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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 TRANSACTION

ACQUISITION OF 100% EQUITY INTEREST IN YURUI CHEMICAL

THE EQUITY TRANSFER AGREEMENT

The Board hereby announces that on 13 July 2023, Jinzhou Chemical, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors and Yurui Chemical, pursuant to which Jinzhou Chemical has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Interest (representing 100% of the equity interest in Yurui Chemical), at an aggregate consideration of RMB66,000,000 (equivalent to approximately HK\$72,210,600).

Upon completion of the Acquisition, Yurui Chemical will be wholly-owned by Jinzhou Chemical, and accordingly, be accounted for as a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion of the Acquisition is conditional upon the satisfaction of certain conditions set out in the section headed “The Acquisition – Conditions” in this announcement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

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THE ACQUISITION

A summary of the salient terms of the Equity Transfer Agreement is set out below:

- Date:** 13 July 2023
- Parties:**
- (1) Jinzhou Chemical, as the purchaser
 - (2) the Vendors, as the vendors
 - (3) Yurui Chemical

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendors and Yurui Chemical are Independent Third Parties.

Subject matter

Pursuant to the Equity Transfer Agreement, Jinzhou Chemical has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Interest, representing 100% of the equity interest in Yurui Chemical.

Upon completion of the Acquisition, Yurui Chemical will be wholly-owned by Jinzhou Chemical, and accordingly, be accounted for as a subsidiary of the Company.

Consideration and payment terms

The Consideration for the Acquisition is RMB66,000,000 (equivalent to approximately HK\$72,210,600), which shall be payable by Jinzhou Chemical to a joint bank account (which has been set up by Jinzhou Chemical and the Vendors, in which any payment out of it has to be authorised by Jinzhou Chemical and the Vendors, and the joint bank account shall be cancelled upon fulfillment of the obligations under the Equity Transfer Agreement upon mutual agreement between Jinzhou Chemical and the Vendors, the “**Joint Bank Account**”), in cash, in the following manner:

- (a) a first tranche payment in the sum of RMB33,000,000 (equivalent to approximately HK\$36,105,300) (the “**First Tranche Payment**”), representing 50% of the Consideration, shall be paid after the execution of the Equity Transfer Agreement, and within three Business Days from the date of the fulfilment or waiver (as the case may be) of the First Tranche Payment Conditions. Within three Business Days of the payment of the First Tranche Payment, Jinzhou Chemical and the Vendors shall authorise the payment of RMB33,000,000 out of the Joint Bank Account to settle debts owed by Yurui Chemical and the Vendors with the relevant creditors;

- (b) a second tranche payment in the sum of RMB19,800,000 (equivalent to approximately HK\$21,663,180) (the “**Second Tranche Payment**”), representing 30% of the Consideration, shall be paid within three Business Days from the date of receiving the acceptance notice (受理通知) issued by the relevant PRC authority approving the registration of the Acquisition, and the fulfilment or waiver (as the case may be) of the Second Tranche Payment Conditions. Within three Business Days after the date of completion of the relevant registration of the Acquisition with the relevant PRC authority, Jinzhou Chemical and the Vendors shall authorise the payment of RMB19,800,000 out of the Joint Bank Account to settle debts owed by Yurui Chemical and the Vendors with the relevant creditors;
- (c) the balance of RMB13,200,000 (equivalent to approximately HK\$14,442,120) (the “**Balance**”), representing 20% of the Consideration, shall be paid within three Business Days after the date of completion of the relevant registration of the Acquisition with the relevant PRC authority.

The Consideration was determined after arm’s length negotiations between Jinzhou Chemical and the Vendors, after considering the market value and construction costs of the major assets of Yurui Chemical, including existing buildings and a plot of industrial land with an area of 97,150 square meters in the Huling Industrial Area, south of Lihu Road (虎嶺產業集聚區內、梨虎路南), Jiyuan City, Henan Province, the PRC, which is located at the industrial area of the Group and adjacent to the existing production facilities of the Group.

