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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)**

## **CONNECTED TRANSACTIONS**

### **ACQUISITIONS OF LAND USE RIGHTS LOCATED IN XINYANG CITY, THE PRC**

#### **THE ACQUISITIONS**

The Board hereby announces that on 20 December 2022, Xinyang Steel, a subsidiary of the Company, entered into the Land Use Right Transfer Agreements with Xinyang Co, pursuant to which Xinyang Co has agreed to sell, and Xinyang Steel has agreed to purchase, the land use rights of the Target Lands for an aggregate consideration of RMB56,730,588 (equivalent to approximately HK\$63,180,005).

#### **LISTING RULES IMPLICATIONS**

Xinyang Steel is owned as to 70% and 30% by the Company and Xinyang Co, respectively, hence, Xinyang Co (being the seller of the Target Lands) is a substantial shareholder of a member of the Group and, in turn, a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisitions therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisitions (on an aggregated basis) exceeds 0.1% but is less than 5%, the Acquisitions 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.

The Board hereby announces that on 20 December 2022, Xinyang Steel, a subsidiary of the Company, entered into the Land Use Right Transfer Agreements with Xinyang Co, pursuant to which Xinyang Co has agreed to sell, and Xinyang Steel has agreed to purchase, the land use rights of the Target Lands for an aggregate consideration of RMB56,730,588 (equivalent to approximately HK\$63,180,005).

## **THE LAND USE RIGHT TRANSFER AGREEMENTS**

The principal terms of each of the Land Use Right Transfer Agreements are substantially the same and are set out below.

**Date:** 20 December 2022

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

### **Subject matter**

Xinyang Co has agreed to sell, and Xinyang Steel has agreed to purchase,

- (i) the land use right of Target Land I in accordance with the terms of the Land Use Right Transfer Agreement I at the consideration of RMB31,877,358;
- (ii) the land use right of Target Land II in accordance with the terms of the Land Use Right Transfer Agreement II at the consideration of RMB17,625,989;
- (iii) the land use right of Target Land III in accordance with the terms of the Land Use Right Transfer Agreement III at the consideration of RMB2,251,335;
- (iv) the land use right of Target Land IV in accordance with the terms of the Land Use Right Transfer Agreement IV at the consideration of RMB2,395,604; and
- (v) the land use right of Target Land V in accordance with the terms of the Land Use Right Transfer Agreement V at the consideration of RMB2,580,302.

Further details of each of the Target Lands are set out in the section headed “Information on the Target Lands” below.

### **Consideration and payment terms**

Pursuant to the Land Use Right Transfer Agreements, the total consideration payable by Xinyang Steel to Xinyang Co for the Acquisitions is RMB56,730,588 (equivalent to approximately HK\$63,180,005). The consideration under the respective Land Use Right Transfer Agreement shall be paid in full by Xinyang Steel to Xinyang Co within 30 days commencing on the date of the respective Land Use Right Transfer Agreement.

The consideration under each of the Land Use Right Transfer Agreement was determined after arm’s length negotiations between Xinyang Steel and Xinyang Co, having taken into account the appraised value of the respective Target Land as at 12 December 2022 according to the respective Valuation Report prepared by an independent valuer. According to the Valuation Reports, each of the valuation of Target Land I, Target Land II, Target Land III and Target Land IV was based on the benchmark land premium coefficient revision approach (基準地價係數修正法) and cost appropriation method (成本逼近法) while the valuation of Target Land V was based on the benchmark land premium coefficient revision approach and market comparison approach (市場比較法).

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

### **Usage of lands**

Target Land I, Target Land II, Target Land III and Target Land IV are for industrial use while Target Land V is for office and residential use.

### **Term of the land use rights**

The land use right of each of Target Land I and Target Land II has been granted for a term of 50 years expiring on 1 March 2054.

The land use right of each of Target Land III, Target Land IV and Target Land V has been granted for a term of 50 years expiring on 4 May 2058.

### **Effective date**

Each of the Land Use Right Transfer Agreement shall take effect upon signing by the parties to the agreement.

### **Other terms**

- (i) Upon obtaining the land use right of the respective Target Land, Xinyang Steel must use the respective Target Land in accordance with the specified usage in the respective Land Use Right Transfer Agreement.
- (ii) Upon obtaining the land use right of the respective Target Land, Xinyang Steel may assign, lease or charge the land use right of the respective Target Land in accordance with the laws of the PRC.

