

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTIONS

REVISION OF EXISTING ANNUAL CAPS IN RESPECT OF THE EXISTING FRAMEWORK AGREEMENT

REVISION OF EXISTING ANNUAL CAPS

Reference is made to the 2019 Announcement and the 2019 Circular in relation to, among other things, the Existing Framework Agreement. Pursuant to the Existing Framework Agreement, the Company agreed to sell coke to the Jiangxi PXSteel Group for a term of three years from 1 January 2020 to 31 December 2022.

As a result of the significant rise in the price of coke in recent months, the Board anticipates that the transactions with the Jiangxi PXSteel Group pursuant to the Existing Framework Agreement will exceed the original projection and hence the Existing Annual Caps provided under the Existing Framework Agreement will not be sufficient for the years ending 31 December 2021 and 31 December 2022. Accordingly, the Board announces that, on 19 November 2021, the Company has entered into the Supplemental Agreement with Jiangxi PXSteel to amend the Existing Framework Agreement by revising the Existing Annual Caps to the Revised Annual Caps.

LISTING RULES IMPLICATIONS

Jiangxi PXSteel is a substantial shareholder of the Company holding approximately 10.09% of the total issued shares of the Company, and therefore a connected person of the Company under the Listing Rules.

Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will have to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. As the highest percentage ratio calculated in accordance with the Listing Rules in respect of the proposed Revised Annual Caps exceeds the 5% Threshold, the Supplemental Agreement and the proposed Revised Annual Caps are subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, inter alia, (i) further details of the Supplemental Agreement and the proposed Revised Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Supplemental Agreement and the proposed Revised Annual Caps; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the proposed Revised Annual Caps, will be despatched to the shareholders of the Company in accordance with the requirements of Rule 14A.46(1) (as modified by Rule 19A.39A) of the Listing Rules on or before 8 December 2021.

I. INTRODUCTION

Reference is made to the 2019 Announcement and the 2019 Circular in relation to, among other things, the Existing Framework Agreement. Pursuant to the Existing Framework Agreement, the Company agreed to sell coke to the Jiangxi PXSteel Group for a term of three years from 1 January 2020 to 31 December 2022.

As a result of the significant rise in the price of coke in recent months, the Board anticipates that the transactions with the Jiangxi PXSteel Group pursuant to the Existing Framework Agreement will exceed the original projection and hence the Existing Annual Caps provided under the Existing Framework Agreement will not be sufficient for the years ending 31 December 2021 and 31 December 2022.

Accordingly, the Board announces that, on 19 November 2021, the Company has entered into the Supplemental Agreement with Jiangxi PXSteel to amend the Existing Framework Agreement by revising the Existing Annual Caps to the Revised Annual Caps. The Supplemental Agreement and the proposed Revised Annual Caps are conditional upon the approval of the Independent Shareholders at the EGM.

II. SUPPLEMENTAL AGREEMENT AND THE PROPOSED REVISED ANNUAL CAPS

A summary of salient terms of the Supplemental Agreement is set out below.

Date: 19 November 2021

Parties: (1) The Company
(2) Jiangxi PXSteel

Pursuant to the Supplemental Agreement, conditional upon obtaining the Independent Shareholders' approval pursuant to the Listing Rules, the existing annual caps in respect of the two years ending 31 December 2022 (the “**Existing Annual Cap(s)**”) shall be amended to the revised annual caps (the “**Revised Annual Cap(s)**”) as further described below:

	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
Existing Annual Caps	1,755,000	1,755,000
Revised Annual Caps	2,255,000	2,790,000

Save as aforesaid, all other terms of the Existing Framework Agreement shall remain unchanged. Please refer to (i) the section headed “II.B. Jiangxi PXSteel Continuing Connected Transactions” of the 2019 Announcement, and (ii) the section headed “II. Non-exempt Continuing Connected Transactions – B. Jiangxi PXSteel Continuing Connected Transactions” in the Letter from the Board contained in the 2019 Circular, for details of the other principal terms of the Existing Framework Agreement, including, but not limited to, the payment terms and the pricing policy of the coke supplied by the Group to the Jiangxi PXSteel Group.

