furnaces with 1.8 million tonnes of coke production capacity, and, in turn, further improve the Group's overall revenue as a whole.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of both the Yugang Cooperation Agreement and the Jinma Cooperation Agreement are fair and reasonable, and on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under the Listing Rules in respect of each of the Acquisition and the Intra-Group Transfer exceeds 5% but all of which are less than 25%, each of the Acquisition and the Intra-Group Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Yugang Production Capacity by the Coking Subsidiary from Yugang Coking pursuant to the Yugang Cooperation Agreement;
“Approval Procedures”	has the meaning ascribed to it under the section headed “Acquisition of the Yugang Production Capacity – The Yugang Cooperation Agreement – Consideration” in this announcement;
“Board”	the board of Directors;
“Coking Subsidiary”	河南金馬中東能源有限公司(Henan Jinma Zhongdong Energy Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shenzhen Jinma;
“Company”	河南金馬能源股份有限公司(Henan Jinma Energy Company Limited), a joint stock 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;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Intra-Group Transfer”	the transfer of the Jinma Production Capacity from the Company to the Coking Subsidiary under the Jinma Cooperation Agreement;
“Jinma 4.3m Furnaces”	has the meaning ascribed to it under the section headed “Intra-Group Transfer of the Jinma Production Capacity – The Jinma Cooperation Agreement – Assets to be transferred” in this announcement;
“Jinma Cooperation Agreement”	the agreement dated 16 August 2021 and entered into between the Company and the Coking Subsidiary in relation to the transfer of the Jinma Production Capacity;
“Jinma Consideration”	has the meaning ascribed to it under the section headed “Intra-Group Transfer of the Jinma Production Capacity – The Jinma Cooperation Agreement – Consideration” in this announcement;

“Jinma Production Capacity”	has the meaning ascribed to it under the section headed “Intra-Group Transfer of the Jinma Production Capacity – The Jinma Cooperation Agreement – Assets to be transferred” in this announcement;
“Jinning Energy”	濟源市金寧能源實業有限公司(Jinyuan Jinning Energy Co., Ltd.*), a company established in the PRC with limited liability and a 51% subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MOU”	a memorandum of understanding entered into between the Coking Subsidiary and Yugang Coking on 4 January 2021 on the proposed cooperation between the Coking Subsidiary and Yugang Coking in respect of the Yugang Production Capacity;
“New Coking Furnaces”	has the meaning as ascribed to it under the section headed “Introduction” in this announcement;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shenzhen Jinma”	深圳市金馬能源有限公司(Shenzhen Jinma Energy Co., Ltd.*), a limited liability company incorporated in the PRC and a 51% subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Yugang Coking”	豫港(濟源)焦化集團有限公司(Yugang (Jiyuan) Coking Co., Ltd.*), a company established in the PRC with limited liability as further described in the section headed “Acquisition of the Yugang Production Capacity – Information on Yugang Coking” in this announcement;
“Yugang Cooperation Agreement”	the agreement dated 16 August 2021 and entered into between the Coking Subsidiary and Yugang Coking in relation to the transfer of the Yugang Production Capacity;
“Yugang Consideration”	has the meaning ascribed to it under the section headed “Acquisition of the Yugang Production Capacity – The Yugang Cooperation Agreement – Consideration” in this announcement;

“Yugang Production Capacity” has the meaning ascribed to it under the section headed “Acquisition of the Yugang Production Capacity – The Yugang Cooperation Agreement – Assets to be acquired” in this announcement; and

“%” per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.202675 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.

* *For identification purposes only*

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

Hong Kong, 16 August 2021

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 are Mr. HU Xiayu, Mr. WANG Kaibao and Ms. YE Ting; and the independent non-executive Directors of the Company are Mr. MENG Zhihe, Mr. WU Tak Lung and Mr. CAO Hongbin.