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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 AND CONTINUING CONNECTED TRANSACTION ENTERING INTO SALE FRAMEWORK AGREEMENT

Reference is made to the Company's announcement dated 22 September 2020 in which it was disclosed that, among other things, (1) the Company entered into the JV Agreement with Xinyang Co in relation to the formation of Xinyang JV Company; and (2) after its formation and commencement of production, Xinyang 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 Board is pleased to announce that on 29 March 2022 (after trading hours), the Company and Xinyang Co entered into the Sale Framework Agreement in respect of the sale of coke and electricity by the Group to the Xinyang Co Group for the Transaction Cap during a term commencing on 1 January 2022 and ending on 31 December 2022.

LISTING RULES IMPLICATIONS

Since the highest applicable percentage ratio under the Listing Rules in respect of the sale of coke and electricity by the Group to the Xinyang Co Group exceeds 5% but is less than 25%, the entering into the Sale Framework Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company and Xinyang Co are shareholders of Xinyang JV Company with a 70% and 30% equity interest respectively. As such, Xinyang Co is a connected person of the Company. Accordingly, the transactions contemplated under the Sale Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) Xinyang Co is a connected person of the Company at the subsidiary level under the Listing Rules; (ii) the Board has approved the Sale Framework Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the Sale Framework Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the continuing connected transactions under the Sale Framework Agreement are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

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I. SALE FRAMEWORK AGREEMENT

A summary of the principal terms of the Sale Framework Agreement is set out below:

Date	29 March 2022
Parties	The Company Xinyang Co
Term	1 January 2022 to 31 December 2022
Nature of transactions and products	Sale of coke and electricity by the Group to Xinyang Co Group
Principal terms	<p>The Sale Framework Agreement provides for the principal terms under which the Group could sell coke and electricity to the Xinyang Co Group during the term from 1 January 2022 to 31 December 2022. Specifically: -</p> <ol style="list-style-type: none">(1) The Xinyang Co Group shall from time to time place purchase orders with the Group, specifying the amount of coke and/or electricity required by the Xinyang Co 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 electricity 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.(2) The costs of transportation of coke from the Group's production facilities to the depot designated by the Xinyang Co Group shall be borne by the Xinyang Co Group.(3) The payment to the Group in respect of the sale of coke and/or electricity shall be settled on a monthly basis by the Xinyang Co Group according to fair and reasonable principles and customary commercial practices.

- Coke pricing mechanism The price of coke shall be determined according to the following mechanism:
- (1) 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 (a) the prices and market inventory levels of coke published by specialized online information platforms (including MySteel and Steelhome) as well as (b) the factory gate prices recommended by the China Coking Industry Association together with other associations in principal coke production regions;
 - (2) based on the prevailing price range of coke, the Group will convene regular internal price analysis meetings to determine the factory gate price of its coke after considering the above factors;
 - (3) the Group will then, having taken into account the relevant transportation costs (if applicable), determine the final sale price after arm's length negotiations with the Xinyang Co Group;
 - (4) regarding coke with special specifications requested by the Xinyang Co Group, the Group will also take into account the relevant product specifications, extra production costs as well as historical prices of coke with similar specifications when determining its factory gate price.

- Electricity pricing mechanism The price of electricity shall be determined according to the following mechanism:
- (1) the Group's sales department will regularly monitor the movements and trends of electricity price and determine the prevailing price range of electricity after taking into account of (a) relevant prices of electricity published by specialized online information platforms as well as (b) government policy on pricing adjustment;
 - (2) the Group will then, having taken into account electricity specification and electricity generation costs, determine the final sale price after arm's length negotiations with the Xinyang Co Group.

II. CONTINUING CONNECTED TRANSACTIONS AND TRANSACTION CAP

A summary of the continuing connected transactions and Transaction Cap and basis therefor is set out below:

Connected person	Xinyang Co
Connected person's relationship with the Group	Holder of a 30% equity interest in Xinyang JV Company, a non-wholly owned subsidiary of the Company
Transaction Cap	RMB398,640,000
Basis for setting the Transaction Cap	Xinyang Co Group is an iron and steel conglomerate in Henan Province and has a significant need for quality coke (as a raw material) and electricity from reliable sources for its manufacturing of iron and steel.

