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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)

**POSSIBLE MAJOR TRANSACTION IN RELATION TO
THE PROPOSED SPIN-OFF AND LISTING OF JINYUAN HYDROGEN
ON THE MAIN BOARD OF THE STOCK EXCHANGE**

**Independent Financial Adviser
to the Independent Board Committee and the Shareholders**



A letter from the Board is set out on pages 5 to 24 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Shareholders is set out on page IBC-1 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders is set out on pages IFA-1 to IFA-12 of this circular.

26 October 2023

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DEFINITIONS

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

“Announcements”	the announcements of the Company dated 28 June 2023, 28 August 2023 and 18 October 2023, in relation to the Proposed Spin-off and Listing
“Application Proof”	the redacted form of the application proof of Jinyuan Hydrogen’s listing document submitted on 28 August 2023 and available for viewing and downloading on the website of the Stock Exchange, which is in draft form and the information contained therein is subject to change which may be material
“Assured Entitlement”	the entitlement of the Qualifying Shareholders to apply for the Jinyuan H Shares on an assured basis pursuant to a preferential offering determined on the basis of their respective shareholdings in the Company on the Record Date
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Henan Jinma Energy Company Limited (河南金馬能源股份有限公司), a joint stock company established in the PRC with limited liability
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Global Offering”	the Hong Kong public offering and the international offering of Jinyuan H Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board comprising all of the independent non-executive Directors, formed to advise and provide recommendations to the Shareholders on the Proposed Spin-off and Listing
“Independent Financial Adviser”	First Shanghai Capital Limited, being the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off and Listing
“Jiangxi PXSteel”	Jiangxi PXSteel Industrial Co. Ltd.* (江西萍鋼實業股份有限公司) (formerly known as Ping Xiang Steel Co., Ltd.* (萍鄉鋼鐵有限責任公司)), a joint stock company established in the PRC on 29 November 1999
“Jinma HK”	Jinma Energy (Hong Kong) Limited (金馬能源(香港)有限公司) (formerly known as Jinma Coking (Hong Kong) Limited (金馬焦化(香港)有限公司)), a company incorporated in Hong Kong on 5 November 2010 with limited liability
“Jinma Xingye”	Jiyuan Jinma Xingye Investment Co., Ltd.* (濟源市金馬興業投資有限公司), a company established in the PRC on 14 February 2008
“Jinyuan H Shares”	overseas listed foreign share(s) in the share capital of Jinyuan Hydrogen with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars for which an application has been made for listing and permission to trade on the Stock Exchange
“Jinyuan Hydrogen”	河南金源氫能科技股份有限公司 (Henan Jinyuan Hydrogen Energy Technology Co., Ltd.*), a joint stock company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Jinyuan Hydrogen Group”	Jinyuan Hydrogen and its subsidiaries
“Latest Practicable Date”	18 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maanshan Steel”	Maanshan Iron & Steel Company Limited (馬鞍山鋼鐵股份有限公司), a company incorporated in the PRC on 1 September 1993 whose A-shares and H-shares are listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Non-Qualifying Shareholder(s)”	Shareholder(s) with registered addresses in, or who are otherwise known by the Company to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of the Company and Jinyuan Hydrogen, based on the enquiries made by them, consider it necessary or expedient to exclude from the preferential offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
“Over-allotment Option”	the option expected to be granted by Jinyuan Hydrogen to the international underwriters, exercisable by the Sole Overall Coordinator (for itself and on behalf of the international underwriters and capital market intermediaries) pursuant to an international underwriting agreement
“PN15”	Practice Note 15 of the Listing Rules
“PRC”	the People’s Republic of China exclude, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor”	Henan Jinma Energy Co., Ltd.* (河南金馬能源有限公司) (formerly known as Jiyuan Jinma Coking Co., Ltd.* (濟源市金馬焦化有限公司)), the predecessor of the Company which is a limited liability company established in the PRC on 13 February 2003

DEFINITIONS

“Proposed Spin-off and Listing”	the proposed separate listing of the Jinyuan H Shares on the Main Board of the Stock Exchange
“Prospectus”	the prospectus to be issued by Jinyuan Hydrogen in relation to the Global Offering
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appeared on the register of members of the Company at 4:30 p.m. on the Record Date, excluding Non-Qualifying Shareholders
“Record Date”	a date on which the entitlement of the Qualifying Shareholders to apply for the Jinyuan H Shares is determined
“Remaining Group”	the Group, excluding the Jinyuan Hydrogen Group
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shanghai Jinma”	Shanghai Jinma Energy Sources Co., Ltd.* (上海金馬能源有限公司), a company established in the PRC on 27 November 2013 and a wholly-owned subsidiary of the Company
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Overall Coordinator”	Haitong International Securities Company Limited
“Sole Sponsor”	Haitong International Capital Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“%”	per cent

* For identification purposes only

If there is any inconsistency between the Chinese name of the entities mentioned in this circular and their English translation, the Chinese version shall prevail.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. YIU Chiu Fai
Mr. WANG Mingzhong
Mr. LI Tianxi

Registered office:

West First Ring Road South
Jiyuan
Henan Province
PRC

Non-executive Directors:

Mr. XU Baochun
Mr. WANG Kaibao
Ms. YE Ting

Principal place of business in Hong Kong:

Unit 2801, 28/F
88 Hing Fat Street
Causeway Bay
Hong Kong

Independent non-executive Directors:

Mr. WU Tak Lung
Mr. MENG Zhihe
Mr. CAO Hongbin

Supervisors:

Mr. WONG Tsz Leung
Mr. WU Jiacun
Mr. ZHOU Tao, David
Ms. TIAN Fangyuan
Ms. HAO Yali
Mr. FAN Xiaozhu

26 October 2023

To the Shareholders

Dear Sir or Madam,

**POSSIBLE MAJOR TRANSACTION IN RELATION TO
THE PROPOSED SPIN-OFF AND LISTING OF JINYUAN HYDROGEN
ON THE MAIN BOARD OF THE STOCK EXCHANGE**

I. INTRODUCTION

Reference is made to the Announcements in respect of the Proposed Spin-off and Listing. The purpose of this circular is to provide you with, among other things, (i) information on the Proposed Spin-off and Listing; and (ii) the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser regarding the Proposed Spin-off and Listing.

LETTER FROM THE BOARD

II. THE PROPOSED SPIN-OFF AND LISTING

Background of the Proposed Spin-off and Listing

The Proposed Spin-off and Listing is expected to involve the issue of new Jinyuan H Shares by way of Global Offering. Based on the current proposed structure of the Global Offering which is subject to finalisation, it is expected that a minimum of 238,910,000 new Jinyuan H Shares, representing 25% of the enlarged issued share capital of Jinyuan Hydrogen, will be issued if the Over-allotment Option is not exercised, and 274,746,000 new Jinyuan H Shares, representing approximately 27.71% of the enlarged issued share capital of Jinyuan Hydrogen, will be issued if the Over-allotment Option is exercised in full. The actual number of new Jinyuan H Shares to be issued will be determined at a later stage subject to regulatory approval and/or consent by the Stock Exchange and the CSRC, discussions among the management of Jinyuan Hydrogen, the Sole Sponsor and other advisers for the Proposed Spin-off and Listing, and in particular, market conditions. Based on the above tentative structure, following the completion of the Proposed Spin-off and Listing, the Group is expected to hold not less than approximately 72.29% of the enlarged issued share capital of Jinyuan Hydrogen, and Jinyuan Hydrogen will continue to be accounted for as a subsidiary of the Company.

For the purpose of the Proposed Spin-off and Listing, the Company submitted a proposal on the Proposed Spin-off and Listing to the Stock Exchange pursuant to PN15, and the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off and Listing under PN15. On 28 August 2023, Jinyuan Hydrogen also submitted, through the Sole Sponsor, a listing application to the Stock Exchange to apply for the spin-off and listing of, and permission to deal in, the shares of Jinyuan Hydrogen on the Main Board of the Stock Exchange.

Conditions of the Proposed Spin-off and Listing

Based on the information currently available to the Board, the Proposed Spin-off and Listing will be conditional upon, among other things, the fulfilment of the following conditions, none of which can be waived:

- (i) the listing committee of the Stock Exchange granting approval for the listing of, and permission to deal in the Jinyuan H Shares to be issued under the Proposed Spin-off and Listing (including the Jinyuan H Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- (ii) the offer price having been agreed between Jinyuan Hydrogen and the Sole Overall Coordinator;
- (iii) the execution and delivery of the international underwriting agreement on or about the date on which the offer price is to be determined; and

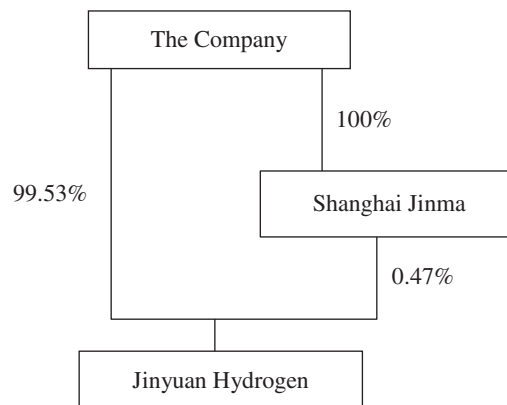
LETTER FROM THE BOARD

- (iv) the obligations of the Hong Kong underwriters under the Hong Kong underwriting agreement to be entered into and the obligations of the international underwriters under the international underwriting agreement to be entered into becoming unconditional and not having been terminated in accordance with the terms of the respective agreement.