As of the date of this announcement, the actual transaction amounts of the continuing connected transactions under the Existing Framework Agreement have not exceeded the Existing Annual Caps for the year ending 31 December 2021 as disclosed in the 2019 Announcement and the 2019 Circular. The Company will also continue to monitor the Group's actual amount of sales to the Jiangxi PXSteel Group to ensure that the Existing Annual Cap for the year ending 31 December 2021 will not be exceeded before the relevant Independent Shareholders' approval could be obtained at the EGM.

III. REASONS FOR THE REVISION OF THE EXISTING ANNUAL CAPS AND THE BASIS OF SETTING THE PROPOSED REVISED ANNUAL CAPS

The Group is a coke producer and processor of coking by-products in the coking chemical industry in Henan province. 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.

Jiangxi PXSteel is principally engaged in the manufacturing and sale of iron and steel products. With coke being 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, Jiangxi PXSteel has been one of the main customers of the Group's coke since 2004.

In 2021, there has been a significant rise in the price of coke, due to factors including (i) the impact of the COVID-19 pandemic which resulted in a serious imbalance of supply and demand within both the coal and coke markets, which in turn, contributed to a substantial increase in the average coal price by approximately 45% for the ten months ended 31 October 2021 as compared to that of the year 2020, and (ii) the PRC government's imposition of stricter environmental protection measures and requirements which resulted in a reduction of coke production capacity. The average price of coke (net of VAT) sold by the Group to Jiangxi PXSteel Group for the year ended 31 December 2020 was approximately RMB1,700 per ton, which increased to approximately RMB2,650 per ton for the ten months ended 31 October 2021, and such average price has, in particular, increased significantly in October to approximately RMB3,830 per ton.

As disclosed in the 2019 Announcement and the 2019 Circular, in determining the Existing Annual Caps for the two years ending 31 December 2021 and 2022, the Board had based on, inter alia, the assumption that the average market price (net of VAT) of coke would increase to approximately RMB1,950 per ton for each of the years ending 31 December 2021 and 2022. With the average price of coke (net of VAT) sold to Jiangxi PXSteel Group having increased to approximately RMB2,650 per ton for the ten months ended 31 October 2021, representing an increase of approximately 36% from the original expected RMB1,950 per ton, the actual transaction amount for the ten month ended 31 October 2021 reached 83.0% of the Existing Annual Cap for the year ending 31 December 2021.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2020 and the ten months ended 31 October 2021 for the transactions contemplated under the Existing Framework Agreement:

	Year ended 31 December		Ten months ended 31 October 2021
	2019	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Actual transaction amount	1,168,145	1,353,435	1,455,992

Following a recent review by the Group's sales department on the future trend of the market price of coke, the Board estimated that, with the ongoing effect of the above mentioned factors contributing to the high price of coke continuing to impact the coking chemical industry, the average price of coke (net of VAT) would fluctuate at the average price of October 2021 of RMB3,830 per ton for the remaining months of the year ending 31 December 2021, and whilst the price of coke is expected to stabilise in 2022 in view of price stability policies promulgated by the PRC government, the average price of coke (net of VAT) for the year ended 31 December 2022 would remain at a high level of approximately RMB3,100 per ton.

In light of the above, the Board is of the view that should the Group continue to sale coke to the Jiangxi PXSteel Group under the Existing Framework Agreement, the Existing Annual Caps will be exceeded, in particular, as the Group expects further orders to be placed by Jiangxi PXSteel Group by the end of the year ending 31 December 2021. Therefore, it would be appropriate to increase the annual caps for the sale of coke under the Existing Framework Agreement for the years ending 31 December 2021 and 2022.

