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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 17 June 2019 in relation to, among other things, continuing connected transactions contemplated under the Existing Framework Agreements, pursuant to which the Existing Transaction Caps for such continuing connected transactions were set. Reference is also made to the Existing Logistics Services Agreement entered into between the Company and Shanghai Luxiang in respect of certain logistic services provided by Shanghai Luxiang and its associates to the Group since 25 September 2021.

The Company intends to renew the abovementioned existing continuing connected transactions for a term of three years and set new annual caps. Accordingly, the Board announces that on 29 December 2021, the Group has entered into the New Framework Agreements in respect of the Continuing Connected Transactions, with a term of three years commencing on 1 January 2022 and ending on 31 December 2024.

LISTING RULES IMPLICATIONS

Zenith Steel and Shanghai Luxiang, being holders of approximately 22.27% and 22.27% of the equity interest in Shenzhen Jinma, respectively, are substantial shareholders of the Shenzhen Jinma. Further, Shanghai Luxiang is held as to 30% by Mr. Wei, one of the directors of Shenzhen Jinma. As such, both Zenith Steel and Shanghai Luxiang are connected persons of the Company. In addition, Xuzhou Oriental is held by Shanghai Luxiang as to approximately 63.30% and is accordingly a subsidiary of Shanghai Luxiang, and in turn a connected person of the Company.

Given that (i) Zenith Steel and Xuzhou Oriental are connected persons of the Company at the subsidiary level, (ii) the Board has approved the New Framework Agreements, and (iii) the independent non-executive Directors have confirmed that the terms of the New Framework Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole, the Continuing Connected Transactions are exempt from the independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

I. INTRODUCTION

Reference is made to the announcement of the Company dated 17 June 2019 in relation to, among other things, continuing connected transactions contemplated under the Existing Framework Agreements, pursuant to which the Existing Transaction Caps for such continuing connected transactions were set. Reference is also made to the Existing Logistics Services Agreement entered into between the Company and Shanghai Luxiang in respect of certain logistic services provided by Shanghai Luxiang and its associates to the Group since 25 September 2021.

The Company intends to renew the abovementioned existing continuing connected transactions for a term of three years and set new annual caps. Accordingly, the Board announces that on 29 December 2021, the Group has entered into the New Framework Agreements in respect of the Continuing Connected Transactions, with a term of three years commencing on 1 January 2022 and ending on 31 December 2024.

II. CONTINUING CONNECTED TRANSACTIONS

Summary of the Continuing Connected Transactions and the Transaction Caps

The Continuing Connected Transactions include the following:

Connected person	Connected person's relationship with the Group	Nature of the connected transaction with the Group
1. Zenith Steel	Holder of approximately 22.27% of the equity interest in Shenzhen Jinma	Sale of coke and coal by the Group to the Zenith Steel Group
2. Xuzhou Oriental	Subsidiary of Shanghai Luxiang which is in turn a holder of approximately 22.27% of the equity interest in Shenzhen Jinma	(a) Sale of coke and coal by the Group to the Xuzhou Oriental Group (b) Purchase of coal by the Group from the Xuzhou Oriental Group (c) Provision of logistics services by the Xuzhou Oriental Group to the Group

A summary of the New Annual Caps for each of the relevant Continuing Connected Transactions is set out below:

Connected person and details of relevant Continuing Connected Transactions	New Annual Caps		
	For the year ending 31 December 2022 *RMB'000*	**For the year ending 31 December 2023** *RMB'000*	**For the year ending 31 December 2024** *RMB'000*
1. Zenith Steel			
Sale of coke and coal by the Group to the Zenith Steel Group	3,753,600	3,753,600	3,753,600

Connected person and details of relevant Continuing Connected Transactions	New Annual Caps For the year ending 31 December 2022 *RMB'000*	For the year ending 31 December 2023 *RMB'000*	For the year ending 31 December 2024 *RMB'000*
2. Xuzhou Oriental			
(a) Sale of coke and coal by the Group to the Xuzhou Oriental Group	1,092,000	1,092,000	1,092,000
(b) Purchase of coal by the Group from the Xuzhou Oriental Group	1,050,000	1,050,000	1,050,000
(c) Provision of logistics services by the Xuzhou Oriental Group to the Group	88,200	88,200	88,200

Note: For the purpose of ascertaining whether a Continuing Connected Transaction would exceed the 1% Threshold, the transactions under paragraphs 2.(b) and 2.(c) have been aggregated.

Details of the Continuing Connected Transactions and the relevant New Framework Agreements

1. New Zenith Steel Sales Framework Agreement in relation to the sale of coke and coal by the Group to the Zenith Steel Group

Date: 29 December 2021

Parties: (1) The Company

(2) Zenith Steel

Term: 1 January 2022 to 31 December 2024

The New Zenith Steel Sales Framework Agreement provides for the principal terms under which the Group could sell coke and coal to the Zenith Steel Group during the term from 1 January 2022 to 31 December 2024. Save for the expansion of the scope of the products to be sold by the Group to the Zenith Steel Group to include coal, the terms of the New Zenith Steel Sales Framework Agreement are substantially the same as those of the Existing Zenith Steel Framework Agreement.