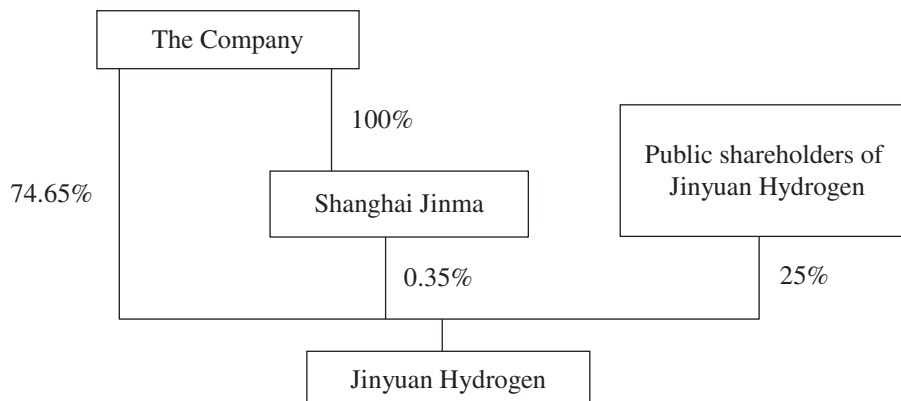
If any of the above conditions is not fulfilled prior to the date and times to be specified, the Proposed Spin-off and Listing will not proceed and an announcement will be published by the Company as soon as practicable. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Effects of the Proposed Spin-off and Listing on the shareholding structure of Jinyuan Hydrogen

The shareholding structure of Jinyuan Hydrogen as at the Latest Practicable Date, which is the expected shareholding structure of Jinyuan Hydrogen immediately prior to the completion of the Proposed Spin-off and Listing is set out below:

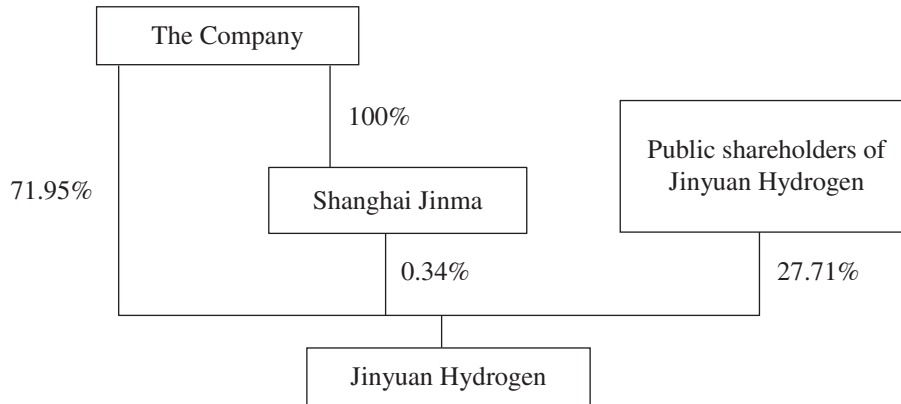


The expected shareholding structure of Jinyuan Hydrogen immediately after the completion of the Proposed Spin-off and Listing (assuming the Over-allotment Option is not exercised) is set out below:



LETTER FROM THE BOARD

The expected shareholding structure of Jinyuan Hydrogen immediately after the completion of the Proposed Spin-off and Listing (assuming the Over-allotment Option is exercised in full) is set out below:



Proceeds to be raised from the Proposed Spin-off and Listing and intended use of proceeds

Based on the discussions between the management of Jinyuan Hydrogen and the Sole Sponsor, the number and final offer price of new Jinyuan H Shares to be issued under the Proposed Spin-off and Listing is expected to be determined taking into account (i) the historical operating results and financial performance of the Jinyuan Hydrogen Group; (ii) the capital needs of the Jinyuan Hydrogen Group and proposed use of proceeds as further discussed below; (iii) the then responses to price consultation with potential subscribers in the book-building process for the Proposed Spin-off and Listing; (iv) the prevailing market sentiment at the time of the Proposed Spin-off and Listing; and (v) the reference to be drawn from other comparable companies in the same industry listed on the Main Board of the Stock Exchange.

It is currently expected that the net proceeds to be raised under the Proposed Spin-off and Listing will be no more than HK\$530 million if the Over-allotment Option is exercised in full, after deduction of underwriting fees and other estimated expenses in connection with the Global Offering. The actual amount of proceeds to be raised cannot be determined at this stage as the actual number and final offer price of new Jinyuan H Shares to be issued will be determined at a later stage subject to a number of factors as referred to above.

It is currently expected that the proceeds from the Proposed Spin-off and Listing will be applied for the business development of the Jinyuan Hydrogen Group in the following manner:

- (i) approximately 85.0% will be used to fund the construction of six to 10 additional gas stations with hydrogen refuelling facilities in Zhengzhou in the PRC by the end of 2025;

LETTER FROM THE BOARD

- (ii) approximately 5.0% will be used for strategic investment in and/or acquisition of selected upstream and downstream market players by the end of 2025. For the avoidance of doubt, as at the Latest Practicable Date, the Jinyuan Hydrogen Group did not have any specific investment or acquisition target, plan or a definite timeline and had not entered into any definitive agreement or engaged in any active discussion with any potential target; and
- (iii) approximately 10.0% will be used for working capital and general corporate purposes by the end of 2025.

The application of net proceeds from the Global Offering above is subject to changes. Please refer to the Prospectus for the final allocation of funds. The Company will issue an announcement when the Prospectus is published.

Restrictions on disposal of Jinyuan H Shares

Pursuant to Rule 10.07 of the Listing Rules, the Company, being the controlling shareholder of Jinyuan Hydrogen, will not, except pursuant to the Global Offering or the Over-allotment Option:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in Jinyuan Hydrogen is made in the Prospectus and ending on the date which is six months from the date on which dealings in the Jinyuan H Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of Jinyuan Hydrogen that it is shown to beneficially own in the Prospectus (the “**Relevant Shares**”); or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the Listing Rules) of Jinyuan Hydrogen.

In addition, in accordance with Note 3 to Rule 10.07(2) of the Listing Rules, the Company, being the controlling shareholder of Jinyuan Hydrogen, will, within the period commencing on the date by reference to which disclosure of its shareholdings is made in the Prospectus and ending on the date which is 12 months from the date on which dealings in the Jinyuan H Shares commence on the Stock Exchange, when it pledges or charges any securities of Jinyuan Hydrogen or interests therein beneficially owned by it in favour of any authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform Jinyuan Hydrogen of such pledge or charge together with the number of securities so pledged or charged and when it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of Jinyuan Hydrogen pledged or charged will be disposed of, immediately inform Jinyuan Hydrogen of such indications.

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Further, pursuant to relevant laws and regulations of the PRC, the shares of Jinyuan Hydrogen held by the Company prior to the Proposed Spin-off and Listing shall not be transferred within one year from the date of the Proposed Spin-off and Listing. In addition, Directors, supervisors and senior management of Jinyuan Hydrogen shall not transfer over 25% of the shares held by each of them in Jinyuan Hydrogen each year during their term of office and shall not transfer any share of Jinyuan Hydrogen held by each of them within one year after the date of the Proposed Spin-off and Listing and within half a year from the date of their resignation.

Assured Entitlement

Under PN15, the Company is required to give due regard to the interests of the Shareholders by providing them with an Assured Entitlement to the Jinyuan H Shares. In order to enable the Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Jinyuan H Shares on the Main Board of the Stock Exchange and such approval not having been withdrawn and the Global Offering becoming unconditional, Qualifying Shareholders will be invited to apply for certain Jinyuan H Shares in the Global Offering as Assured Entitlement.

Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

III. INFORMATION ON THE GROUP AND THE JINYUAN HYDROGEN GROUP

The Group

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. It is expected that upon completion of the Proposed Spin-off and Listing, the Remaining Group will continue to be principally engaged in the production of coke and the sale of by-products generated (namely, crude benzene, coal tar and crude coking coal gas), as well as other chemicals made from coal tar.

The Jinyuan Hydrogen Group

The predecessor of Jinyuan Hydrogen was established in the PRC on 23 November 2012 as a limited liability company. Jinyuan Hydrogen was formed through the conversion of its predecessor into a joint stock company with limited liability on 28 July 2023. As at the date of this circular, Jinyuan Hydrogen is a wholly-owned subsidiary of the Group.

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The Jinyuan Hydrogen Group is a leading supplier of liquefied natural gas (“LNG”), pure benzene and hydrogenated pure benzene in Henan Province, primarily focusing on the production and processing of (i) clean energy products comprising LNG and coal gas; and (ii) hydrogenated benzene-based chemicals, which principally include pure benzene, toluene and xylene.

The following table sets out the audited combined financial information of the Jinyuan Hydrogen Group for the two financial years ended 31 December 2021 and 2022 and the six months ended 30 June 2023, prepared in accordance with the International Financial Reporting Standards:

	For the year ended		For the
	31 December		six months
	2021	2022	ended
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	30 June
			2023
			<i>(RMB'000)</i>
Revenue	1,479,594	2,254,533	1,076,008
Profit before taxation	110,905	233,548	82,526
Profit after taxation	79,476	194,081	65,714

As at 30 June 2023, the audited combined net asset value of the Jinyuan Hydrogen Group was approximately RMB670,193,000.

Clear delineation of business between the Remaining Group and the Jinyuan Hydrogen Group

There is clear delineation between the businesses of the Jinyuan Hydrogen Group and the Remaining Group. While both the Jinyuan Hydrogen Group and the Remaining Group operate along the coking chemical value chain, the Remaining Group engages in upper stream businesses, which primarily involve coking and coke production, whereas the Jinyuan Hydrogen Group engages in lower stream businesses, which primarily involve further processing of coking by-products for the production of clean energy and hydrogenated benzene-based chemical products.

LETTER FROM THE BOARD

Different principal businesses

The table below sets forth the different principal businesses of the Jinyuan Hydrogen Group and that of the Remaining Group as at the Latest Practicable Date:

Principal Businesses

Remaining Group	<ul style="list-style-type: none"> • manufacture and sale of coke (the “Coking Business”); • trading of coke, coal, mining equipment and nonferrous materials (the “Trading Business”); • sale of coking by-products (the “Coking By-products Business”); • production and sale of coal tar-based chemicals (the “Coal Tar-based Chemicals Business”); and • provision of other services, including but not limited to provision of steam, fire prevention and management services (the “Other Services Business”).
Jinyuan Hydrogen Group	<ul style="list-style-type: none"> • manufacture and sale of clean energy products, namely LNG and coal gas, and the operation of gas stations (the “Clean Energy Product Business”); and • manufacture and sale of hydrogenated benzene-based chemicals obtained from hydrogenation of crude benzene, a coking by-product (the “Hydrogenated Benzene-based Chemical Business”).

Different products manufactured and sold



The following table sets forth the differences between major products manufactured and sold by the Jinyuan Hydrogen Group and the Remaining Group:

Business	Product	Usage/products
Remaining Group		
Coking Business	Coke (焦炭)	As an irreplaceable reducing agent, heat agent and column skeleton for the blast furnace production of iron and steel.