## **INFORMATION ON THE TARGET LANDS**

Target Land I is situated at the east of Line 107, Minggang Town, Pingqiao District, Xinyang City, Henan Province, the PRC (中國河南省信陽市平橋區明港鎮107綫東側) with a site area of approximately 124,520.93 square meters and bearing immovable property certificate number Xin City National Use (2005) No. 40014\* (信市國用(2005)第40014號). Based on the respective Valuation Report, the appraised value of Target Land I as at 12 December 2022 was RMB31,877,400.

Target Land II is situated at the east of Line 107, Minggang Town, Pingqiao District, Xinyang City, Henan Province, the PRC (中國河南省信陽市平橋區明港鎮107綫東側) with a site area of approximately 68,851.52 square meters and bearing number Yu (2022) Xinyang City Immoveable Proprietary Right No. 0036687\* (豫(2022)信陽市不動產權第0036687號). Based on the respective Valuation Report, the appraised value of Target Land II as at 12 December 2022 was RMB17,626,000.

Target Land III is situated 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 a site area of approximately 8,760.06 square meters and bearing number Yu (2022) Xinyang City Immovable Proprietary Right No. 0036686\* (豫(2022)信陽市不動產權第0036686號). Based on the respective Valuation Report, the appraised value of Target Land III as at 12 December 2022 was RMB2,251,300.

Target Land IV is situated 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 a site area of approximately 9,321.42 square meters and number Yu (2022) Xinyang City Immovable Proprietary Right No. 0036685\* (豫(2022)信陽市不動產權第0036685號). Based on the respective Valuation Report, the appraised value of Target Land IV as at 12 December 2022 was RMB2,395,600.

Target Land V is situated at Da Gu Zhuang Village, Minggang Town, Pingqiao District, Xinyang City, Henan Province, the PRC (中國河南省信陽市平橋區明港鎮大顧莊村) with a site area of approximately 3,458.85 square meters and number Yu (2022) Xinyang City Immovable Proprietary Right No. 0036689\* (豫(2022)信陽市不動產權第0036689號). Based on the respective Valuation Report, the appraised value of Target Land V as at 12 December 2022 was RMB2,580,300.

Having made enquiries with Xinyang Co, the Company has been informed that the original acquisition costs for the land use rights of the Target Lands are not available, as some of the Target Lands were acquired by Xinyang Co on a gratuitous transfer (無償劃轉) basis a long time ago and Xinyang Co has undergone corporate changes over the years. In any event, the consideration for the acquisition of each of the Target Lands was determined with reference to the appraised value of the respective Target Land based on the respective Valuation Report and valid land certificates.

## **REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

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 furnaces on the Xinyang Land is scheduled to be put into operation in December 2022. The second phase of the coking furnaces 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 intends to acquire certain land parcels in the vicinity of the Xinyang Land for housing and building warehouses and storage facilities, belt conveyor systems, loading facilities for transporting cokes, and other operation facilities on the Target Lands in anticipation that the coking furnaces on the Xinyang Land will be put into full operation in the near future. Considering that (i) it is not easy to find large pieces of levelled land parcels in the vicinity of the Xinyang Land which are suitable for housing and building the aforementioned facilities; (ii) it will be cost-efficient to house and build the storage and loading facilities on the Target Lands given their proximity to the Xinyang Land; and (iii) the acquisition of the Target Lands will lower the operation risk of Xinyang Steel as the Xinyang Steel does not have to rely on leasing of land parcels from third party land owners and subject to re-negotiation of the relevant leases from time to time, and if the relevant leases are not renewed, incur relocation cost of its facilities, the Company believe that the Acquisitions represent a valuable opportunity for investing in suitable land parcels located close to the Xinyang Land for constructing Xinyang Steel's operation facilities as required.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Land Use Right Transfer Agreements 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) the remaining interest of approximately 10.37% in Xinyang Co is held 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**

Xinyang Steel is owned as to 70% and 30% by the Company and Xinyang Co, respectively, hence, Xinyang Co (being the seller of the Target Lands) is a substantial shareholder of a member of the Group and, in turn, a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisitions therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Land Use Right Transfer Agreements were all entered into by Xinyang Steel with Xinyang Co on the same day, and they relate to the acquisitions of land parcels that are all located in the same district in Xinyang, Henan Province, the PRC, the Acquisitions, being the transactions contemplated under the Land Use Right Transfer Agreements, shall be aggregated pursuant to Rules 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the Acquisitions (on an aggregated basis) exceeds 0.1% but is less than 5%, the Acquisitions 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.

