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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 CONNECTED TRANSACTION

ACQUISITION OF TARGET ASSETS BY XINYANG STEEL

THE ACQUISITION

The Board is pleased to announce that on 6 December 2022, Xinyang Steel, a subsidiary of the Company, entered into the Assets Transfer Agreement with Xinyang Co, pursuant to which Xinyang Co has agreed to sell, and Xinyang Steel has agreed to purchase, the Target Assets at the consideration of RMB86,443,400 (equivalent to approximately HK\$96,289,300).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but all of the percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

Further, Xinyang Steel is owned as to 70% and 30% by the Company and Xinyang Co, respectively, hence, Xinyang Co is a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rule. 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 Acquisition; and (iii) the independent non-executive Directors have confirmed that the terms of the Assets Transfer 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 Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

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THE ASSETS TRANSFER AGREEMENT

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

Date: 6 December 2022

Parties: (1) Xinyang Co, as seller
(2) Xinyang Steel, as purchaser

Subject matter

Xinyang Co has agreed to sell, and Xinyang Steel has agreed to purchase, the Target Assets in accordance with the terms of the Assets Transfer Agreement. Further details of the Target Assets are set out in the section headed “Information on the Target Assets” below.

The relevant Target Assets shall be transferred from Xinyang Co to Xinyang Steel upon signing of the Assets Transfer Agreement.

Consideration and payment terms

Pursuant to the Assets Transfer Agreement, the consideration (the “**Consideration**”) payable by Xinyang Steel to Xinyang Co for the Acquisition is RMB86,443,400 (equivalent to approximately HK\$96,289,300). The Consideration shall be payable within three months from the date of commencement of coking production by Xinyang Steel by way of a six-month banker’s acceptance.

The Consideration was determined after arm's length negotiations between Xinyang Steel and Xinyang Co, having taken into account the appraised value of the Target Assets as at 30 September 2022 in the amount of RMB92,224,400 (equivalent to approximately HK\$102,265,500) according to the valuation report (the "**Valuation Report**") prepared by an independent valuer based on a cost approach.

The Consideration is expected to be funded by the Group's internal resources.

INFORMATION ON THE TARGET ASSETS

The assets to be transferred from Xinyang Co to Xinyang Steel pursuant to the Assets Transfer Agreement (the "**Target Assets**") consist of (i) the building structures with an aggregate gross floor area of 49,073.78 square metres, located on the Xinyang Land, comprising a coal bunker, an unloading steel-made shed and a power distribution room; and (ii) equipment such as belt conveyors system and an electromagnetic iron remover, and are used for coking operations.

Based on the Valuation Report, the appraised value of the Target Assets as at 30 September 2022 was RMB92,224,400 (equivalent to approximately HK\$102,265,500).

As advised by Xinyang Co, the building structures which are part of the Target Assets were invested and constructed by Xinyang Co, and therefore there is no original acquisition cost for the said building structures. The original acquisition cost of the equipment which are part of the Target Assets paid by Xinyang Co in 2020 was approximately RMB38,230,000 (equivalent to approximately HK\$42,584,400).

REASONS FOR AND BENEFITS OF THE ACQUISITION

Reference is made to the announcement of the Company dated 22 September 2020 in relation to the formation of Xinyang Steel by the Company and Xinyang Co for the production and sale of coke, electricity and heat energy, and the transfer of coking production capacity to Xinyang Steel. The first phase of Xinyang Steel's coking furnace on the Xinyang Land is scheduled to be put into operation in December 2022. The second phase of the coking furnace on the Xinyang Land is under construction and is expected to be fully put into operation in the third quarter of 2023. As such, Xinyang Steel is required to acquire additional coal storage and handling equipment to meet its production need. Considering that (i) the Target Assets are in good condition and has an estimated useful life of over 10 years; and (ii) the purchase price Xinyang Steel was able to bargain for was lower than the appraised value of the Target Assets according to the Valuation Report, the Company believe that the Acquisition is a valuable opportunity for investing in suitable coking operation assets which will fit Xinyang Steel's imminent and future production need.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Assets Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, and are in the interests of the Company and its shareholders as a whole.

INFORMATION ON XINYANG CO

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

Insofar as the Directors are aware, as at the date of this announcement, the equity interest of Xinyang Co is held as to:

- (i) approximately 65.22% by He Dianzhou (何殿洲);
- (ii) approximately 15.84% by Henan Hengchang Trading Co., Ltd. (河南省恒昌商貿有限公司) (which is in turn ultimately held by Liang Junsheng (梁俊生) and Zhao Lili (趙麗麗) as to 85% and 15%, respectively);
- (iii) approximately 8.57% by Anyang Steel Group Co., Ltd. (安陽鋼鐵集團有限責任公司) (which is in turn ultimately wholly-owned by Henan Province State-owned Assets Supervision and Administration Commission (河南省人民政府國有資產監督管理委員會)); and
- (iv) approximately 10.37% by seven other individuals.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, other than being a shareholder of the Xinyang Steel, Xinyang Co and its ultimate beneficial owners are Independent Third Parties.

INFORMATION ON XINYANG STEEL AND THE GROUP

Xinyang Steel is a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company. Xinyang Steel is owned as to 70% and 30% by the Company and Xinyang Co, respectively. Xinyang Steel is principally engaged in the production and sale of coke, the production and sale of electricity with heat dissipated in the relevant production process, and the production and sale of heat energy.

The 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.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but all of the percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

Further, Xinyang Steel is owned as to 70% and 30% by the Company and Xinyang Co, respectively, hence, Xinyang Co is a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rule. 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 Acquisition; and (iii) the independent non-executive Directors have confirmed that the terms of the Assets Transfer 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 Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors has any material interest in the Acquisition, and hence no Director is required to abstain from voting on the relevant board resolution approving the Assets Transfer Agreement.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Assets by Xinyang Steel pursuant to the Assets Transfer Agreement;
“Assets Transfer Agreement”	the assets transfer agreement entered into between Xinyang Co (as seller) and Xinyang Steel (as purchaser) on 6 December 2022 in respect of the transfer of the Target Assets from Xinyang Co to Xinyang Steel;
“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(s)”	has the meaning ascribed thereto under the Listing Rules;
“Consideration”	has the meaning ascribed to it under the section “The Assets Transfer Agreement – Consideration and payment terms” in this announcement;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its connected persons;
“PRC”	the People's Republic of China;

“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Assets”	has the meaning ascribed to it under the section “Information on the Target Assets” in this announcement;
“Valuation Report”	has the meaning ascribed to it under the section “The Assets Transfer Agreement – Consideration and payment terms” in this announcement;
“Xinyang Co”	安鋼集團信陽鋼鐵有限責任公司(Angang Group Xinyang Steel Co., Ltd.*), a company established in the PRC with limited liability;
“Xinyang Steel”	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;
“Xinyang Land”	the land located at the north of Junmin Road, Minggang Town, Pingqiao District, Xinyang City, Henan Province, the PRC (中國河南省信陽市平橋區明港鎮軍民路北側) with an aggregate site area of approximately 154,220 square meters; and
“%”	per cent.

* For identification purposes only

For the purpose of this announcement unless otherwise indicated, the exchange rate of RMB1 = HK\$1.1139 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

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

Hong Kong, 6 December 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. Xu Baochun, Mr. WANG Kaibao and Ms. YE Ting; and the independent non-executive Directors of the Company are Mr. WU Tak Lung, Mr. MENG Zhihe and Mr. CAO Hongbin.