LETTER FROM THE BOARD

Business	Product	Usage/products
Remaining Group		
Coking By-products Business	Crude benzene (粗苯)	For production of benzene-based chemicals (e.g. pure benzene and toluene).
	Coal tar (煤焦油)	For production of coal tar-based chemicals (e.g. coal asphalt, coal tar pitch, naphthalene, and anthracene oil).
	Crude coking coal gas (焦爐煤氣)	Crude coking coal gas contains carbon monoxide, hydrogen and methane which are important chemical raw materials.
Coal Tar-based Chemicals Business	Coal asphalt (煤瀝青)	As electrode binders in the metallurgical industry.
	Anthracene oil (蒽油)	For production of pigments, wood preservatives, insecticides and coating materials.
	Industrial naphthalene (工業萘)	For manufacture of concrete super-plasticisers, dyes, plastics and solvents.
Jinyuan Hydrogen Group		
Clean Energy Product Business	LNG (液化天然氣)	As a clean fuel for vehicles and industrial use.
	Coal gas (煤氣)	As domestic fuel or industrial fuel, and as a raw material in the production of hydrogen and various chemical products.

LETTER FROM THE BOARD

Business	Product	Usage/products
Jinyuan Hydrogen Group		
Hydrogenated Benzene-based Chemical Business	Pure benzene (純苯)	 <p>As an industrial solvent and a precursor for the manufacture of nylon, dyes, plastics, drugs, explosives and synthetic rubber.</p>
	Toluene (甲苯)	 <p>For manufacture of sweeteners, drugs and dyes; toluene can also be used as a solvent.</p>

As illustrated above, the Jinyuan Hydrogen Group is primarily engaged in the production and sale of clean energy products (namely LNG and coal gas) as well as hydrogenated benzene-based chemicals obtained from hydrogenation of crude benzene, whereas the Remaining Group is principally engaged in the production of coke and the sale of by-products generated (namely, crude benzene, coal tar and crude coking coal gas), as well as other chemicals made from coal tar.

Different core technologies and production facilities

As set forth in the table below, the Jinyuan Hydrogen Group and the Remaining Group use different core technologies in their business operations:

Core technologies

Remaining Group	<ul style="list-style-type: none"> • Coal blending for production of Coke of desired properties • Stamp-charging for increasing the density of coals loaded into coking furnaces • Dry quenching for the cooling-down of Coke • Dehydration and purification of coal tar by ultracentrifugation
Jinyuan Hydrogen Group	<ul style="list-style-type: none"> • Hydrogenation of crude benzene • Methanisation of coal gas for the production of LNG • Pressure swing adsorption for the production of hydrogen • Purification of hydrogen into high pure hydrogen

LETTER FROM THE BOARD

Further, as set forth in the table below, the Jinyuan Hydrogen Group and the Remaining Group have distinct production and operating facilities:

Production and operating facilities

Remaining Group	<ul style="list-style-type: none">• Coal pulverisers• Coal towers• Coking furnaces• Coal tar production facilities
Jinyuan Hydrogen Group	<ul style="list-style-type: none">• LNG production facilities• Coal gas processing facilities• Hydrogen production facilities• Hydrogenated benzene-based chemicals production facilities

Different markets and customers

Due to differences in nature of the products manufactured and sold by the Jinyuan Hydrogen Group and the Remaining Group, the Jinyuan Hydrogen Group and the Remaining Group target different markets and have different customer bases.

Major customers of the Remaining Group's coke include iron and steel manufacturers, and customers of its coal tar-based chemicals include companies in the carbon black and resin industries. As part of the Remaining Group's Trading Business, it trades products such as coke and coal to customers including coke producers, iron and steel manufacturers, as well as coal suppliers.

Major customers of the Jinyuan Hydrogen Group's clean energy products include industrial users, trading customers and operators of oil and gas stations as well as retail customers of the Jinyuan Hydrogen Group's self-operated oil and gas stations. On the other hand, major customers of the Jinyuan Hydrogen Group's hydrogenated benzene-based chemicals include a variety of companies in the nylon and fertilisers industries and chemical companies. The Jinyuan Hydrogen Group also sells coal gas to other enterprises situated in the same industrial park in which it is based. There does not exist any bundling sales arrangement for the products of the Remaining Group and the Jinyuan Hydrogen Group.

LETTER FROM THE BOARD

Different raw materials and suppliers

The Jinyuan Hydrogen Group and the Remaining Group source different raw materials from different suppliers.

The Jinyuan Hydrogen Group uses crude coking coal gas as the major raw material for its Clean Energy Product Business, and crude benzene for its Hydrogenated Benzene-based Chemical Business. The Jinyuan Hydrogen Group purchases substantially all of its crude coking coal gas from the Remaining Group and sources most of its crude benzene from independent third party suppliers (being coking enterprises situated in Henan, Shanxi and Shaanxi provinces).

The Remaining Group uses coal tar as the raw material for its Coal Tar-based Chemicals Business and various varieties of coal (including main coking coal, 1/3 coal, fat coal and lean coal) for its Coking Business and Coking By-products Business. The Remaining Group sources coal from a mix of large state-owned mine enterprises and local coal plants.

Having considered the above factors, the Directors and the directors of Jinyuan Hydrogen are of the view that there is clear delineation between the businesses of the Jinyuan Hydrogen Group and the Remaining Group and that the businesses of the Remaining Group do not compete and is unlikely to compete, directly or indirectly with Jinyuan Hydrogen Group's businesses.

As at the Latest Practicable Date, the Company did not have any interest in any business which competes or is likely to compete, either directly or indirectly, with Jinyuan Hydrogen's business which would require disclosure under the Listing Rules.

Jinyuan Hydrogen's independence from the Company

Management independence

As at the Latest Practicable Date, the board of directors of Jinyuan Hydrogen comprises one executive director, three non-executive directors and three independent non-executive directors. Among the directors of Jinyuan Hydrogen, Mr. Yiu Chiu Fai is an executive director and the chairman, and Mr. Wang Kaibao is a non-executive director, of the Company. The presence of Mr. Yiu Chiu Fai and Mr. Wang Kaibao on Jinyuan Hydrogen's board of directors is mainly for the purpose of representing the Company's shareholding in Jinyuan Hydrogen, and both Mr. Yiu Chiu Fai and Mr. Wang Kaibao are expected to carry out non-executive roles in Jinyuan Hydrogen. Mr. Yiu and Mr. Wang will not participate in the day-to-day operations of the Jinyuan Hydrogen Group and will be responsible for providing strategic visions to the Jinyuan Hydrogen Group, and accordingly, they are expected to continue to devote their time principally to the Remaining Group. Hence, it is expected that such overlapping of directorship will not affect the independent functioning of the board of directors of Jinyuan Hydrogen.

LETTER FROM THE BOARD

The directors of Jinyuan Hydrogen are of the view that there are sufficient and effective control mechanisms to ensure that they are able to manage the Jinyuan Hydrogen Group independently from the Company, discharge their duties appropriately and safeguard the interests of the shareholders of Jinyuan Hydrogen as a whole for the following reasons:

- the non-executive directors of Jinyuan Hydrogen will not be involved in the day-to-day management or operations of Jinyuan Hydrogen's businesses and will contribute from a non-executive capacity at the board level;
- each of the directors of Jinyuan Hydrogen is aware of his/her fiduciary duties as a director, which require, among other things, that he/she acts for the benefit and in the interests of Jinyuan Hydrogen and does not allow any conflict between his/her duties as a director and his/her personal interests. The decision-making mechanism of the board of directors of Jinyuan Hydrogen set out in the articles of association of Jinyuan Hydrogen includes provisions to avoid conflicts of interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Jinyuan Hydrogen Group and any of the directors of Jinyuan Hydrogen or their respective close associates, the interested director(s) shall abstain from voting at the relevant board meetings of Jinyuan Hydrogen in respect of such transactions and shall not be counted in the quorum; and
- the independent non-executive directors of Jinyuan Hydrogen have extensive experience in different areas or professions and have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the board of directors of Jinyuan Hydrogen are made only after due consideration of independent and impartial opinions.

Based on the above, the directors of Jinyuan Hydrogen are satisfied that they are able to perform their roles in Jinyuan Hydrogen independently and are of the view that Jinyuan Hydrogen is capable of managing its business independently from the Company and its close associates after the Proposed Spin-off and Listing.

Financial independence

During the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the "**Track Record Period**"), the Jinyuan Hydrogen Group provided an unsecured, interest bearing loan to the Remaining Group in the amount of RMB30 million, all of which is outstanding as at the Latest Practicable Date. The aforesaid loan will be fully settled on or before the Proposed Spin-off and Listing. During the Track Record Period, the Remaining Group provided financial assistance (in the form of a guarantee) to the Jinyuan Hydrogen Group for a long-term bank loan which has been fully repaid by the Jinyuan Hydrogen Group in November 2022. As at the Latest Practicable Date, there was no guarantee provided between the Remaining Group and the Jinyuan Hydrogen Group in respect of indebtedness of each other. Any loans, financial assistance, advances or balances of non-trade nature between the Jinyuan Hydrogen Group and the Remaining Group will be fully released and/or settled before the Proposed Spin-off and Listing.

LETTER FROM THE BOARD

The Jinyuan Hydrogen Group will make financial decisions according to its own business needs independent of the Remaining Group. In addition, the Jinyuan Hydrogen Group has its own treasury function and independent access to third party financing. The directors of Jinyuan Hydrogen believe that it will be able to support its financial need based on internally generated cash flow and, if necessary, loans from financial institutions or fundraising through equity or debt financing.

Based on the above, the Directors and the directors of Jinyuan Hydrogen are of the view that the Jinyuan Hydrogen Group is able to maintain financial independence from the Remaining Group and its close associates.

Operational independence

Even though the Company will retain a controlling interest in Jinyuan Hydrogen after the Proposed Spin-off and Listing, Jinyuan Hydrogen has full rights to make all decisions on, and to carry out, its business operations independently from the Company and its close associates and will continue to do so after the Proposed Spin-off and Listing. Jinyuan Hydrogen is able to operate without reliance on the Company and its close associates.

(1) Production and processing facilities

The Jinyuan Hydrogen Group has its own production and processing facilities, which are distinct and separate from those of the Remaining Group.

(2) Permits and licences

Save as disclosed in “Business – Regulatory Compliance” in the Application Proof, the Jinyuan Hydrogen Group holds all the relevant licences and permits that are material to its business operations, and enjoy the benefits brought by them.