On the other hand, while the highest applicable percentage ratio in respect of the Acquisitions (on an aggregated basis) is less than 5% as described above, an aggregation of the highest applicable percentage ratio in respect of the Acquisitions and the Previous Acquisition (details of which are disclosed in the Previous Announcement) is less than 25%, and therefore the Acquisitions and the Previous Acquisition in aggregate shall not constitute a major transaction under Chapter 14 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 Acquisitions, and hence no Director is required to abstain from voting on the relevant board resolution(s) approving the Land Use Right Transfer Agreements and the transactions contemplated thereunder.

## DEFINITIONS

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

“Acquisitions”	the proposed acquisitions of the land use rights of the Target Lands by Xinyang Steel from Xinyang Co pursuant to the Land Use Right Transfer Agreements;
“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”	the aggregate consideration of RMB56,730,588 for the Acquisitions pursuant to the Land Use Right Transfer Agreements;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its connected persons;
“Land Use Right Transfer Agreement I”	the land use right transfer agreement entered into between Xinyang Co (as seller) and Xinyang Steel (as purchaser) on 20 December 2022 in respect of the acquisition of the land use right of Target Land I;
“Land Use Right Transfer Agreement II”	the land use right transfer agreement entered into between Xinyang Co (as seller) and Xinyang Steel (as purchaser) on 20 December 2022 in respect of the acquisition of the land use right of Target Land II;
“Land Use Right Transfer Agreement III”	the land use right transfer agreement entered into between Xinyang Co (as seller) and Xinyang Steel (as purchaser) on 20 December 2022 in respect of the acquisition of the land use right of Target Land III;
“Land Use Right Transfer Agreement IV”	the land use right transfer agreement entered into between Xinyang Co (as seller) and Xinyang Steel (as purchaser) on 20 December 2022 in respect of the acquisition of the land use right of Target Land IV;
“Land Use Right Transfer Agreement V”	the land use right transfer agreement entered into between Xinyang Co (as seller) and Xinyang Steel (as purchaser) on 20 December 2022 in respect of the acquisition of the land use right of Target Land V;

“Land Use Right Transfer Agreements”	collectively, Land Use Right Transfer Agreement I, Land Use Right Transfer Agreement II, Land Use Right Transfer Agreement III, Land Use Right Transfer Agreement IV and Land Use Right Transfer Agreement V, and each a “Land Use Right Transfer Agreement”;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Previous Acquisition”	the acquisition of the target assets by Xinyang Steel pursuant to the assets transfer agreement entered into between Xinyang Co (as seller) and Xinyang Steel (as purchaser) on 6 December 2022, the details of which are set out in the Previous Announcement;
“Previous Announcement”	the announcement of the Company dated 6 December 2022 in relation to the Previous Acquisition;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Land I”	the land located at the east of Line 107, Minggang Town, Pingqiao District, Xinyang City, Henan Province, the PRC (中國河南省信陽市平橋區明港鎮107綫東側) with a site area of approximately 124,520.93 square meters and immovable property certificate number Xin City National Use (2005) No. 40014* (信市國用(2005)第40014號);
“Target Land II”	the land located at the east of Line 107, Minggang Town, Pingqiao District, Xinyang City, Henan Province, the PRC (中國河南省信陽市平橋區明港鎮107綫東側) with a site area of approximately 68,851.52 square meters and number Yu (2022) Xinyang City Immovable Proprietary Right No. 0036687* (豫(2022)信陽市不動產權第0036687號);
“Target Land III”	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 a site area of approximately 8,760.06 square meters and number Yu (2022) Xinyang City Immovable Proprietary Right No. 0036686* (豫(2022)信陽市不動產權第 0036686號);
“Target Land IV”	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 a site area of approximately 9,321.42 square meters and number Yu (2022) Xinyang City Immovable Proprietary Right No. 0036685* (豫(2022)信陽市不動產權第 0036685號);



“Target Land V”	the land located at Da Gu Zhuang Village, Minggang Town, Pingqiao District, Xinyang City, Henan Province, the PRC (中國河南省信陽市平橋區明港鎮大顧莊村) with a site area of approximately 3,458.85 square meters and number Yu (2022) Xinyang City Immovable Proprietary Right No. 0036689* (豫(2022)信陽市不動產權第0036689號);
“Target Lands”	collectively, Target Land I, Target Land II, Target Land III, Target Land IV and Target Land V, and each a “Target Land”;
“Valuation Reports”	collectively, the valuation reports on the Target Lands prepared by an independent valuer dated 16 December 2022 and each a “Valuation Report”;
“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 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);
“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; and
“%”	per cent.

\* For identification purposes only

*For the purpose of this announcement unless otherwise indicated, the exchange rate of RMB1 = HK\$1.113685 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, 20 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.*