Against such background, the Company and Jiangxi PXSteel entered into the Supplemental Agreement to revise the relevant annual caps. The proposed Revised Annual Caps for the two years ending 31 December 2022 provided were determined with reference to the following:

- (i) the Existing Annual Cap for the year ending 31 December 2021 is expected to be utilised by over 90% by the end of November 2021 in view of the high level of coke price and orders expected to be placed by the Jiangxi PXSteel Group to purchase coke from the Group;
- (ii) as mentioned above, the Group's estimation that the average price of coke (net of VAT) will fluctuate at the average price of October 2021 of RMB3,830 per ton for the remaining months of the year ending 31 December 2021, and will remain at a high level of approximately RMB3,100 per ton in average for the year ending 31 December 2022; and
- (iii) the Board's estimation that Jiangxi PXSteel Group would purchase up to 800,000 tons and 900,000 tons of coke from the Group during the two years ending 31 December 2021 and 2022, respectively, based on the Jiangxi PXSteel Group's historical demands. In reaching such estimation, the Board has taken into account the fact that (i) for the two years ended 31 December 2019 and 2020, the Group had supplied coke of approximately 644,000 tons and 795,000 tons, respectively, to the Jiangxi PXSteel Group, and (ii) during the ten months ended 31 October 2021, the Group had already supplied approximately 550,000 tons of coke to the Jiangxi PXSteel Group, and among such historical transaction amount, the amount of coke supplied to Jiangxi PXSteel Group in October amounted to approximately 88,000 tons, which indicated an increased demand in the last quarter of 2021. Hence, the Company expects additional orders to be placed by Jiangxi PXSteel Group for the Group's coke by the end of the year ending 31 December 2021 in order to meet with Jiangxi PXSteel Group's demands, resulting in the Group's annual supply of coke to Jiangxi PXSteel Group reaching the range of 750,000 to 800,000 tons for the year ending 31 December 2021.

Through the revision of the Existing Annual Caps to the Revised Annual Caps in view of the rise in the market price of coke as described above, the Group will be able to continue to its normal operations of selling coke to Jiangxi PXSteel Group and generate stable and predictable revenue, whilst at the same time satisfy the operational needs of Jiangxi PXSteel Group.

The Board (excluding the independent non-executive Directors whose views will be given after taking into consideration the advice from the Independent Financial Adviser) is of the view that the Supplemental Agreement has been negotiated on an arm's length basis and have been entered into by the Group in the ordinary and usual course of its business and is on normal commercial terms or better, and that the terms of the Supplemental Agreement and the proposed Revised Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

At the meeting of the Board on 18 November 2021 approving, inter alia, the Supplemental Agreement and the proposed Revised Annual Caps, Ms. Ye Ting (a non-executive Director) has abstained from voting on the resolution in respect of the Supplemental Agreement and the proposed Revised Annual Caps for the reason of her position in the Jiangxi PXSteel Group. Save as disclosed above, no other Directors have any material interest in the transactions contemplated under the Supplemental Agreement.

IV. INFORMATION ON JIANGXI PXSTEEL

Insofar as the Company is aware, Jiangxi PXSteel is held as to (i) approximately 61.42% by its holding company, 遼寧方大集團實業有限公司 (Liaoning Fangda Group Industrial Co., Ltd.*) (“**Liaoning Fangda**”), which is held as to approximately 99.2% by 北京方大國際實業投資有限公司 (Beijing Fangda International Enterprise Investment Co., Ltd.*) (“**Beijing Fangda**”), and is, in turn, wholly-owned by an individual named Mr. Fang Wei (方威); (ii) approximately 10.66% by individuals named Zhou Bin*(周斌) and Zhang Yong*(張勇), (iii) approximately 7.32% by Gongqingcheng Huaershun Investment Center (Limited Partnership)*(共青城華爾順投資中心(有限合夥)) which is, in turn, managed by an individual named Fu Min*(付敏), and (iv) the remaining approximately 20.60% by 10 individuals and 25 corporations and funds (and each such individual, corporation or fund holds less than 5% of the equity interest in Jiangxi PXSteel).

Jiangxi PXSteel is a substantial shareholder of the Company and is principally engaged in the manufacturing and sale of iron and steel products, whereas Liaoning Fangda and Beijing Fangda are principally engaged in investment holdings in areas including the carbon industry, the iron and steel industry and the chemical industry.