(3) Research and development (“R&D”)

The Jinyuan Hydrogen Group has its own R&D team and conducts its R&D independently of the Remaining Group. While the Remaining Group runs R&D programmes that primarily focus on, among others, upgrading equipment for coking and environmental protection compliance, the R&D programme of the Jinyuan Hydrogen Group primarily focuses on equipment and production process upgrade and optimisation, as well as environmental protection compliance. In addition, as at the Latest Practicable Date, Jinyuan Hydrogen had 13 registered patents in the PRC for its operations.

(4) Administrative capability

The Jinyuan Hydrogen Group has established its own administrative departments, which are independent from the Remaining Group.

LETTER FROM THE BOARD

The Jinyuan Hydrogen Group has been sharing the same information technology (“IT”) system as the Remaining Group which was constructed by third-party service providers for use by multiple companies for enterprise management purposes in areas of production, finance and general administration as well as other information services, such as data storage, processing and management, e-mail servers, internet services, and network security services. The Jinyuan Hydrogen Group will continue to use the same IT system after the Proposed Spin-off and Listing, and the Remaining Group will charge the Jinyuan Hydrogen Group on a cost basis for its use thereof. The Jinyuan Hydrogen Group has been granted independent and exclusive access to the said IT system and has liaised with the relevant third-party service providers for implementing measures to ensure proper segregation of information and access rights between the Jinyuan Hydrogen Group and the Remaining Group. The Jinyuan Hydrogen Group’s and the Remaining Group’s use of the IT system are managed solely by their own designated system administrators. The directors of Jinyuan Hydrogen are of the view that the sharing of IT system between the Jinyuan Hydrogen Group and the Remaining Group represents a cost-effective arrangement in the interests of the Jinyuan Hydrogen Group.

Notwithstanding the sharing of IT system to optimise the administrative costs structure of the Jinyuan Hydrogen Group, all essential administrative functions of the Jinyuan Hydrogen Group have been, during the Track Record Period, and will continue to be handled by its own teams independently of the Remaining Group. In particular, Jinyuan Hydrogen has established its own accounting and finance department with a team of finance staff responsible for managing its accounts and financials and operating its financial system independently.

Based on the above, the Directors and the directors of Jinyuan Hydrogen are satisfied that it is able to carry out administrative functions independently of the Remaining Group.

(5) *Continuing transactions between the Jinyuan Hydrogen Group and the Remaining Group*

The Jinyuan Hydrogen Group sourced substantially all of its crude coking coal gas and approximately 20% of its crude benzene from the Remaining Group. Following the Proposed Spin-off and Listing, in addition to the sourcing of raw materials from the Remaining Group by the Jinyuan Hydrogen Group, certain continuing transactions are expected to take place between the two groups, all of which will constitute continuing connected transactions of Jinyuan Hydrogen. Pursuant to the Listing Rules, none of such continuing transactions constitute continuing connected transactions of the Company which is subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. For further details of such continuing connected transactions of Jinyuan Hydrogen, please refer to the section headed “Continuing Connected Transactions” of the Application Proof.

LETTER FROM THE BOARD

IV. FINANCIAL EFFECT OF THE PROPOSED SPIN-OFF AND LISTING

Upon completion of the Proposed Spin-off and Listing, Jinyuan Hydrogen will continue to be a subsidiary of the Company and its financial results will continue to be consolidated into the accounts of the Company. The following is the expected financial impact of the Proposed Spin-off and Listing on the Group:

Earnings

As the Proposed Spin-off and Listing will not result in the Company's loss of control over Jinyuan Hydrogen, the Proposed Spin-off and Listing will be accounted for as an equity transaction and will not result in the recognition of gain or loss on the deemed disposal credited to the Company's consolidated statement of profit or loss and other comprehensive income. The difference between the amount of non-controlling interest as introduced by the Proposed Spin-off and Listing and the net proceeds raised from the Proposed Spin-off and Listing will be recorded in equity attributed to the Shareholders. In addition, as the proportion of the Company's shareholding in Jinyuan Hydrogen will be diluted immediately after the completion of the Proposed Spin-off and Listing, it is expected that the earnings attributable to owners of the Company contributed by Jinyuan Hydrogen may decrease while the earnings attributable to non-controlling interests may increase. The effect of the Proposed Spin-off and Listing on the future earnings of the Group will depend on, among other things, the return generated from the proceeds raised from the Proposed Spin-off and Listing as well as the future business operations of the Jinyuan Hydrogen Group.

Assets and liabilities

The Proposed Spin-off and Listing will increase the number of shares of Jinyuan Hydrogen and raise corresponding funds. The proceeds of the Proposed Spin-off and Listing will increase the cash recorded in the consolidated balance sheet of the Company and increase the total assets of the Group correspondingly, thereby improving the structure of the Group's assets and liabilities.

V. REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF AND LISTING

The Board considers that the Proposed Spin-off and Listing will be beneficial to both the Group and the Jinyuan Hydrogen Group for the following reasons:

- (i) the Proposed Spin-off and Listing will result in a clear segregation from the Remaining Group's business of the Jinyuan Hydrogen Group's business which has an emphasis on the production and utilisation of clean energy products and is intended to expand further down the new energy value chain. Such segregation is expected to improve the operational and financial efficiency of the Group as a whole, and will additionally improve corporate governance in each of its business lines;

LETTER FROM THE BOARD

- (ii) in particular, the Jinyuan Hydrogen Group will be able to rely on a more focused source of capital for operation of its clean energy business and for its further drive down the new energy value chain, which is expected to be one with great potential and prospects in light of the PRC Government's strong commitment to its "dual carbon goals";
- (iii) the Jinyuan Hydrogen Group will be able to attract new investors seeking investment opportunities specifically in the clean energy products and hydrogenated benzene-based chemicals businesses;
- (iv) investors will be able to appraise the Jinyuan Hydrogen Group and the Remaining Group separately, in terms of their respective business strategies, functional exposure, risks and returns in making investment decisions. Each of the Jinyuan Hydrogen Group and the Remaining Group will be able to more specifically target their respective investor bases;
- (v) after the Proposed Spin-off and Listing, the Jinyuan Hydrogen Group will be provided with a direct equity financing platform which is expected to benefit the long-term expansion and growth of the Jinyuan Hydrogen Group. The Group's sources of funding will at the same time be diversified;
- (vi) the Shareholders will be given the opportunity to realise the value of their investment in the Jinyuan Hydrogen Group under a separate standalone platform; and
- (vii) the brand value and market influence of both the Jinyuan Hydrogen Group and the Remaining Group will be enhanced.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Proposed Spin-off and Listing are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VI. LISTING RULES IMPLICATIONS

Possible major transaction

As at the Latest Practicable Date, Jinyuan Hydrogen is a wholly-owned subsidiary of the Group. The Proposed Spin-off and Listing is expected to involve the issue of Jinyuan H Shares by way of Global Offering. After the aforesaid Global Offering, the ownership of the Group in Jinyuan Hydrogen will be (i) diluted to 75% assuming the Over-allotment Option is not exercised, and (ii) diluted to approximately 72.29% assuming the Over-allotment Option is fully exercised. Accordingly, the Proposed Spin-off and Listing, if materialised, will constitute a deemed disposal of the Group's interest in Jinyuan Hydrogen under Rule 14.29 of the Listing Rules.

LETTER FROM THE BOARD

As the highest applicable percentage ratio under the Listing Rules in respect of the Proposed Spin-off and Listing is expected to exceed 25% but less than 75%, the Proposed Spin-off and Listing, if proceeded with, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules, as well as the Shareholders' approval requirement under paragraph 3(e)(1) of PN15.

If the highest applicable percentage ratio under the Listing Rules in respect of the Proposed Spin-off and Listing exceeds 75%, the Company will re-comply with the relevant disclosure and/or shareholders' approval requirements under the Listing Rules.

Written approval from a closely allied group of Shareholders

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders or their respective associates have a material interest in the Proposed Spin-off and Listing. Therefore, no Shareholder is required to abstain from voting if the Company were to convene a general meeting of the Shareholders to consider and approve the Proposed Spin-off and Listing.

Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written Shareholders' approval from a closely allied group of Shareholders (the "**Shareholder Group**") (being holders of 404,526,000 Shares, representing approximately 75.55% of the total issued Shares of the Company), to approve the Proposed Spin-off and Listing in lieu of holding a general meeting, provided that the Proposed Spin-off and Listing will not be classified as a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Accordingly, in the event that the Proposed Spin-off and Listing constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Proposed Spin-off and Listing.

The Shareholder Group comprises: (i) Mr. Yiu Chiu Fai ("**Mr. Yiu**"), who holds 2,681,000 Shares, representing approximately 0.50% of the issued Shares of the Company; (ii) Jinma HK, which holds 162,000,000 Shares, representing approximately 30.26% of the issued Shares of the Company; (iii) Maanshan Steel, which holds 144,000,000 Shares, representing approximately 26.89% of the issued Shares of the Company; (iv) Jiangxi PXSteel, which holds 52,945,000 Shares, representing approximately 9.89% of the issued Shares of the Company; and (v) Jinma Xingye, which holds 42,900,000 Shares, representing approximately 8.01% of the issued Shares of the Company. The Shareholder Group constitutes a closely allied group of Shareholders under Rule 14.45 of the Listing Rules for the following reasons:

- (i) Jinma HK is beneficially owned as to 96.3% by Mr. Yiu;
- (ii) Maanshan Steel, Mr. Yiu, Jiangxi PXSteel and Jinma Xingye have been direct and/or indirect holders of the Company (and its Predecessor) since 2003, 2003, 2003 and 2008 respectively, and hence, they have been in cooperation for a considerable period of time;

LETTER FROM THE BOARD

- (iii) since the listing of the Company in October 2017, Mr. Yiu, Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye have voted the same way on all Shareholders' resolutions of the Company, except for cases (if any) in which any of them was required to abstained from voting or absent from the general meetings; and
- (iv) since before the listing of the Company in 2017, Maanshan Steel and Jiangxi PXSteel have participated in the management of the Company through their representatives on the Board alongside Mr. Yiu, an executive Director of the Company, whereas Jinma Xingye, which is held by members of the Company's management team, has participated in the management of the Company through the Company's management team.