Principal terms of the transactions contemplated under the New Zenith Steel Sales Framework Agreement

Pursuant to the New Zenith Steel Sales Framework Agreement, the Zenith Steel Group shall from time to time place purchase orders with the Group, specifying the amount of coke and/or coal required by the Zenith Steel Group, the requisite product specifications, as well as the expected delivery schedule; and following the Group's acceptance of the orders, the Group shall sell the coke and/or coal at a prevailing market price (as determined based on the pricing policy as further disclosed below) and complete the delivery of the products according to the agreed delivery schedule. The costs of transportation of coke from the Group's production facilities to the depot designated by the Zenith Steel Group shall be borne by the Zenith Steel Group. The payment to the Group in respect of the sale of coke and/or coal shall be settled by the Zenith Steel Group on a monthly basis.

The price of the coke shall be determined according to the following mechanism: the Group's sales department will regularly monitor the movements and trends of the futures price of coke and determine the prevailing price range of coke after considering the prices and market inventory levels of coke published by specialized online information platforms (including MySteel and Steelhome) as well as the factory gate prices recommended by the China Coking Industry Association together with other associations in principal coke production regions. Based on the prevailing price range of coke, the Group will convene weekly internal price analysis meetings to determine the factory gate price of its coke after considering the above factors. The Group will then, having taking into account the relevant transportation costs (if applicable), determine the final sale price after arm's length negotiations with the Zenith Steel Group. Regarding coke with special specifications requested by its customers (including the Zenith Steel Group), the Group will also take into account the relevant product specifications, the extra production costs as well as the historical prices of coke with similar specifications when determining its factory gate price.

The price of the coal shall be determined according to the following mechanism: the Group's sales department will regularly monitor the movements and trends of the futures price of coal and determine the prevailing price range of coal after considering the prices and market inventory levels of coal published by specialized online information platform. The Group will also take into account the relevant product specifications and costs of purchasing the coal, and determine the final sale price after arm's length negotiations with the Zenith Steel Group.

New Annual Caps and basis of setting the New Annual Caps

The table below summarises the Existing Transaction Caps for the period from 21 May 2019 to 31 December 2019 and each of the two years ending 31 December 2021 for the transactions, being the sale of coke to the Zenith Steel Group by the Group, as contemplated under the Existing Zenith Steel Framework Agreement:

	For the period from 21 May 2019 to 31 December 2019	**Year ended 31 December 2020**	**Year ending 31 December 2021**
	RMB'000	*RMB'000*	*RMB'000*
Existing Transaction Caps	881,500	1,548,000	1,548,000

The table below summarises the actual transaction amounts involved for the period from 21 May 2019 to 31 December 2019, and the year ended 31 December 2020 and the eleven months ended 30 November 2021 for the transactions, being the sale of coke to the Zenith Steel Group by the Group, as contemplated under the Existing Zenith Steel Framework Agreement:

	For the period from 21 May 2019 to 31 December 2019	**Year ended 31 December 2020**	**Eleven months ended 30 November 2021**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	–	1,470,012	1,094,299

For the year ended 31 December 2020 and the eleven months ended 30 November 2021, the Group supplied approximately 822,567 tons and 390,821 tons of coke, respectively, to the Zenith Steel Group. Zenith Steel Group, as an iron and steel conglomerate, has been purchasing coke from the Group as a raw material for its manufacturing of iron and steel. Based on (i) the Zenith Steel Group's historical demand for the Group's coke, (ii) the current increased needs of the Zenith Steel Group for supply of quality coke as a raw material for the Zenith Steel Group's production of iron and steel, given that the improvements in measures adopted in the PRC to contain the impact of the COVID-19 pandemic are expected to result in a further recovery of domestic economies in the PRC from 2022 onwards with a stable development of investments in infrastructure, and (iii) the current coke production capacity of the Group, and the business plan of the Group in strengthening cooperation with the Zenith Steel Group, the Board estimates that the Group would increase its sale of coke to the Zenith Steel Group and sell up to 1,056,000 tons of coke to the Zenith Steel Group for each of the three years ending 31 December 2024.

In addition, with the expected increase in the production of iron and steel by the Zenith Steel Group from 2022 onwards as mentioned above, the Zenith Steel Group is expected to have an increased need for PCI coal (being coal that is used for the pulverized coal injection process in the production of iron). Accordingly, leveraging upon the Group's capability in coal trading operations, as part of the Group's business plan to strengthen cooperation with the Zenith Steel Group, the Board estimates that the Group would sell to the Zenith Steel Group up to 240,000 tons of coal, comprising mainly of PCI coal, in respect of its iron production, for each of the three years ending 31 December 2024.

