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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 TRANSACTION

ACQUISITION OF 10% EQUITY INTEREST IN JINRUI ENERGY

THE EQUITY TRANSFER AGREEMENT

The Board hereby announces that on 26 June 2023, Jinyuan Chemical, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Yugang Coking, pursuant to which Yugang Coking has agreed to sell, and Jinyuan Chemical has agreed to purchase, the Sale Interest (representing 10% of the equity interest in Jinrui Energy), at the consideration of RMB20 million (equivalent to approximately HK\$21.8 million).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jinrui Energy is a non-wholly owned subsidiary of the Company, of which 71% of its equity interest is held by the Company and 10% of its equity interest is held by Yugang Coking. As such, Yugang Coking is a substantial shareholder of Jinrui Energy and hence a subsidiary-level connected person of the Company pursuant to the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 1% but is less than 5%, 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.

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THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below.

Date: 26 June 2023

Parties: (1) Yugang Coking, as the seller
(2) Jinyuan Chemical, as the purchaser

Subject matter

Yugang Coking has agreed to sell, and Jinyuan Chemical has agreed to purchase, the Sale Interest, representing 10% of the equity interest in Jinrui Energy.

Consideration and payment terms

The consideration for the Acquisition is RMB20 million (equivalent to approximately HK\$21.8 million) (the “**Consideration**”), and shall be paid in cash in full by Jinyuan Chemical to Yugang Coking within five business days (or at other times mutually agreed by the parties to the Equity Transfer Agreement) after the execution of the Equity Transfer Agreement.

The Consideration was determined after arm’s length negotiations between Jinyuan Chemical and Yugang Coking based on normal commercial terms with reference to the unaudited net asset value of Jinrui Energy as at 31 May 2023, which amounted to approximately RMB209 million (equivalent to approximately HK\$227.8 million).

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

Completion

The completion of the Acquisition shall take place after the completion of the registration of the Acquisition with the relevant governmental authorities in the PRC. Upon the completion of the Acquisition, Jinrui Energy will be held as to 81% by the Group and continue to be a subsidiary of the Company.

INFORMATION ON JINRUI ENERGY

Jinrui Energy is a company established in the PRC with limited liability. It is principally engaged in the manufacturing and sale of liquefied natural gas (“**LNG**”).

Set out below is the summary of the financial information of Jinrui Energy for the two years ended 31 December 2021 and 2022 prepared in accordance with the accounting principles generally accepted in the PRC (the “**PRC GAAPs**”).

	For the year ended 31 December 2021 (audited) RMB	For the year ended 31 December 2022 (audited) RMB
Net profit (loss) before taxation	(13,627,200.11)	148,618,049.87
Net profit (loss) after taxation	(14,490,750.52)	129,886,619.56

Jinrui Energy recorded a net loss for the year ended 31 December 2021 due to the reduction in the supply of coal gas of coking furnaces caused by the shutdown of two coking furnaces with heights of 4.3 meters at the end of 2020, resulting in a substantial decrease in the utilisation rate of Jinrui Energy’s LNG production facilities. However, for the year ended 31 December 2022, benefiting from (1) the sharp global rise in the price of LNG; and (2) the increase in utilisation rate of Jinrui Energy’s LNG production facilities due to the sufficient provision of coal gas raw material from the advanced 7.65 meters coking furnaces of the Group (which were being put into full operation in 2022), the net profit of Jinrui Energy increased significantly compared to that for the year ended 31 December 2021.

Based on the financial information of Jinrui Energy prepared in accordance with the PRC GAAPs, the unaudited net asset value of Jinrui Energy as at 31 May 2023 was approximately RMB209 million (equivalent to approximately HK\$227.8 million).

As advised by Yugang Coking, the original acquisition cost of the Sale Interest incurred by Yugang Coking amounted to RMB20 million (equivalent to approximately HK\$21.8 million), after considering the then net asset value of Jinrui Energy. The Directors do not consider Yugang Coking’s original acquisition cost of the Sale Interest relevant to the determination of the Consideration.

INFORMATION ON YUGANG COKING

Yugang Coking is a company established in the PRC with limited liability, and insofar as the Company is aware, it is principally engaged in investment activities in the PRC.

Insofar as the Company is aware, as at the date of this announcement, Yugang Coking is held as to approximately 88.03% by Golden Fair Chemicals (Holdings) Limited (which is in turn held as to 65.92% by Mr. Wang Xuezhong) and approximately 11.97% by Luoyang Railway Yuntong Group Co., Ltd.* (“洛陽鐵路運通集團有限公司”), a state-owned enterprise). Golden Fair Chemicals (Holdings) Limited is principally engaged in foreign investment. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, other than being a shareholder of Jinrui Energy, Yugang Coking and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons pursuant to the Listing Rules.

INFORMATION ON JINYUAN CHEMICAL AND THE GROUP

Jinyuan Chemical is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. Jinyuan Chemical is principally engaged in the manufacturing and sales of benzene based chemicals.

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 ACQUISITIONS

The Board has considered the Group's long-term strategy of expanding its business in the value chain of clean energy, and the PRC government's strategic policy in developing clean energy. As Jinrui Energy is engaged in the manufacturing and sale of LNG, the Board considers that the Group's acquisition of another 10% equity interest in Jinrui Energy would consolidate the Group's control in and the management of Jinrui Energy, and is in line with the Group's overall developmental strategies. After the completion of the Acquisition, Jinrui Energy will continue to be a subsidiary of the Company and its results will continue to be consolidated into the consolidated financial statements of the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. Although the Acquisition will be regarded as an investing activity for acquiring the Sale Interest in Jinrui Energy, and therefore not conducted in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is beneficial to the long-term business strategy of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jinrui Energy is a non-wholly owned subsidiary of the Company, of which 71% of its equity interest is held by the Company and 10% of its equity interest is held by Yugang Coking. As such, Yugang Coking is a substantial shareholder of Jinrui Energy and hence a subsidiary-level connected person of the Company pursuant to the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 1% but is less than 5%, 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.

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(s) approving the Equity Transfer Agreement and the transaction contemplated thereunder.

DEFINITIONS

In this announcement, the capitalised terms used herein shall have the following meanings, unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Interest by Jinyuan Chemical from Yugang Coking pursuant to the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	Henan Jinma Energy Company Limited (“河南金馬能源股份有限公司”), a company established in the PRC with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 6885)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	has the meaning ascribed to it under the section “The Equity Transfer Agreement – Consideration and payment terms” in this announcement
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 26 June 2023 entered into between Jinyuan Chemical and Yugang Coking in relation to the acquisition of the Sale Interest by Jinyuan Chemical from Yugang Coking
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Jinrui Energy”	Henan Jinrui Energy Company Limited* (“河南金瑞能源有限公司”), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company
“Jinyuan Chemical”	Jiyuan Jinyuan Chemical Company Limited* (“濟源市金源化工有限公司”), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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”	10% of the equity interest in Jinrui Energy
“Yugang Coking”	Henan Hongkong (Jiyuan) Coking Group Co., Ltd.* (“豫港(濟源)焦化集團有限公司”), a limited liability company established in the PRC and a subsidiary-level connected person of the Company
“%”	per cent

* For identification purposes only

For the purpose of this announcement unless otherwise indicated, the exchange rate of RMB1 = HK\$1.0899 has been used, where applicable, for the 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, 26 June 2023

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.