VII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with the requirements of paragraph 3(e)(4) of PN15:

- (i) the Independent Board Committee has been established by the Company to consider the Proposed Spin-off and Listing and to advise the Shareholders as to whether the terms of the Proposed Spin-off and Listing are fair and reasonable and whether the Proposed Spin-off and Listing is in the interests of the Company and the Shareholders as a whole, taking into account the recommendation of the Independent Financial Adviser in that regard. The letter from the Independent Board Committee is set out on page IBC-1 of this circular; and
- (ii) First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off and Listing are fair and reasonable and whether the Proposed Spin-off and Listing is in the interests of the Company and the Shareholders as a whole. The letter from the Independent Financial Adviser is set out on pages IFA-1 to IFA-12 of this circular.

VIII. RECOMMENDATIONS

Having considered the reasons set out herein, the Directors, including the independent non-executive Directors, after taking into account the advice of the Independent Financial Adviser, consider that the Proposed Spin-off and Listing are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholder as a whole. Although a general meeting will not be convened by the Company to approve the Proposed Spin-off and Listing, if such general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Proposed Spin-off and Listing.

LETTER FROM THE BOARD

IX. GENERAL

The proposed subscribers of the Jinyuan H Shares under the Proposed Spin-off and Listing will be determined following the completion of the book building process. Further, in accordance with the requirements of PN15, the Board will give due regard to the interests of the Shareholders by providing Qualifying Shareholders with an Assured Entitlement to the Jinyuan H Shares by way of a preferential offering.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, other than the subscription to be made by Qualifying Shareholders of the Company under the preferential offering, the subscribers of the Jinyuan H Shares under the Proposed Spin-off and Listing (and their respective ultimate beneficial owners) are expected to be third parties independent of the Company and its connected persons.

Details in respect of the Proposed Spin-off and the Listing, including their structure and expected timetable, have not yet been finalised. Please refer to the Prospectus for further details. Further announcements will also be made by the Company in respect of the Proposed Spin-off and Listing as and when appropriate.

X. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors should note that the implementation of the Proposed Spin-off and Listing is subject to, amongst other things, market conditions and approvals from and/or registration with the relevant regulatory authorities (including but not limited to the CSRC and the Stock Exchange). There is no assurance as to whether the Proposed Spin-off and Listing will be materialised nor the timing thereof. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

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



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)

26 October 2023

To the Shareholders

Dear Sir or Madam,

**POSSIBLE MAJOR TRANSACTION IN RELATION TO
THE PROPOSED SPIN-OFF AND LISTING OF JINYUAN HYDROGEN
ON THE MAIN BOARD OF THE STOCK EXCHANGE**

We refer to the circular dated 26 October 2023 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise the Shareholders as to whether the Proposed Spin-off and Listing is fair and reasonable and in the interests of the Company and its Shareholders. First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser as set out in the Circular.

Having considered the advice of the Independent Financial Adviser, we are of the view that the Proposed Spin-off and Listing is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Therefore, we would recommend the Shareholders to vote in favour of the resolution proposed in relation to the Proposed Spin-off and Listing if a general meeting were to be convened by the Company to approve the Proposed Spin-off and Listing.

Yours faithfully,

For and on behalf of the Independent Board Committee
Henan Jinma Energy Company Limited

Mr. Wu Tak Lung
Independent
non-executive Director

Mr. Meng Zhihe
Independent
non-executive Director

Mr. Cao Hongbin
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter to the Independent Board Committee and the Shareholders received from the Independent Financial Adviser setting out its opinion regarding the Proposed Spin-off and Listing for the purpose of inclusion in this circular.



First Shanghai Capital Limited

19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

26 October 2023

*To the Independent Board Committee and
the Shareholders*

Henan Jinma Energy Company Limited
West First Ring Road South
Jiyuan City
Henan Province
The PRC

Dear Sirs,

POSSIBLE MAJOR TRANSACTION IN RELATION TO THE PROPOSED SPIN-OFF AND LISTING OF JINYUAN HYDROGEN ON THE MAIN BOARD OF THE STOCK EXCHANGE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off and Listing, details of which are contained in the circular to the Shareholders dated 26 October 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, (i) capitalised terms used in this letter shall have the same meanings as those defined in the Circular; and (ii) the exchange rate of HK\$1.0 to RMB0.9 has been adopted in this letter for illustrative purpose.

As at the Latest Practicable Date, Jinyuan Hydrogen is a wholly-owned subsidiary of the Group. The Proposed Spin-off and Listing is expected to involve the issue of new Jinyuan H Shares by way of Global Offering. Based on the current proposed structure of the Global Offering which is subject to finalisation, it is expected that 25% of the enlarged issued share

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

capital of Jinyuan Hydrogen will be issued if the Over-allotment Option is not exercised, and approximately 27.71% of the enlarged issued share capital of Jinyuan Hydrogen will be issued if the Over-allotment Option is exercised in full. The actual number of new Jinyuan H Shares to be issued will be determined at a later stage subject to regulatory approval and/or consent by the Stock Exchange and the CSRC, discussions among the management of Jinyuan Hydrogen, the Sole Sponsor and other advisers for the Proposed Spin-off and Listing, and in particular, market conditions. Based on the above tentative structure, following the completion of the Proposed Spin-off and Listing, the Group is expected to hold not less than approximately 72.29% of the enlarged issued share capital of Jinyuan Hydrogen, and Jinyuan Hydrogen will continue to be accounted for as a subsidiary of the Company. For the purpose of the Proposed Spin-off and Listing, the Company submitted a proposal on the Proposed Spin-off and Listing to the Stock Exchange pursuant to PN15, and the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off and Listing under PN15. On 28 August 2023, Jinyuan Hydrogen also submitted, through the Sole Sponsor, a listing application to the Stock Exchange to apply for the spin-off and listing of, and permission to deal in, the shares of Jinyuan Hydrogen on the Main Board of the Stock Exchange.

The Proposed Spin-off and Listing, if materialised, will constitute a deemed disposal of the Group's interest in Jinyuan Hydrogen under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio under the Listing Rules in respect of the Proposed Spin-off and Listing is expected to exceed 25% but less than 75%, the Proposed Spin-off and Listing, if proceeded with, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules, as well as the Shareholders' approval requirement under paragraph 3(e)(1) of PN15.

In accordance with the requirements of paragraph 3(e)(4) of PN15, the Independent Board Committee comprising Mr. WU Tak Lung, Mr. MENG Zhihe and Mr. CAO Hongbin, being all the three independent non-executive Directors, has been formed to advise the Shareholders in relation to the Proposed Spin-off and Listing. We, First Shanghai Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard.

As set out in the "Letter from the Board" contained in the Circular (the "**Board Letter**"), pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written Shareholders' approval from a closely allied group of Shareholders, representing approximately 75.55% of the total issued Shares of the Company, to approve the Proposed Spin-off and Listing in lieu of holding a general meeting, provided that the Proposed Spin-off and Listing will not be classified as a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Accordingly, in the event that the Proposed Spin-off and Listing constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Proposed Spin-off and Listing.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

The Shareholders should note that we were previously engaged as the independent financial adviser by the Company regarding (i) the revision of certain annual caps as detailed in the circular of the Company dated 8 December 2021; and (ii) the renewal of certain continuing connected transactions as detailed in the circular of the Company dated 24 November 2022 (collectively, the “**Previous Engagements**”). Apart from normal professional fees paid or payable to us in connection with the Previous Engagements and this current engagement, we did not have any other relationships or interests with the Group within the past two years prior to the Latest Practicable Date. Given (i) our independent roles in the Previous Engagements; (ii) none of the members of our parent group is a direct party to the Proposed Spin-off and Listing; and (iii) our fee for this current engagement with the Company, in addition to those for the Previous Engagements, represented an insignificant percentage of revenue of our parent group, we consider the Previous Engagements would not affect our independence, and we consider ourselves independent pursuant to rule 13.84 of the Listing Rules, to provide our advice and form our opinion in respect of the Proposed Spin-off and Listing.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Group (collectively, the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Management for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted an independent investigation into the business and affairs of the Group and the Jinyuan Hydrogen Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Proposed Spin-off and Listing, we have taken into consideration the following principal factors:

1. Background information on the Group

The Group is a 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. For each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the revenue of the Group was mainly derived from the sale of coke, where (i) sale of coke accounted for approximately 56%, 52%, 69% and 72% of the total revenue of the Group; (ii) sale of refined chemicals (mainly benzene based and coal tar based chemicals) accounted for approximately 15%, 23%, 17% and 17% of the total revenue of the Group; and (iii) sale of energy products (mainly coal gas and LNG) accounted for approximately 7%, 4%, 6% and 7% of the total revenue of the Group, respectively. For further details of the financial information on the Group, please refer to the financial reports published by the Company.

2. Background information on the Jinyuan Hydrogen Group

As at the Latest Practicable Date, Jinyuan Hydrogen is a wholly-owned subsidiary of the Company. The Jinyuan Hydrogen Group is a leading supplier of LNG, pure benzene and hydrogenated pure benzene in Henan Province, primarily focusing on the production and processing of (i) clean energy products comprising LNG and coal gas; and (ii) hydrogenated benzene-based chemicals, which principally include pure benzene, toluene and xylene.

The table below is an overview of the historical financial performance of the Jinyuan Hydrogen Group based on information disclosed in the Application Proof.

	For the year ended 31 December			For the six months ended 30 June	
	2020 <i>RMB</i> <i>million</i> <i>(audited)</i>	2021 <i>RMB</i> <i>million</i> <i>(audited)</i>	2022 <i>RMB</i> <i>million</i> <i>(audited)</i>	2022 <i>RMB</i> <i>million</i> <i>(unaudited)</i>	2023 <i>RMB</i> <i>million</i> <i>(audited)</i>
Revenue	1,079	1,480	2,255	1,079	1,076
Gross profit	102	153	288	165	106
Profit before taxation	61	111	234	138	83
Profit attributable to owners of the company	29	72	138	87	51

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revenue of the Jinyuan Hydrogen Group increased from approximately RMB1,079 million for the year ended 31 December 2020 to approximately RMB1,480 million for the year ended 31 December 2021 mainly due to the increase in revenue from the hydrogenated benzene-based chemicals segment. Gross profit margin slightly improved from approximately 9% for year 2020 to approximately 10% for year 2021. Net profit margin also slightly increased from approximately 3% for year 2020 to approximately 5% for year 2021.