The average price of coke (net of VAT) sold by the Group to the Zenith Steel Group for the year ended 31 December 2020 and the eleven months ended 30 November 2021 was approximately RMB1,787 per ton, and RMB2,800 per ton, respectively, and the prevailing price of the average price of the PCI coal sold by the Group to third parties in November 2021 is approximately RMB2,000 per ton. In 2021, there has been a significant rise in the price of coke and coal, 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 and coal production capacity. Following a recent review by the Group's sales department on the future trend of the market price of coke and coal, the Board estimated that, with the ongoing effect of the above mentioned factors contributing to the high price of coke and coal continuing to impact the coking chemical industry, the average price of coke (net of VAT) would fluctuate at the average price of RMB3,100 per ton for the three years ending 31 December 2024, and the average price of PCI coal (net of VAT) would fluctuate at the average price of RMB2,000 per ton for the three years ending 31 December 2024.

Based on (i) the historical transaction amounts, (ii) the assumption that the average market price (net of VAT) of coke will remain at the level of approximately RMB3,100 per ton for the three years ending 31 December 2024, (iii) an estimated increase of supply of coke by the Group to the Zenith Steel Group as mentioned above, (iv) the abovementioned expansion of the scope of the products to be sold by the Group to the Zenith Steel Group to include coal, and (v) the assumption that the average market price (net of VAT) of PCI coal will remain at the level of approximately RMB2,000 per ton for the three years ending 31 December 2024, the Board proposed to set the following as the New Annual Caps in respect of the transactions contemplated under the New Zenith Steel Sales Framework Agreement for each of the three years ending 31 December 2024:

	For the year ending 31 December 2022	**For the year ending 31 December 2023**	**For the year ending 31 December 2024**
	RMB'000	*RMB'000*	*RMB'000*
New Annual Caps	3,753,600	3,753,600	3,753,600

2. *New Xuzhou Oriental Framework Agreements*

(a) *New Xuzhou Oriental Sales Framework Agreement on the sale of coke and coal by the Group to the Xuzhou Oriental Group*

Date:	29 December 2021	
Parties:	(1)	The Company
	(2)	Xuzhou Oriental
Term:	1 January 2022 to 31 December 2024	

The New Xuzhou Oriental Sales Framework Agreement provides for the principal terms under which the Group could sell coke and coal to the Xuzhou Oriental Group during the term from 1 January 2022 to 31 December 2024. The terms of the New Xuzhou Oriental Sales Framework Agreement are substantially the same as those of the Existing Xuzhou Oriental Framework Agreement.

Principal terms of the transactions contemplated under the New Xuzhou Oriental Sales Framework Agreement

Pursuant to the New Xuzhou Oriental Sales Framework Agreement, the Xuzhou Oriental Group shall from time to time place purchase orders with the Group, specifying the amount of coke and/or coal required by the Xuzhou Oriental Group, the requisite product specifications, as well as the expected delivery schedule; and following the Group's acceptance of the orders, the Group shall sell the coke and/or coal at a prevailing market price (as determined based on the pricing policy as further disclosed below) and complete the delivery of the products according to the agreed delivery schedule. The costs of transportation of coke from the Group's production facilities to the depot designated by the Xuzhou Oriental Group shall be borne by the Xuzhou Oriental Group. The payment to the Group in respect of the sale of coke and/or coal shall be settled by the Xuzhou Oriental Group on a monthly basis.

The price of the coke shall be determined according to the following mechanism: the Group's sales department will regularly monitor the movements and trends of the futures price of coke and determine the prevailing price range of coke after considering the prices and market inventory levels of coke published by specialized online information platforms (including MySteel and Steelhome) as well as the factory gate prices recommended by the China Coking Industry Association together with other associations in principal coke production regions. Based on the prevailing price range of coke, the Group will convene weekly internal price analysis meetings to determine the factory gate price of its coke after considering the above factors. The Group will then, having taking into account the relevant transportation costs (if applicable), determine the final sale price after arm's length negotiations with the Xuzhou Oriental Group. Regarding coke with special specifications requested by its customers (including the Xuzhou Oriental Group), the Group will also take into account the relevant product specifications, the extra production costs as well as the historical prices of coke with similar specifications when determining its factory gate price.

The price of the coal shall be determined according to the following mechanism: the Group's sales department will regularly monitor the movements and trends of the futures price of coal and determine the prevailing price range of coal after considering the prices and market inventory levels of coal published by specialized online information platform. The Group will also take into account the relevant product specifications and costs of purchasing the coal, and determine the final sale price after arm's length negotiations with the Xuzhou Oriental Group.