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

Conditions

First Tranche Payment Conditions

The payment of the First Tranche Payment is conditional upon the following conditions being satisfied or waived in writing (as the case may be), except that condition (b) below is not capable of being waived:

- (a) all Parties having signed all necessary transaction and corporate documents for the purpose of the Acquisition;
- (b) all Parties having obtained all internal and external approvals and authorisations and having performed the relevant procedures as required under the relevant laws and their respective articles of association, including the approval by the shareholders of Yurui Chemical, and the approval by the relevant decision-making bodies of Jinzhou Chemical, and the compliance of Jinzhou Chemical’s announcement or approval obligations (where applicable) under the Listing Rules and/or other applicable laws and regulations of Hong Kong;
- (c) there being no pending actions or procedures taken by, nor actions or procedures that may be taken by, any PRC government authorities that would restrict or prohibit the Acquisition or ancillary transaction(s) (if any) contemplated thereunder, or prevent or restrict Yurui Chemical from conducting its business;

- (d) there being no laws, regulations or rules that have been formulated by any PRC government authorities which may render the Equity Transfer Agreement illegal or impractical, none of the Parties facing any pending litigation, arbitration or legal proceedings that would impose a threat to the performance of the Acquisition or ancillary transaction(s) (if any) contemplated thereunder;
- (e) the representations and warranties given by each of Yurui Chemical and the Vendors being legal, true, valid and complete in all material aspects since the day when such representations and warranties have been given, and the undertakings and obligations required to be complied with or performed by Yurui Chemical and the Vendors pursuant to the Equity Transfer Agreement having been complied with or performed in all material aspects;
- (f) since the date of the Equity Transfer Agreement, there being no incidents, whether singly or jointly, which has any material adverse effect on Yurui Chemical or the Vendors;
- (g) the company seal and all relevant company chops of Yurui Chemical having been destroyed and made void by the Vendors, and the Vendors having assisted Jinzhou Chemical in acquiring new company seal and all relevant company chops and that the new company seal and all new company chops are being kept by Jinzhou Chemical;
- (h) the Vendors passing on Yurui Chemical's business license and all relevant certificates (including land certificates and building certificates) to Jinzhou Chemical;
- (i) the Vendors having provided proof of payment of the whole of the registered capital of Yurui Chemical, showing that the Sale Interest is held by the Vendors in whole and without impediments;
- (j) the following matters in respect of Yurui Chemical having been rectified or completed:
 - (i) Yurui Chemical having ceased all production activities;
 - (ii) Mr. Ng, being one of the creditors of Yurui Chemical, issuing written documents, confirming that Yurui Chemical had settled all outstanding debts with Mr. Ng and that Mr. Ng did not have any claim against Yurui Chemical in respect of any debts;
 - (iii) Mr. Ling Weigang, being one of the creditors of Yurui Chemical, signing a written agreement with Yurui Chemical, agreeing that Yurui Chemical would have settled all outstanding debts with Mr. Ling Weigang and that Mr. Ling Weigang would not have any claim against Yurui Chemical in respect of any debts, after the payment of the Consideration; and
- (k) Yurui Chemical and the Vendors having jointly issued a letter to Jinzhou Chemical to confirm that all the above First Tranche Payment Conditions had been fulfilled.

Second Tranche Payment Conditions

The payment of the Second Tranche Payment is conditional upon the following conditions being satisfied or waived in writing (as the case may be):

- (a) the First Tranche Payment Conditions continue to be satisfied;
- (b) Yurui Chemical and the Vendors using the First Tranche Payment to settle the debts of Yurui Chemical and the Vendors as mentioned in paragraph (a) under the section “The Acquisition – Consideration and payments terms” above;
- (c) the Vendors issuing a written document confirming that the Vendors having terminated all employment relationships with existing employees, and that all matters relating to the salaries and compensation payable to all existing employees having been duly settled; and
- (d) the Vendors having issued a letter to Jinzhou Chemical to confirm that all the above Second Tranche Payment Conditions had been fulfilled.

Balance Conditions

The payment of the Balance is conditional upon the following conditions being satisfied or waived in writing (as the case may be):

- (a) the First Tranche Payment Conditions and the Second Tranche Payment Conditions continue to be satisfied;
- (b) the Vendor having torn down all production facilities, buildings and structures mutually agreed by the Vendors and Jinzhou Chemical at the industrial area of Yurui Chemical, other than those agreed to be retained, within three months upon the execution of the Equity Transfer Agreement;
- (c) within three Business Days after the date of completion of the relevant registration of the Acquisition with the relevant PRC authority, Jinzhou Chemical having announced the Acquisition and after three months of such announcement, Jinzhou Chemical or Yurui Chemical not having received any notice in relation to any debts payable by Yurui Chemical that would cause damages to Yurui Chemical or Jinzhou Chemical. Where all the above Balance Conditions have been satisfied, the Vendors and Jinzhou Chemical may mutually agree on an earlier payment date for the Balance; and
- (d) the Vendors having issued a letter to Jinzhou Chemical to confirm that all the above Balance Conditions had been fulfilled.

Completion

Completion of the Equity Transfer Agreement shall take place on the date of settlement of the First Tranche Payment after the Equity Transfer Agreement becomes effective.