Revenue of the Jinyuan Hydrogen Group further increased from approximately RMB1,480 million for the year ended 31 December 2021 to approximately RMB2,255 million for the year ended 31 December 2022 mainly due to the increase in revenue from both the clean energy products segment and the hydrogenated benzene-based chemicals segment. Gross profit margin improved from approximately 10% for year 2021 to approximately 13% for year 2022 mainly due to (i) the increase in segment profit margin of the clean energy products segment; and (ii) the increase in revenue contribution from the sale of LNG which attained a higher gross profit than other products. Net profit margin also slightly increased from approximately 5% for year 2021 to approximately 6% for year 2022.

For the six months ended 30 June 2023, revenue of the Jinyuan Hydrogen Group was approximately RMB1,076 million, which was comparable with that for the six months ended 30 June 2022 of approximately RMB1,079 million. Gross profit margin lowered from approximately 15% for the first half of 2022 to approximately 10% for the first half of 2023, mainly due to (i) the decrease in segment profit margin of the clean energy products segment; and (ii) the decrease in contribution from clean energy products segment which attained a relatively higher gross profit margin compared to other segments. Accordingly, net profit margin lowered from approximately 8% for the first half of 2022 to approximately 5% for the first half of 2023.

With reference to the Application Proof, the Jinyuan Hydrogen Group had net assets attributable to owners of the company of approximately RMB555 million as at 30 June 2023.

3. Background of and reasons for the Proposed Spin-off and Listing

As at the Latest Practicable Date, Jinyuan Hydrogen is a wholly-owned subsidiary of the Group. The Proposed Spin-off and Listing is expected to involve the issue of new Jinyuan H Shares by way of Global Offering. Based on the current proposed structure of the Global Offering which is subject to finalisation, it is expected that 25% of the enlarged issued share capital of Jinyuan Hydrogen will be issued if the Over-allotment Option is not exercised, and approximately 27.71% of the enlarged issued share capital of Jinyuan Hydrogen will be issued if the Over-allotment Option is exercised in full. The actual number of new Jinyuan H Shares to be issued will be determined at a later stage subject to regulatory approval and/or consent by the Stock Exchange and the CSRC, discussions among the management of Jinyuan Hydrogen, the Sole Sponsor and other advisers for the Proposed Spin-off and Listing, and in particular, market conditions. Based on the above tentative structure, following the completion of the Proposed Spin-off and Listing, the Group is expected to hold not less than approximately 72.29% of the enlarged issued share capital of Jinyuan Hydrogen, and Jinyuan Hydrogen will

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continue to be accounted for as a subsidiary of the Company. Further details on the businesses of the Jinyuan Hydrogen Group and the Remaining Group (including the delineation of products and the independence of Jinyuan Hydrogen from the Company) are set out in the Board Letter.

For the purpose of the Proposed Spin-off and Listing, the Company submitted a proposal on the Proposed Spin-off and Listing to the Stock Exchange pursuant to PN15, and the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off and Listing under PN15. On 28 August 2023, Jinyuan Hydrogen also submitted, through the Sole Sponsor, a listing application to the Stock Exchange to apply for the spin-off and listing of, and permission to deal in, the shares of Jinyuan Hydrogen on the Main Board of the Stock Exchange.

With reference to the Board Letter, the Proposed Spin-off and Listing will be beneficial to both the Group and the Jinyuan Hydrogen Group for the following reasons:

- the Proposed Spin-off and Listing will result in a clear segregation from the Remaining Group's business of the Jinyuan Hydrogen Group's business which has an emphasis on the production and utilisation of clean energy products and is intended to expand further down the new energy value chain. Such segregation is expected to improve the operational and financial efficiency of the Group as a whole, and will additionally improve corporate governance in each of its business lines;
- in particular, the Jinyuan Hydrogen Group will be able to rely on a more focused source of capital for operation of its clean energy business and for its further drive down the new energy value chain, which is expected to be one with great potential and prospects in light of the PRC Government's strong commitment to its "dual carbon goals";
- the Jinyuan Hydrogen Group will be able to attract new investors seeking investment opportunities specifically in the clean energy products and hydrogenated benzene-based chemicals businesses;
- investors will be able to appraise the Jinyuan Hydrogen Group and the Remaining Group separately, in terms of their respective business strategies, functional exposure, risks and returns in making investment decisions. Each of the Jinyuan Hydrogen Group and the Remaining Group will be able to more specifically target their respective investor bases;
- after the Proposed Spin-off and Listing, the Jinyuan Hydrogen Group will be provided with a direct equity financing platform which is expected to benefit the long-term expansion and growth of the Jinyuan Hydrogen Group. The Group's sources of funding will at the same time be diversified;

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- the Shareholders will be given the opportunity to realise the value of their investment in the Jinyuan Hydrogen Group under a separate standalone platform; and
- the brand value and market influence of both the Jinyuan Hydrogen Group and the Remaining Group will be enhanced.

According to the Board Letter, the proceeds from the Proposed Spin-off and Listing will be applied for the business development of the Jinyuan Hydrogen Group in the following manner:

- approximately 85% will be used to fund the construction of six to 10 additional gas stations with hydrogen refuelling facilities in Zhengzhou in the PRC by the end of 2025;
- approximately 5% will be used for strategic investment and/or acquisition of selected upstream and downstream market players by the end of 2025. As at the Latest Practicable Date, the Jinyuan Hydrogen Group did not have any specific investment or acquisition target, plan or a definite timeline and had not entered into any definitive agreement or engaged in any active discussion with any potential target; and
- approximately 10% will be used for working capital and general corporate purposes by the end of 2025.

We have reviewed the Application Proof and understood that, in order to grasp the opportunities arising from hydrogen business as advocated by the PRC Government (such as the PRC Government's strong commitments to its "dual carbon goals (雙碳目標)" and the Implementation Plan for Fuel Cell Demonstration Application in Zhengzhou City Cluster* (《鄭州城市群燃料電池示範應用實施方案》), in June 2023, the Company entered into a cooperation agreement with the committee designated by the government to coordinate relevant affairs of Zhengzhou High-Tech Industrial Development Zone (the "Zone"), pursuant to which, among others, the Company shall establish a project company in the Zone and the project company targets to construct 15 gas stations with hydrogen refuelling facilities in the Zone in the coming three to five years. We are advised by the Management that the majority of the proceeds from the Proposed Spin-off will be related to the construction of gas stations by the Jinyuan Hydrogen Group in the Zone in response to the aforementioned cooperation agreement.

Having considered, in particular, (i) the Proposed Spin-off and Listing allows the Group to raise fund and apply the proceeds to develop the businesses of the Jinyuan Hydrogen Group, where Jinyuan Hydrogen will continue to be a subsidiary of the Company; (ii) the use of proceeds is in line with the policies advocated by the PRC Government; (iii) the Jinyuan Hydrogen Group will be provided with a direct equity financing platform which is expected to benefit the long-term expansion and growth of the Jinyuan Hydrogen Group after the Proposed Spin-off and Listing; and (iv) the terms of the Proposed Spin-off and Listing are fair and reasonable as discussed below, we are of the view that the Proposed Spin-off and Listing is in the interests of the Company and the Shareholders as a whole.

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4. Principal terms of the Proposed Spin-off and Listing

(i) *Proceeds to be raised*

With reference to the Board Letter, based on the discussions between the management of Jinyuan Hydrogen and the Sole Sponsor, the number and final offer price of new Jinyuan H Shares to be issued under the Proposed Spin-off and Listing is expected to be determined taking into account, among other things, (i) the then responses to price consultation with potential subscribers in the book-building process for the Proposed Spin-off and Listing; and (ii) the prevailing market sentiment at the time of the Proposed Spin-off and Listing. It is currently expected that the net proceeds to be raised under the Proposed Spin-off and Listing will be no more than HK\$530 million if the Over-allotment Option is exercised in full, after deduction of underwriting fees and other estimated expenses in connection with the Global Offering. The actual amount of proceeds to be raised cannot be determined at this stage as the actual number and final offer price of new Jinyuan H Shares to be issued will be determined at a later stage.

For illustration purpose, an assumed total gross proceeds of around HK\$530 million for the offering of approximately 27.71% equity interest in Jinyuan Hydrogen would imply a market capitalisation of around HK\$1,913 million for Jinyuan Hydrogen. Based on the net profit attributable to shareholders of Jinyuan Hydrogen for the year ended 31 December 2022 and the net assets attributable to shareholders of Jinyuan Hydrogen as at 30 June 2023, such market capitalisation represents (i) a price to earnings ratio of around 12.5 times; and (ii) a price to book ratio of around 3.1 times. We have reviewed these price ratios for illustration purpose because they are very commonly used metrics in the market for assessing the pricing of a company. We have attempted to identify companies listed on the Stock Exchange with product mix and revenue composition similar to Jinyuan Hydrogen, but we were not able to identify such list of companies for a meaningful price ratio comparison analysis. As an alternative approach, we have reviewed the price ratio of the Company in view of the fact that Jinyuan Hydrogen accounts for a substantial portion of the businesses of the Group and, based on the market capitalisation of the Company as at the Latest Practicable Date, the net profit attributable to shareholders of the Company for the year ended 31 December 2022 and the net assets attributable to shareholders of the Company as at 30 June 2023, we understand the Company had a price to earnings ratio of approximately 2.0 times and a price to book ratio of approximately 0.2 times as at the Latest Practicable Date, where the aforementioned ratios of Jinyuan Hydrogen implied under the Proposed Spin-off and Listing are higher, even in the scenario where the total gross proceeds (hence the market capitalisation and relevant price ratios) of Jinyuan Hydrogen would only be half of the aforementioned assumed amount. We also note that the implied market capitalisation of Jinyuan Hydrogen for illustration purpose was higher than the market capitalisation of the Company as at the Latest Practicable Date of approximately HK\$921 million, which we understand can be attributable to factors including (i) the funds raised from the Proposed Spin-off and Listing would increase the market capitalisation of Jinyuan Hydrogen; (ii) Jinyuan Hydrogen accounts for a substantial portion of the businesses of the Group and will continue to be a subsidiary of the Company following the Proposed Spin-off and Listing, where the Jinyuan Hydrogen Group and the Remaining Group

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would be principally engaged in different businesses with different prospects and valuations; and (iii) the aforementioned benefits of the Proposed Spin-off and Listing, including the fact that investors will be able to appraise the Jinyuan Hydrogen Group and the Remaining Group separately, where the Jinyuan Hydrogen Group will be provided with a direct equity financing platform that is expected to benefit the long-term expansion and growth of the Jinyuan Hydrogen Group after the Proposed Spin-off and Listing. We understand a higher offer price will be more favourable to the Company and its shareholders as a whole as Jinyuan Hydrogen would be able to raise more funds through the Proposed Spin-off and Listing for its business development.