New Annual Caps and basis of setting the New Annual Caps

The table below summarises the Existing Transaction Caps for the period from 21 May 2019 to 31 December 2019 and each of the two years ending 31 December 2021 for the transactions, being the sale of coke and coal to the Xuzhou Oriental Group by the Group, as contemplated under the Existing Xuzhou Oriental Framework Agreement:

	For the period from 21 May 2019 to 31 December 2019	**Year ended 31 December 2020**	**Year ending 31 December 2021**
	RMB'000	*RMB'000*	*RMB'000*
Existing Transaction Caps	936,000	1,404,000	1,404,000

The table below summarises the actual transaction amounts involved for the period from 21 May 2019 to 31 December 2019, and the year ended 31 December 2020 and the eleven months ended 30 November 2021 for the transactions, being the sale of coke and coal to the Xuzhou Oriental Group by the Group, as contemplated under the Existing Xuzhou Oriental Framework Agreement:

	For the period from 21 May 2019 to 31 December 2019	Year ended 31 December 2020	Eleven months ended 30 November 2021
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	483,518	28,036[#]	154,586

[#] *Note: Such actual transaction amount is inclusive of (i) commission fees in the amount of approximately RMB22,670,000 received by the Group in respect of the Group's sale of coke, and (ii) transaction amount of approximately RMB5,366,000 received by the Group in respect of the Group's sale of coal to the Xuzhou Oriental Group.*

For the period from 21 May 2019 to 31 December 2019 and the eleven months ended 30 November 2021, the Group supplied approximately 262,354 tons and 95,090 tons of coke to the Xuzhou Oriental Group, respectively, to the Xuzhou Oriental Group; and for the period from 21 May 2019 to 31 December 2019, for the year ended 31 December 2020 and the eleven months ended 30 November 2021, the Group supplied approximately 59,135 tons, 4,076 tons and 27,571 tons of coal, respectively, to the Xuzhou Oriental Group. Xuzhou Oriental Group, operating as a commodities trading company, has been purchasing coke and coal from the Group. Based on (i) the Xuzhou Oriental Group's historical demand for the Group's coke and coal, (ii) the restructuring of the Group's strategy in focusing its supplying of quality coke produced by the Group to steel manufacturers, and (iii) the current increased needs of the Xuzhou Oriental Group for supply of quality coal, given that the improvements in measures adopted in the PRC to contain the impact of the COVID-19 pandemic are expected to result in a further recovery of domestic economies in the PRC from 2022 onwards with a stable development of investments in infrastructure, the Board estimates that the Group would (i) maintain its sale of coke to the Xuzhou Oriental Group at the current level and sell up to 120,000 tons of coke, and (ii) increase its sale of coal to the Xuzhou Oriental Group of up to 360,000 tons of coal, respectively, for each of the three years ending 31 December 2024.

The average price of coke (net of VAT) sold by the Group to the Xuzhou Oriental Group for the period from 21 May 2019 to 31 December 2019, and the eleven months ended 30 November 2021 was approximately RMB1,709 per ton and RMB1,370 per ton, respectively, and the average price of coal (net of VAT) sold by the Group to the Xuzhou Oriental Group for the period from 21 May 2019 to 31 December 2019, for the year ending 31 December 2020 and the eleven months ended 30 November 2021 was approximately RMB593 per ton, RMB1,316 per ton, and RMB882 per ton, respectively. The price of coke supplied to the Xuzhou Oriental Group, in particular, during the eleven months ended 30 November 2021, was maintained at a lower price range since the coke supplied mainly composed lower-quality coke and coke breeze. In 2021, there has been a significant rise in the price of coke and coal, 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 an adjustment of coke and coal production capacity. Following a recent review by the Group's sales department on the future trend of the market price of coke and coal, the Board estimated that, with the ongoing effect of the above mentioned factors contributing to the high price of coke and coal continuing to impact the coking chemical industry, the average price of coke (net of VAT) would fluctuate at the average price of RMB3,100 per ton for the three years ending 31 December 2024, and the average price of coal (net of VAT) would fluctuate at the average price of RMB2,000 per ton for the three years ending 31 December 2024.

Based on (i) the historical transaction amounts, (ii) the assumption that the average market price (net of VAT) of coke will remain at the level of approximately RMB3,100 per ton for the three years ending 31 December 2024, (iii) the expected amount of coke and coal to be supplied by the Group to the Xuzhou Oriental Group as mentioned above, and (iv) the assumption that the average market price (net of VAT) of coal will remain at the level of approximately RMB2,000 per ton for the three years ending 31 December 2024, the Board proposed to set the following as the New Annual Caps in respect of the transactions contemplated under the New Xuzhou Oriental Sales Framework Agreement for each of the three years ending 31 December 2024:

	For the year ending 31 December 2022	**For the year ending 31 December 2023**	**For the year ending 31 December 2024**
	RMB'000	*RMB'000*	*RMB'000*
New Annual Caps	1,092,000	1,092,000	1,092,000

(b) *New Xuzhou Oriental Purchase Framework Agreement on the purchase of coal by the Group from the Xuzhou Oriental Group*

Date: 29 December 2021

Parties: (1) The Company

(2) Xuzhou Oriental

Term: 1 January 2022 to 31 December 2024

The New Xuzhou Oriental Purchase Framework Agreement provides for the principal terms under which the Group could purchase coal from the Xuzhou Oriental Group during the term from 1 January 2022 to 31 December 2024. Prior to entering into of the New Xuzhou Oriental Purchase Framework Agreement, the purchase of coal by the Group from Shanghai Luxiang and its associates was governed by the Existing Shanghai Luxiang Framework Agreement. Subsequently, on 30 September 2020, Shanghai Luxiang acquired approximately 63.30% of the equity interest of Xuzhou Oriental.