V. LISTING RULES IMPLICATIONS

Jiangxi PXSteel is a substantial shareholder of the Company holding approximately 10.09% of the total issued shares of the Company, and therefore a connected person of the Company under the Listing Rules.

Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will have to re-comply with the relevant provisions under Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. As the highest percentage ratio calculated in accordance with the Listing Rules in respect of the proposed Revised Annual Caps exceeds the 5% Threshold, the Supplemental Agreement and the proposed Revised Annual Caps are subject to the reporting, announcement, annual review, and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Other than Jiangxi PXSteel, no shareholder will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these Revised Annual Caps and the Supplemental Agreement.

VI. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Cao Hongbin, Mr. Meng Zhihe and Mr. Wu Tak Lung) has been established to advise the Independent Shareholders on whether or not the Supplemental Agreement, the transactions contemplated thereunder and the proposed Revised Annual Caps are conducted in the ordinary and usual course of business and on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Supplemental Agreement, the transactions contemplated thereunder and the proposed Revised Annual Caps.

VII. DESPATCH OF CIRCULAR

A circular containing, inter alia, (i) further details of the Supplemental Agreement and the proposed Revised Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Supplemental Agreement and the proposed Revised Annual Caps; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the proposed Revised Annual Caps, will be despatched to the shareholders of the Company in accordance with the requirements of Rule 14A.46(1) (as modified by Rule 19A.39A) of the Listing Rules on or before 8 December 2021.

VIII. CLOSURE OF REGISTER OF MEMBERS AND THE EGM

For determining the entitlement to attend and vote at the EGM to be held on Thursday, 23 December 2021, the Company will not process registration of transfers of the H shares of the Company from Friday, 3 December 2021 to Thursday, 23 December 2021 (both days inclusive).

To qualify for attendance and voting at the EGM, documents on transfers of H Shares, accompanied by the relevant share certificates, must be lodged with the Company's H-share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 2 December 2021.

A notice for the EGM of the Company to be held on Thursday, 23 December 2021 will be despatched to the shareholders of the Company in due course on or before 8 December 2021.

IX. DEFINITIONS

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

“2019 Announcement”	the announcement of the Company dated 23 August 2019;
“2019 Circular”	the circular of the Company dated 18 September 2019;
“5% Threshold”	the thresholds referred to in Rule 14A.76(2)(a) of the Listing Rules;
“associates”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;

“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 on 23 December 2021 to consider and, if thought fit, approve, inter alia, the Supplemental Agreement and the proposed Revised Annual Caps;
“Existing Annual Cap(s)”	has the meaning as ascribed to it under section headed “II. Supplemental Agreement and the proposed Revised Annual Caps” in this announcement;
“Existing Framework Agreement”	the framework agreement entered into between the Company and Jiangxi PXSteel on 23 August 2019 in respect of the sale of coke by the Group to the Jiangxi PXSteel Group for a term of three years ending 31 December 2022, details of which are set out in the 2019 Announcement and the 2019 Circular;
“Group”	the Company and its subsidiaries;
“Independent Board Committee”	a committee of the Board comprising Mr. Cao Hongbin, Mr. Meng Zhihe and Mr. Wu Tak Lung, being the independent non-executive Directors;
“Independent Financial Adviser”	the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Supplemental Agreement, the transactions contemplated thereunder and the proposed Revised Annual Caps;
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting at the relevant general meeting of the Company held to consider, and if thought fit, approve the Supplemental Agreement and the proposed Revised Annual Caps;
“Jiangxi PXSteel”	江西萍鋼實業股份有限公司 (Jiangxi PXSteel Industrial Co. Ltd.*), a joint stock company established in the PRC and a connected person of the Company;
“Jiangxi PXSteel Group”	Jiangxi PXSteel and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;

“Revised Annual Cap(s)”	has the meaning as ascribed to it under the section headed “II. Supplemental Agreement and the proposed Revised Annual Caps” of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement to the Existing Framework Agreement entered into between the Company and Jiangxi PXSteel on 19 November 2021; and
“%”	per cent.

* *For identification purposes only*

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

Hong Kong, 19 November 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.