(ii) Assured entitlement

According to the Board Letter, in order to enable the Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Jinyuan H Shares on the Main Board of the Stock Exchange and such approval not having been withdrawn and the Global Offering becoming unconditional, Qualifying Shareholders will be invited to apply for certain Jinyuan H Shares in the Global Offering as Assured Entitlement. We are advised by the Management that the Assured Entitlement as a percentage of the global/public offering and the placing (excluding the exercise of any over-allotment option) under the Proposed Spin-off and Listing is expected to be no less than 5%. Shareholders should note that details of such assured entitlement have not yet been finalised.

We have searched the website of the Stock Exchange on a best effort basis to identify an exhaustive list of spin-off exercises (the “**Precedent Spin-offs**”) (excluding companies that were spun-off and listed by way of introduction) on the Main Board of the Stock Exchange (i) with assured entitlement by way of preferential offering of shares of the spun-off companies; (ii) completed by companies listed on the Main Board of the Stock Exchange; (iii) with the prospectus of the spun-off companies published within 12 months before the date of the first announcement in relation to the Proposed Spin-off and Listing; and (iv) with the spun-off companies eventually successfully listed. The table below sets out the details of the Precedent Spin-offs.

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Prospectus date	Company name (Stock code)	Size of the global/public offering and the placing (excluding the exercise of any over-allotment option)	Size of preferential offering as assured entitlement	Assured entitlement as % of the global/public offering and the placing (excluding the exercise of any over-allotment option)
12 May 2023	Horizon Construction Development Limited (9930 HK)	364,694,000	36,470,000	10.0%
30 December 2022	Zhong An Intelligent Living Service Limited (2271 HK)	126,668,000	12,668,000	10.0%
19 December 2022	Shandong Boan Biotechnology Co., Ltd. (6955 HK)	10,694,800	534,800	5.0%
19 September 2022	Onewo Inc. (2602 HK)	116,714,000	11,671,400	10.0%
29 June 2022	MicroPort NeuroTech Limited (2172 HK)	13,700,000	685,000	5.0%
	Maximum:			10.0%
	Average:			8.0%
	Minimum:			5.0%

With reference to the above table, we note that the Assured Entitlement as a percentage of the global/public offering and the placing (excluding the exercise of any over-allotment option) under the Proposed Spin-off and Listing is expected to be (i) within the range of those of the Precedent Spin-offs; and (ii) higher than two out of the five Precedent Spin-offs.

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(iii) Overall

Having primarily considered (i) the Global Offering will be offered to the public, rather than to connected parties, and the final number and offer price of new Jinyuan H Shares to be issued will make reference to a book-building process for the determination of the then market pricing of the Jinyuan H Shares; (ii) the price ratios of Jinyuan Hydrogen implied under the Proposed Spin-off and Listing are higher than those of the Company; (iii) the Assured Entitlement as a percentage of the global/public offering and the placing (excluding the exercise of any over-allotment option) under the Proposed Spin-off and Listing is expected to be higher than two out of the five Precedent Spin-offs; and (iv) the background of and reasons for the Proposed Spin-off and Listing as aforementioned, we are of the view that the terms (including the pricing) of the Proposed Spin-off and Listing are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

5. Possible financial effects of the Proposed Spin-off and Listing

Upon completion of the Proposed Spin-off and Listing, Jinyuan Hydrogen will continue to be a subsidiary of the Company and its financial results will continue to be consolidated into the accounts of the Company. The following is the expected financial impact of the Proposed Spin-off and Listing on the Group:

Earnings

As the Proposed Spin-off and Listing will not result in the Company's loss of control over Jinyuan Hydrogen, the Proposed Spin-off and Listing will be accounted for as an equity transaction and will not result in the recognition of gain or loss on the deemed disposal credited to the Company's consolidated statement of profit or loss and other comprehensive income. The difference between the amount of non-controlling interest as introduced by the Proposed Spin-off and Listing and the net proceeds raised from the Proposed Spin-off and Listing will be recorded in equity attributed to the Shareholders. In addition, as the proportion of the Company's shareholding in Jinyuan Hydrogen will be diluted immediately after the completion of the Proposed Spin-off and Listing, it is expected that the earnings attributable to owners of the Company contributed by Jinyuan Hydrogen may decrease while the earnings attributable to non-controlling interests may increase. The effect of the Proposed Spin-off and Listing on the future earnings of the Group will depend on, among other things, the return generated from the proceeds raised from the Proposed Spin-off and Listing as well as the future business operations of the Jinyuan Hydrogen Group.

Assets and liabilities

The Proposed Spin-off and Listing will increase the number of shares of Jinyuan Hydrogen and raise corresponding funds. The proceeds of the Proposed Spin-off and Listing will increase the cash recorded in the consolidated balance sheet of the Company and increase the total assets of the Group correspondingly, thereby improving the structure of the Group's assets and liabilities.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the Proposed Spin-off and Listing is in the interests of the Company and the Shareholders as a whole. We are also of the opinion that the terms of the Proposed Spin-off and Listing are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves advise, the Shareholders to vote in favour of the resolution proposed in relation to the Proposed Spin-off and Listing if a general meeting were to be convened by the Company to approve the Proposed Spin-off and Listing.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Kenneth Yam

Roger Tang

Director – Corporate Finance Senior Vice President

Note: Mr. Kenneth Yam has been a Responsible Officer and Mr. Roger Tang has been a Representative of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Both of them have extensive experience in the corporate finance industry and have participated in the provision of independent financial advisory services for numerous transactions involving listed companies in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Company for each of the three years ended 31 December 2020, 2021 and 2022 and the unaudited consolidated financial statements for the six months ended 30 June 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hnjmny.com):

- the Company's interim report for the six months ended 30 June 2023 published on 26 September 2023 (pages 29 to 54) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0926/2023092600537.pdf>);
- the Company's annual report for the year ended 31 December 2020 published on 26 April 2021 (pages 104 to 202) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042600378.pdf>);
- the Company's annual report for the year ended 31 December 2021 published on 28 April 2022 (pages 120 to 226) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800534.pdf>); and
- the Company's annual report for the year ended 31 December 2022 published on 24 April 2023 (pages 123 to 218) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400363.pdf>).

2. INDEBTEDNESS STATEMENT

At the close of business on 31 August 2023, being the latest practicable date for the purpose of this statement of the indebtedness prior to the publication of this circular, the Group had the following indebtedness:

Bank and other borrowings, charges and guarantees

	31 August 2023
	<i>RMB'000</i>
Bank borrowings	
– unsecured and unguaranteed	1,739,917
– secured and unguaranteed	2,166,444
	<u>3,906,361</u>
Other borrowing	
– secured and unguaranteed	<u>200,000</u>
	<u><u>4,106,361</u></u>

The secured bank borrowings were secured by bills receivables, land use rights, property, plant and equipment of the Group. Other borrowing represents the sale and leaseback financing of RMB200,000,000, which was secured by property, plant and equipment of the Group.

Lease liabilities

As at 31 August 2023, the Group had the lease liabilities for the remainder of the relevant lease terms of RMB263,000 in aggregate which were secured by rental deposit and unguaranteed, and RMB3,651,000 in aggregate which were unsecured and unguaranteed.

Pledge assets

Other than those assets secured against bank and other borrowings listed above, the Group had pledged the following assets to banks as securities against bills payables.

	31 August 2023 <i>RMB'000</i>
Restricted bank balances	<u>424,702</u>

Save as disclosed above and otherwise mentioned herein, apart from normal trade payables, intra-group liabilities and amounts due to connected parties and related parties, the Group did not have any outstanding charges or mortgages, debentures or other debt securities (including those authorised or otherwise created but unissued), term loans, loan capital, other borrowings or other similar indebtedness (including bank loans and overdrafts, hire purchase commitments, acceptance liabilities or acceptance credits), finance leases or any guarantees or other material contingent liabilities as at 31 August 2023.

The Directors confirm that there have been no material changes in the indebtedness or contingent liabilities of the Group since 31 August 2023.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a leading coke producer and processor of coking by-products in the coking chemical industry in Henan province. 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. The Group's vertically integrated business model enables the Group to maximise the value of the Group's coking by-products, thereby allowing the Group to achieve a high recovery and re-utilisation business model.

The Group's various business segments continued to perform solidly recorded for the first half of 2023. As disclosed in the Company's announcement of interim results for the six months ended 30 June 2023, the unaudited revenue of the Group amounted to approximately RMB5,890.7 million, whereas the unaudited gross profit of the Group amounted to approximately RMB216.2 million. The unaudited total assets of the Group as at 30 June 2023 amounted to approximately RMB6,536.2 million.

Capitalising on the Group's years of operations in the coking chemical industry and the Group's long-term relationships with coal suppliers, the Group also engages in the trading of coal, coke, LNG and nonferrous materials mainly through the Group's trading company. As a continuing effort in extending the Group's vertical integration business model and expanding the Group's product portfolio along the coking chemical value chain, the Group has actively engaged in and developed the business of the production and sale of LNG and hydrogen recently. The Group's production value chain has expanded to higher-end new energy product following the research and development as well as investment in hydrogen.

4. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful consideration, are of the opinion that, after taking into account the Group's existing cash and bank balances, other internal resources available and available credit facilities, the Group will have sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstance.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. MATERIAL ADVERSE CHANGE

The Directors confirmed that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors', chief executive's and supervisors' interests in securities

As at the Latest Practicable Date, the interests and short positions of the Directors, chief executives and supervisors in the Shares, underlying Shares and debentures of the Company notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (as if it were applicable also to the supervisors of the Company) were as follows:

	Nature of interest	Description of securities	Number of Shares ^(Note 1)	Approximate percentage of shareholding in the total share capital of the Company ^(Note 2)
Mr. Yiu Chiu Fai	Interest in a controlled corporation ^(Note 3)	H-shares	162,000,000 (L)	30.26%
	Beneficial owner	H-shares	2,681,000 (L)	0.50%
Mr. Zhou Tao, David	Beneficial owner	H-shares	8,000 (L)	0.001%

Notes:

- The letter "L" denotes the person's long position in such Shares.
- The calculation is based on the total number of 535,421,000 Shares in issue.
- Mr. Yiu Chiu Fai (an executive Director) is the legal and beneficial owner of the entire issued share capital of Golden Star Chemicals (Holdings) Limited. Golden Star Chemicals (Holdings) Limited, in turns, holds 96.3% of the issued share capital of Jinma Coking (BVI) Limited, and Jinma HK is wholly owned by Jinma Coking (BVI) Limited. Accordingly, Mr. Yiu is deemed to be interested in Jinma HK's interest in the Company by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive nor the supervisors had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers.