In order to streamline the Group's arrangements with Xuzhou Oriental and Shanghai Luxiang, the New Xuzhou Oriental Purchase Framework Agreement, being a framework agreement on the purchase of coal by the Group from the Xuzhou Oriental Group (which includes Shanghai Luxiang and its associates) was entered into between the Company and Xuzhou Oriental Group in place of the Existing Shanghai Luxiang Framework Agreement for the relevant continuing connected transactions from 2022 onwards. Save for Xuzhou Oriental replacing Shanghai Luxiang as a signing party, the terms of the New Xuzhou Oriental Purchase Framework Agreement are substantially the same as those of the Existing Shanghai Luxiang Framework Agreement.

Principal terms of the transactions contemplated under the New Xuzhou Oriental Sales Framework Agreement

Pursuant to the New Xuzhou Oriental Purchase Framework Agreement, the Group shall from time to time place purchase orders with the Xuzhou Oriental Group, specifying the amount of coal required by the Group, the requisite product specifications, as well as the expected delivery schedule. The Xuzhou Oriental Group shall sell the coal at a prevailing market price (as determined based on the pricing policy as further disclosed below) and complete the delivery of the products according to the agreed delivery schedule. The Group shall bear the costs of transportation of coal to the depot designated by the Group. The payment to the Xuzhou Oriental Group in respect of the purchase of coal shall be settled by the Group on a monthly basis.

The price of the coal shall be determined according to the following mechanism: the Group's supplies department will regularly monitor the movements and trends of the futures price of coal and determine the prevailing price range of coal after considering the prices and market inventory levels of coal published by specialized online information platforms and comparing quotes obtained from third parties. Based on such prevailing price range, the Group will agree with the Xuzhou Oriental Group on the final price after arm's length negotiations with the Xuzhou Oriental Group.

New Annual Caps and basis of setting the New Annual Caps

The table below summarises the Existing Transaction Caps for the period from 21 May 2019 to 31 December 2019 and each of the two years ending 31 December 2021 for the transactions, being the purchase of coal by the Group from Shanghai Luxiang and its associates, as contemplated under the Existing Shanghai Luxiang Framework Agreement:

	For the period from 21 May 2019 to 31 December 2019 *RMB'000*	**Year ended 31 December 2020** *RMB'000*	**Year ending 31 December 2021** *RMB'000*
Existing Transaction Caps	246,000	369,000	369,000

The table below summarises the actual transaction amounts involved for the period from 21 May 2019 to 31 December 2019, and the year ended 31 December 2020, being the purchase of coal by the Group from Shanghai Luxiang and its associates, as contemplated under the Existing Shanghai Luxiang Framework Agreement:

	For the period from 21 May 2019 to 31 December 2019 *RMB'000* *(audited)*	**Year ended 31 December 2020** *RMB'000* *(audited)*
Actual transaction amount	236,016	345,703

Due to high price of coal in 2021 and shortage in supply of coal, Shanghai Luxiang and its associates had suspended the sale of coal to the Group in 2021. Accordingly, the Group did not purchase coke from Shanghai Luxiang and its associates during the eleven months ended 30 November 2021.

In addition, for the period from 21 May 2019 to 31 December 2019, the Group purchased coal from Xuzhou Oriental amounting to RMB7,608,592. As the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of such purchase transaction were less than 1%, such purchase transaction was exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14 of the Listing Rules.

For the period from 21 May 2019 to 31 December 2019, and the year ended 31 December 2020, the Group purchased approximately 119,584 tons and 394,630 tons of coal, respectively, from Shanghai Luxiang and its associates which carry on commodities trading operations. Based on the current business development plan of the Group to strengthen its business relationship with reliable business partners and ensuring a stable supply of quality coking coal for its coke production, and on the assumption that the Xuzhou Oriental Group's supply of coal would remain stable, the Group and the Xuzhou Oriental Group has agreed to resume the purchase of coal by the Group from the Xuzhou Oriental Group and the Board estimates that the Group would purchase up to 420,000 tons of coking coal from the Xuzhou Oriental Group for each of the three years ending 31 December 2024.