INFORMATION ON YURUI CHEMICAL

Yurui Chemical is a company established in the PRC with limited liability. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Yurui Chemical has ceased its operation since April 2021, and hence has no profit since then and there were no profit or loss financial figures of Yurui Chemical collected for the year ended 31 December 2021 and the year ended 31 December 2022.

INFORMATION ON THE VENDORS

Mr. Ling Weigang is a PRC individual who directly owns 60.60606% of Yurui Chemical as at the date of the Equity Transfer Agreement.

Mr. Ling Weicong is a PRC individual who directly owns 39.39394% of Yurui Chemical as at the date of the Equity Transfer Agreement.

INFORMATION ON JINZHOU CHEMICAL AND THE GROUP

Jinzhou Chemical is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. Jinzhou Chemical is principally engaged in investment activities in the PRC.

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.

REASONS FOR AND BENEFITS OF THE ACQUISITION

According to the relevant PRC government policies, new chemical projects have to be developed inside industrial areas. However, the Huling Industrial Area, where the Group is located, has no more unused land. Therefore, in view of accommodating any future projects of the Group, it is important for the Group to expand its land reserve in the Huling Industrial Area through acquisition. Having considered that the major assets held by Yurui Chemical include the abovementioned plot of land and buildings in the Huling Industrial Area, which are adjacent to the existing coking facilities of the Group, and the Group's long-term strategy of expanding its business along the coking chemical value chain, the Board considers that the acquisition of Yurui Chemical, together with the relevant land and buildings, is beneficial to the Group's expansion plan.

In light of the above, the Directors are of the view that the terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion of the Acquisition is conditional upon the satisfaction of certain conditions set out in the section headed “The Acquisition – Conditions” in this announcement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interest by Jinzhou Chemical from the Vendors pursuant to the Equity Transfer Agreement;
“Balance”	has the meaning ascribed to it under the section headed “The Acquisition – Consideration and payment terms” in this announcement;
“Balance Conditions”	the conditions precedent to the payment of the Balance pursuant to the Equity Transfer Agreement as set out under the section “The Acquisition – Conditions – Balance Conditions” in this announcement;
“Board”	the board of Directors;
“Business Day(s)”	means a day other than a Saturday or Sunday or public holiday in the PRC;
“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”	the aggregate consideration of RMB66,000,000 for the Acquisition pursuant to the Equity Transfer Agreement;
“Director(s)”	the director(s) of the Company;
“Equity Transfer Agreement”	the equity transfer agreement dated 13 July 2023 entered into between Jinzhou Chemical, the Vendors and Yurui Chemical in relation to the Acquisition;

“First Tranche Payment”	has the meaning ascribed to it under the section headed “The Acquisition – Consideration and payment terms” in this announcement;
“First Tranche Payment Conditions”	the conditions precedent to the payment of the First Tranche Payment pursuant to the Equity Transfer Agreement as set out under the section “The Acquisition – Conditions – First Tranche Payment Conditions” in this announcement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	party(ies) which are independent of the Company and its connected persons;
“Jinzhou Chemical”	河南省金洲化工科技有限公司 (Henan Jinzhou Chemical Technology Company Limited*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company;
“Joint Bank Account”	has the meaning ascribed to it under the section headed “The Acquisition – Consideration and payment terms” in this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Party(ies)”	the party(ies) to the Equity Transfer Agreement;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sale Interest”	100% of the equity interest in Yurui Chemical;
“Second Tranche Payment”	has the meaning ascribed to it under the section headed “The Acquisition – Consideration and payment terms” in this announcement;

“Second Tranche Payment Conditions”	the conditions precedent to the payment of the Second Tranche Payment pursuant to the Equity Transfer Agreement as set out under the section “The Acquisition – Conditions – Second Tranche Payment Conditions” in this announcement;
“Shareholders”	the shareholders of the Company;
“Vendors”	凌偉剛 (Mr. Ling Weigang*) and 凌偉聰 (Mr. Ling Weicong*), who directly owns 60.60606% and 39.39394% of Yurui Chemical respectively;
“Yurui Chemical”	河南宇銳化工科技有限公司 (Henan Yurui Chemical Technology Company Limited*), a limited liability company established in the PRC;
“%”	per cent.

* For identification purposes only

For the purpose of this announcement unless otherwise indicated, the exchange rate of RMB1 = HK\$1.0941 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, 13 July 2023

As at the date of this announcement, the executive Directors 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 are Mr. WU Tak Lung, Mr. MENG Zhihe and Mr. CAO Hongbin.