For the period from 1 January 2022 to the date of the Sale Framework Agreement, the Group sold coke to Xinyang Co Group amounting to approximately RMB6,891,310 (net of VAT). As the relevant percentage ratios in respect of the sale transaction were less than 1%, the sale transaction was exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

Volume

Based on

- (i) the current projected needs of the Xinyang Co Group for the Group's supply of quality coke for its production of iron and steel as well as supply of electricity for its production and operation; and
- (ii) the current coke production and electricity generation capacity of the Group, and the business plan of the Group in strengthening cooperation with the Xinyang Co Group,

the Board estimates that the Group would sell up to 1,287,204 tons of coke and 21,600,000 kilowatts of electricity to the Xinyang Co Group for the year ending 31 December 2022.

Price

Following a recent review by the Group's sales department on the future trend of the market price of coke and electricity, the Board estimated that, the average price of coke (net of VAT) would fluctuate at the average price of RMB3,000 per ton for the year ending 31 December 2022, and the average price of electricity per kilowatt (net of VAT) would fluctuate at the average price of RMB0.58 per kilowatt for the year ending 31 December 2022.

Transaction Cap

Based on

- (i) the assumption that the average market price (net of VAT) of coke and electricity will remain at the level of approximately RMB3,000 per ton and RMB0.58 per kilowatt for the year ending 31 December 2022, and
- (ii) an estimated supply of coke and electricity by the Group to the Xinyang Co Group as mentioned above, and
- (iii) accordingly the estimated amount for the sale of coke and sale of electricity being RMB386,112,000 and RMB12,528,000 respectively,

the Board proposed to set Transactions Cap in respect of the transactions contemplated under the Sale Framework Agreement for the year ending 31 December 2022.

III. INFORMATION ON XINYANG CO

Xinyang Co is a company incorporated in Henan Province, 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 and energy generation and trading.

Insofar as the Directors are aware, as at the date of this announcement, Xinyang Co is held as to approximately 65.22% 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.* (安陽鋼鐵集團有限責任公司), and the remaining interest of approximately 10.37% is held by seven 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 independent third parties.

IV. REASONS FOR AND BENEFITS OF THE SALE FRAMEWORK AGREEMENT

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. Capitalising on the Group's years of operations in the coking chemical industry and the Group's long-term business relationship with coal suppliers, the Group also engages in the trading of coal, coke, LNG and nonferrous materials.

Given that the Group: -

- (i) has built up strategic and solid business relationship with Xinyang Co through the formation of Xinyang JV Company, in which Xinyang Co is a substantial shareholder;
- (ii) is expected to be able to leverage on the partnership with Xinyang Co to gain access to new business opportunities along the coking chemical value chain; and

(iii) has contemplated that after its commencement of production, Xinyang JV Company will conduct certain transactions with Xinyang Co,

the Directors (including the independent non-executive Directors) consider it beneficial to sell coke and electricity to the Xinyang Co Group and generate stable and predictable revenue and contribute to the implementation of the Group's sales plan and result in an increase of the overall sales of the products of the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Sale Framework Agreement has 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 Sale Framework Agreement and the Transaction Cap are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors has any interest in the Sale Framework Agreement and the transactions contemplated thereunder, and hence no Director has abstained from voting on the relevant board resolutions approving the Sale Framework Agreement and the continuing connected transactions thereunder and the Transaction Cap.

V. LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“associates”	has the meaning ascribed to it 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 to it under the Listing Rules;
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“independent third party(ies)”	party(ies) independent of and not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates;
“JV Agreement”	the joint venture agreement dated 22 September 2020 and entered into between the Company and Xinyang Co in relation to, among other things, the formation of Xinyang JV Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	the Company and Xinyang Co, and “Party” means any one of them;
“PRC”	the People’s Republic of China;
“prevailing market price”	the price of the same or similar products or services provided by independent third party(ies) during the same period in the ordinary course of business and on normal commercial terms;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Framework Agreement”	the framework agreement entered into between the Company and Xinyang Co on 29 March 2022 in relation to the sale of coke and electricity by the Group to the Xinyang Co Group;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Transaction Cap”	the transaction cap in respect of the sale of coke and electricity by the Group to the Xinyang Co Group for the period from 1 January 2022 to 31 December 2022 as set out in section II “Continuing Connected Transactions and Transaction Cap”;
“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 Henan Province, the PRC;
“Xinyang Co Group”	Xinyang Co and its associates (excluding Xinyang JV Company);
“Xinyang JV Company”	信陽鋼鐵金港能源有限公司(Xinyang Steel Jingang Energy Co., Ltd.*), a company established in the PRC with limited liability, in which the Company and Xinyang Co hold a 70% and 30% equity interest respectively; and
“%”	per cent.

* For identification purposes only

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

Hong Kong, 29 March 2022

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.