The average price of coal (net of VAT) purchased by the Group from the Xuzhou Oriental Group as raw material for coke production for the period from 21 May 2019 to 31 December 2019, and the year ended 31 December 2020 was approximately RMB1,974 per ton and RMB876 per ton, respectively. In 2021, there has been a significant rise in the price of coal, due to factors including (i) the impact of the COVID-19 pandemic which resulted in a serious imbalance of supply and demand within the coal 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 an adjustment of coal production capacity. Following a recent review by the Group's sales department on the future trend of the market price of coal, the Board estimated that, with the ongoing effect of the above mentioned factors contributing to the high price of coke and coal continuing to impact the coking chemical industry, the average price of coking coal (net of VAT) to be purchased by the Group would fluctuate at the average price of RMB2,500 per ton for the three years ending 31 December 2024.

Based on (i) the historical transaction amounts, (ii) the assumption that the average market price (net of VAT) of coking coal will remain at the level of approximately RMB2,500 for the three years ending 31 December 2024, and (iii) the expected amount of coal to be supplied by the Group to the Xuzhou Oriental Group as mentioned above, the Board proposed to set the following as the New Annual Caps in respect of the transactions contemplated under the New Xuzhou Oriental Sales Framework Agreement for each of the three years ending 31 December 2024:

	For the year ending 31 December 2022 *RMB'000*	**For the year ending 31 December 2023** *RMB'000*	**For the year ending 31 December 2024** *RMB'000*
New Annual Caps	1,050,000	1,050,000	1,050,000

(c) New Xuzhou Oriental Logistics Services Framework Agreement on the provision of logistics services by the Xuzhou Oriental Group to the Group

Date: 29 December 2021

Parties: (1) The Company

(2) Xuzhou Oriental

Term: 1 January 2022 to 31 December 2024

The New Xuzhou Oriental Logistics Services Framework Agreement provides for the principal terms under which the Group shall engage the Xuzhou Oriental Group in providing logistics and transportation services in respect of coal and coke products during the term from 1 January 2022 to 31 December 2024. Prior to entering into of the New Xuzhou Oriental Logistics Services Framework Agreement, Shanghai Luxiang and its associates provided logistics and transportation services to the Group since 25 September 2021 pursuant to the Existing Logistics Services Framework Agreement.

As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Existing Logistics Services Framework Agreement were less than 1%, the Existing Logistics Services Framework Agreement was exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14 of the Listing Rules.

In order to streamline the Group's arrangements with Xuzhou Oriental and Shanghai Luxiang, the New Xuzhou Oriental Logistics Services Framework Agreement, being a framework agreement on the provision of logistics and transportation services by the Xuzhou Oriental Group (which includes Shanghai Luxiang and its associates) to the Group was entered into between the Company and Xuzhou Oriental Group in place of Existing Logistics Services Framework Agreement for the relevant continuing connected transactions from 2022 onwards. Save for Xuzhou Oriental replacing Shanghai Luxiang as a signing party, the terms of the New Xuzhou Oriental Logistics Services Framework Agreement are substantially the same as those of the Existing Logistics Services Framework Agreement.

Principal terms of the transactions contemplated under the New Xuzhou Oriental Logistics Services Framework Agreement

Pursuant to the New Xuzhou Oriental Logistics Services Framework Agreement, the Group shall from time to time place purchase orders with the Xuzhou Oriental Group, specifying the logistics and transportation services required by the Group in respect of coal and coke products. The Xuzhou Oriental Group shall provide the logistics and transportation services in respect of the relevant coal and coke products at a prevailing market price (as determined based on the pricing policy as further disclosed below). The payment to the Xuzhou Oriental Group in respect of the provision of logistics and transportation services shall be settled by the Group on a monthly basis.

The price of the logistic service shall be determined according to the following mechanism: the Group's sales department will regularly monitor the movements and trends of different forms of transportation (including via railway, roadway and shipments), and determine the prevailing price range of the transportation fees after considering the prices published by specialized online information platforms. Based on the prevailing price range of coke, the Group will convene internal price analysis meetings to determine the transportation fees after considering the above factors and after arm's length negotiations with the Xuzhou Oriental Group.

New Annual Caps and basis of setting the New Annual Caps

For the period from 25 September 2021 to 31 December 2021, the Existing Transaction Caps in respect of the provision of logistics and transportation services by Shanghai Luxiang and its associates to Group, as contemplated under the Existing Logistics Services Framework Agreement, is RMB20,000,000. The actual transaction amounts involved for the eleven months ended 30 November 2021 was approximately RMB2,100,000 which comprise transportation of approximately 10,000 tons of coke at an average price of approximately RMB210 per ton.

Based on (i) the historical transaction amounts, (ii) the current business plan of the Group which involves the engagement of the Xuzhou Oriental Group in the transportation of up to 420,000 tons of coke and coal per annum to the Group's customers, and (iii) the assumption that the average price of transportation of coke and coal will remain at the level of approximately RMB210 for the three years ending 31 December 2024, the Board proposed to set the following caps in respect of the transactions contemplated under the New Xuzhou Oriental Sales Framework Agreement for each of the three years ending 31 December 2024:

	For the year ending 31 December 2022 *RMB'000*	**For the year ending 31 December 2023** *RMB'000*	**For the year ending 31 December 2024** *RMB'000*
New Annual Caps	88,200	88,200	88,200

III. INFORMATION ON ZENITH STEEL AND XUZHOU ORIENTAL

Zenith Steel

Insofar as the Company is aware, Zenith Steel is held as to approximately 57.20% by an individual named Dong Caiping (董才平), and 13 individuals as to the remaining approximately 42.80% in aggregate (and each such individual holds less than 10% of the interest in Zenith Steel). Insofar as the Company is aware, other than being holders of certain interest in Zenith Steel, all the aforementioned individuals are Independent Third Parties.