Substantial shareholders' interests in securities

The register of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO (including interests filed with the Stock Exchange) shows that as at the Latest Practicable Date, the following persons (other than the Directors, the chief executive and the supervisors) had the following interests and short positions (if any) in the shares and underlying shares of the Company:

Name	Nature of interest	Description of securities	Number of Shares ^(Note 1)	Approximate percentage of shareholding in the total share capital of the Company ^(Note 2)
Jinma HK	Beneficial owner	H-shares	162,000,000 (L)	30.26%
Jinma Coking (BVI) Limited ("Jinma Coking")	Interest in a controlled corporation ^(Note 3)	H-shares	162,000,000 (L)	30.26%
Golden Star Chemicals (Holdings) Limited ("Golden Star")	Interest in a controlled corporation ^(Note 4)	H-shares	162,000,000 (L)	30.26%
Ms. Lam Yuk Wai	Interest of spouse ^(Note 5)	H-shares	164,681,000 (L)	30.76%
Maanshan Steel	Beneficial owner	H-shares	144,000,000 (L)	26.89%
馬鋼(集團)控股有限公司 (Magang (Group) Holdings Co., Ltd.*)	Interest in a controlled corporation ^(Note 6)	H-shares	144,000,000 (L)	26.89%
Jiangxi PXSteel	Beneficial owner	H-shares	52,945,000 (L)	9.89%
江西方大鋼鐵集團有限公司 (Jiangxi Fangda Steel Group Co., Ltd.) ("Fangda Group")	Interest in a controlled corporation ^(Note 7)	H-shares	52,945,000 (L)	9.89%
遼寧方大集團實業有限公司 Liaoning Fangda Group Industrial Co., Ltd. ("Liaoning Fangda")	Interest in a controlled corporation ^(Note 8)	H-shares	52,945,000 (L)	9.89%

Name	Nature of interest	Description of securities	Number of Shares ^(Note 1)	Approximate percentage of shareholding in the total share capital of the Company ^(Note 2)
北京方大國際實業投資有限公司Beijing Fangda International Enterprise Investment Co., Ltd. (“Beijing Fangda”)	Interest in a controlled corporation ^(Note 9)	H-shares	52,945,000 (L)	9.89%
Mr. Fang Wei	Interest in a controlled corporation ^(Note 10)	H-shares	52,945,000 (L)	9.89%
Jinma Xingye	Beneficial owner	H-shares	42,900,000 (L)	8.01%
Mr. Wang Lijie	Interest in a controlled corporation ^(Note 11)	H-shares	42,900,000 (L)	8.01%
Ms. Zheng Jing	Interest of spouse ^(Note 12)	H-shares	42,900,000 (L)	8.01%

Notes:

- The letter “L” denotes the person’s long position in such Shares.
- The percentage is based on the total number of 535,421,000 Shares in issue.
- Jinma HK is wholly owned by Jinma Coking. Accordingly, Jinma Coking is deemed to be interested in Jinma HK’s interest in the Company by virtue of the SFO.
- Jinma Coking is held as to 96.3% by Golden Star. Accordingly, Golden Star is deemed to be interested in Jinma Coking’s, and in turn, Jinma HK’s interest in the Company by virtue of the SFO.
- Ms. Lam Yuk Wai is the wife of Mr. Yiu Chiu Fai, and thus, she is deemed interested in the same amount of Shares as Mr. Yiu.
- Magang (Group) Holdings Co., Ltd., whose actual controller was the State-owned Assets Supervision and Administration Commission of the State Council (being the holder of 51% of the interest in Magang (Group) Holdings Co., Ltd. through its 100% controlled China Baowu Steel Group Corporation Limited), is the holding company of Maanshan Steel and holds approximately 47.17% of the shares of Maanshan Steel. Accordingly, Magang (Group) Holdings Co., Ltd. is deemed to be interested in Maanshan Steel’s interest in the Company by virtue of the SFO.
- As per their confirmations, while Fangda Group is directly interested in approximately 51.90% of Jiangxi PXSteel, Fangda Group is the holding company. Accordingly, Fangda Group is deemed to be interested in Jiangxi PXSteel’s interest in the Company by virtue of the SFO.
- As per their confirmations, Liaoning Fangda is directly and indirectly interested in approximately 60.46% of Jiangxi PXSteel, Liaoning Fangda is the holding company of Jiangxi PXSteel. Accordingly, Liaoning Fangda is deemed to be interested in Jiangxi PXSteel’s interest in the Company by virtue of the SFO.
- Beijing Fangda is the holding company of Liaoning Fangda and holds approximately 99.2% of the shares of Liaoning Fangda. Accordingly, Beijing Fangda is deemed to be interested in Liaoning Fangda’s, and in turn, Jiangxi PXSteel’s interest in the Company by virtue of the SFO.

10. Mr. Fang Wei (方威) is the sole equity holder of Beijing Fangda. Accordingly, Mr. Fang is deemed to be interested in Beijing Fangda's interest in the Company by virtue of the SFO.
11. Mr. Wang Lijie (王利杰) is the holder of approximately 33.44% of the equity interest of Jinma Xingye. Accordingly, Mr. Wang is deemed to be interested in Jinma Xingye's interest in the Company by virtue of the SFO.
12. Ms. Zheng Jing (鄭菁) is the wife of Mr. Wang Lijie, and thus, she is deemed interested in the same amount of Shares as Mr. Wang.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, there was no other person, other than Directors, the chief executive or supervisors of the Company and (in the case of the other members of the Group) other than the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors held offices in the substantial shareholders of the Company set out above:

Name of Director	Positions held in the relevant substantial shareholders of the Company
Mr. Yiu Chiu Fai	Director of Jinma HK, Jinma Coking and Golden Star
Mr. Wang Mingzhong	Director of Jinma Xingye
Mr. Li Tianxi	Director of Jinma Xingye
Mr. Xu Boachun	Manager of the procurement centre of Maanshan Steel
Mr. Wang Kaibao	Party committee secretary, chief engineer and manager of Maanshan Steel coal coking company
Ms. Ye Ting	Deputy Manager of a subsidiary of Jiangxi PXSteel

3. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up, had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

4. DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors has entered into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Company.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the logistics subsidiary transfer agreement dated 18 October 2021, entered into between Shaanxi Jinma Energy Sources Co., Ltd.* (陝西金馬能源有限公司) (“**Shaanxi Jinma**”) (a subsidiary of the Company), Yan'an Nengtong Logistics Co., Ltd* (延安能通物流有限公司) (“**Yan'an Nengtong**”) and Yan'an Jinneng Railway Logistics Technology Co., Ltd.* (延安金能鐵路物流科技有限公司) (the “**Logistics Subsidiary**”), pursuant to which Shaanxi Jinma conditionally agreed to sell, and Yan'an Nengtong conditionally agreed to purchase, 51% of the entire equity interest in the Logistics Subsidiary at a consideration of RMB204 million;

- (b) the trading company transfer agreement dated 18 October 2021, entered into between Shanghai Jinma, Yan'an Nengtong and Yan'an Energy Railway Sales Co., Ltd.* (延安能源鐵路運銷有限公司) (the “**Trading Company**”), pursuant to which Shanghai Jinma conditionally agreed to sell, and Yan'an Nengtong conditionally agreed to purchase, 35% of the entire equity interest in the Trading Company, at a consideration of RMB1.75 million;
- (c) the joint venture agreement dated 28 March 2022, entered into between the Company and Xiamen ITG Group Corp., Ltd.* (廈門國貿集團股份有限公司) (a state-owned investment holding company with limited liability established in Xiamen, the PRC and listed on the Shanghai Stock Exchange (Stock Code: SH.600755) (“**Xiamen ITG**”), pursuant to which the Company and Xiamen ITG agreed to establish a joint venture company in Xiamen, the PRC, and the Company has agreed to contribute RMB98 million to the joint venture company, representing 49% of the total contributions;
- (d) the asset transfer agreement dated 6 December 2022, entered into between Angang Group Xinyang Steel Co., Ltd.* (安鋼集團信陽鋼鐵有限責任公司) (“**Xinyang Co**”) and Xinyang Steel Jingang Energy Co., Ltd.* (信陽鋼鐵金港能源有限公司) (“**Xinyang Steel**”) (a subsidiary of the Company), pursuant to which Xinyang Co agreed to sell, and Xinyang Steel agreed to purchase, (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, at the consideration of RMB86,443,400; and
- (e) the equity transfer agreement dated 13 July 2023 entered into between Henan Jinzhou Chemical Technology Company Limited* (河南省金洲化工科技有限公司) (“**Jinzhou Chemical**”) (a wholly-owned subsidiary of the Company), Mr. Ling Weigang* (凌偉剛) and Mr. Ling Weicong* (凌偉聰) (together, the “**Vendors**”) and Henan Yurui Chemical Technology Company Limited * (河南宇銳化工科技有限公司) (“**Yurui Chemical**”), pursuant to which Jinzhou Chemical conditionally agreed to purchase, and the Vendors conditionally agreed to sell 100% of the equity interest in Yurui Chemical, at an aggregate consideration of RMB66 million.

9. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
First Shanghai Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name included herein in the form and context in which they are included. The letter from the Independent Financial Adviser contained herein was issued on 26 October 2023 and was made by the Independent Financial Adviser for incorporating into this circular.

The Independent Financial Adviser has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. DOCUMENTS ON DISPLAY

Copies of (i) the letter from the Independent Financial Adviser as set out in this circular, and (ii) the written consent referred to in the section headed "9. Expert's Qualification and Consent" in this appendix, will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.hnjmny.com) for a period of 14 days from the date of this circular.

11. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Wong Hok Leung (alias Wong Hok Leung Paul), who is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Chartered Association of Certified Accountant.
- (b) The Company's H-share registrar and transfer office is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.