Zenith Steel is a company incorporated in the PRC with limited liability. It is an iron and steel conglomerate with an annual steel production capacity of 11 million tonnes whose diverse business segments cover areas including modern logistics, international trading, hotel, education and sports.

Xuzhou Oriental

Insofar as the Company is aware, Xuzhou Oriental is held as to approximately 63.30% by its holding company Shanghai Luxiang, approximately 25.33% by an individual named Hao Yunying (郝允英), and approximately 11.36% by Mr. Wei. Xuzhou Oriental is a company incorporated in the PRC with limited liability. It is principally engaged in the trading of commodities integrated with the relevant logistics solutions.

Shanghai Luxiang is a company incorporated in the PRC with limited liability and is held as to 65% by an individual named Wei Dongxian (魏東先), 30% by Mr. Wei and 5% by an individual named Wei Dehua (魏德華). Shanghai Luxiang is principally engaged in the trading of commodities including coal and coke in the PRC.

Insofar as the Company is aware, other than being holders of certain interest in Xuzhou Oriental and/or Shanghai Luxiang (as the case maybe), all the abovementioned individuals (except Mr. Wei, who is a director of Shenzhen Jinma) are Independent Third Parties.

IV. REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

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 byproducts into refined chemicals and energy products.

Zenith Steel and Shanghai Luxiang (the holding company of Xuzhou Oriental) are substantial shareholders of Shenzhen Jinma. As disclosed in the section headed "II. Continuing Connected Transactions" above, Zenith Steel, Shanghai Luxiang and Xuzhou Oriental have conducted the relevant transactions with the Company. Given that the Group has built up strategic and solid business relationship with Zenith Steel, Shanghai Luxiang and Xuzhou Oriental, the Directors (including the independent non-executive Directors) consider it beneficial to continue to conduct these Continuing Connected Transactions in order to maximize operating efficiency and stability of the operations of the Company.

In respect of the continuing connected transactions on the sale of coke and coal by the Group, the Group will be able to sell coke and coal to the Zenith Steel Group and the Xuzhou Oriental Group and generate stable and predictable revenue and contribute to the implementation of the Group's sales plan. Whereas the continuing connected transactions on the purchase of coal and obtaining of logistics and transportation services by the Group, enable the Group to secure a stable and reliable supply of quality products and services from the Xuzhou Oriental Group instead of sourcing from other market suppliers, which will, in turn, further support the smooth operation of the Group and in turn result in an increase of the overall sales of the products of the Group. The Directors (including the independent non-executive Directors) are not aware of any disadvantage to the Group in continuing to conduct the Continuing Connected Transactions.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the New Framework Agreements have been negotiated on an arm's length basis, are on normal commercial terms or better and in the ordinary and usual course of its business, and that the terms of the New Framework Agreements and the New Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

V. LISTING RULES IMPLICATIONS

Zenith Steel and Shanghai Luxiang, being holders of approximately 22.27% and 22.27% of the equity interest in Shenzhen Jinma, respectively, are substantial shareholders of the Shenzhen Jinma. Further, Shanghai Luxiang is held as to 30% by Mr. Wei, one of the directors of Shenzhen Jinma. As such, both Zenith Steel and Shanghai Luxiang are connected persons of the Company. In addition, Xuzhou Oriental is held by Shanghai Luxiang as to approximately 63.30% and is accordingly a subsidiary of Shanghai Luxiang, and in turn a connected person of the Company.

Given that (i) Zenith Steel and Xuzhou Oriental are connected persons of the Company at the subsidiary level, (ii) the Board has approved the New Framework Agreements, and (iii) the independent non-executive Directors have confirmed that the terms of the New Framework Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole, the Continuing Connected Transactions are exempt from the independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has a material interest in the New Framework Agreements and the transactions contemplated thereunder, and hence other than Mr. Wu Tak Lung, who has provided certain services to the Zenith Steel Group and had therefore abstained from voting in respect of the Board resolution approving the transaction contemplated under the New Zenith Steel Sales Framework Agreement and the relevant New Annual Caps, no Director has abstained from voting on the relevant board resolutions approving the Continuing Connected Transactions and the New Annual Caps.

VI. DEFINITIONS

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

"1% Threshold"	the thresholds referred to in Rule 14A.76(1)(b) of the Listing Rules;
"2019 Announcement"	the announcement of the Company dated 17 June 2019;
"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;
"Continuing Connected Transactions"	the continuing connected transaction(s) of the Group as set out in the section headed "II. Continuing Connected Transactions" in this announcement;
"Director(s)"	the director(s) of the Company;
"Existing Framework Agreements"	the Existing Zenith Steel Framework Agreement, the Existing Xuzhou Oriental Framework Agreement, the Existing Shanghai Luxiang Framework Agreement and the Existing Logistics Services Agreement;
"Existing Logistics Services Agreement"	the framework agreement entered into between the Company and Shanghai Luxiang on 25 September 2021 in relation to the provision of logistics services by Shanghai Luxiang and its associates to the Group;
"Existing Shanghai Luxiang Framework Agreement"	the framework agreement entered into between the Company and Shanghai Luxiang on 17 June 2019 in relation to the purchase of coal by the Group from Shanghai Luxiang and its associates, details of which are set out in the 2019 Announcement;
"Existing Transaction Cap(s)"	the existing transaction cap(s) for the Continuing Connected Transactions set out in the section headed "II. Continuing Connected Transactions" in this announcement;

"Existing Xuzhou Oriental Framework Agreement"	the framework agreement entered into between the Company and Xuzhou Oriental on 17 June 2019 in relation to the sale of coke and coal by the Group to the Xuzhou Oriental Group, details of which are set out in the 2019 Announcement;
"Existing Zenith Steel Framework Agreement"	the framework agreement entered into between the Company and Zenith Steel on 17 June 2019 in relation to the sale of coke by the Group to the Zenith Steel Group, details of which are set out in the 2019 Announcement;
"Group"	the Company and its subsidiaries;
"Independent Third Party(ies)"	party(ies) independent of and not connected with the Company and its connected persons;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Wei"	Wei Dechao (魏德朝), a director of Shenzhen Jinma;
"New Annual Cap(s)"	the annual caps for the Continuing Connected Transactions as set out in the section headed "II. Continuing Connected Transactions" in this announcement;
"New Framework Agreements"	New Zenith Steel Sales Framework Agreement and the New Xuzhou Oriental Framework Agreements, and "New Framework Agreement" shall mean either one of them;
"New Xuzhou Oriental Framework Agreements"	the New Xuzhou Oriental Sales Framework Agreement, the New Xuzhou Oriental Purchase Framework Agreement and the New Xuzhou Oriental Logistics Services Framework Agreement, and "New Xuzhou Oriental Framework Agreement" shall mean either one of them;
"New Xuzhou Oriental Logistics Services Framework Agreement"	the framework agreement entered into between the Company and Xuzhou Oriental on 29 December 2021 in relation to the provision of logistics services by the Xuzhou Oriental Group to the Group, details of which are set out in section II.2.(c) of this announcement;
"New Xuzhou Oriental Purchase Framework Agreement"	the framework agreement entered into between the Company and Xuzhou Oriental on 29 December 2021 in relation to the purchase of coal by the Group from the Xuzhou Oriental Group, details of which are set out in section II.2.(b) of this announcement;
"New Xuzhou Oriental Sales Framework Agreement"	the framework agreement entered into between the Company and Xuzhou Oriental on 29 December 2021 in relation to the sale of coke and coal by the Group to the Xuzhou Oriental Group, details of which are set out in section II.2.(a) of this announcement;

"New Zenith Steel Sales Framework Agreement"	the framework agreement entered into between the Company and Zenith Steel on 29 December 2021 in relation to the sale of coke and coal by the Group to the Zenith Steel Group, details of which are set out in section II.1 of this announcement;
"PRC"	the People's Republic of China;
"RMB"	Renminbi, the lawful currency of the PRC;
"Shanghai Luxiang"	Shanghai Luxiang Enterprise Group Co., Ltd.* (上海鷺翔實業集團有限公司) (formerly known as Shanghai Luxiang Hailu Fuel Co., Ltd.* (上海鷺翔海陸燃料有限公司)), a limited liability company incorporated in the PRC;
"Shenzhen Jinma"	Shenzhen Jinma Energy Co., Ltd* (深圳市金馬能源有限公司), a company established in the PRC on 21 May 2019 and a 51% subsidiary of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Xuzhou Oriental"	Xuzhou Oriental Logistics Group Co., Ltd.* (徐州東方物流集團有限公司) (formerly known as Xuzhou Oriental Distribution Industrial Group Co., Ltd.* (徐州東方運銷實業集團有限公司)), a limited liability company incorporated in the PRC and a non-wholly owned subsidiary of Shanghai Luxiang;
"Xuzhou Oriental Group"	Xuzhou Oriental and its associates;
"Zenith Steel"	Zenith Steel Group Co., Ltd.* (中天鋼鐵集團有限公司), a limited liability company incorporated in the PRC;
"Zenith Steel Group"	Zenith Steel and its associates; and
"%"	per cent.

* *For identification purposes only*

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

Hong Kong, 29 December 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.