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**河南金馬能源股份有限公司**

**HENAN JINMA ENERGY COMPANY LIMITED**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 6885)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**ACQUISITION OF 25% EQUITY INTEREST IN  
SHANGHAI JINMA ENERGY SOURCES CO., LTD.**

**THE EQUITY TRANSFER AGREEMENT**

The Board is pleased to announce that on 23 August 2019, the Company entered into the Equity Transfer Agreement with the Vendor pursuant to which the Company has agreed to purchase, and the Vendor has agreed to sell, the Sale Interest (representing 25% of the equity interest in Shanghai Jinma) at the consideration of RMB9,755,021 (equivalent to approximately HK\$10,833,926).

**LISTING RULES IMPLICATIONS**

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

As at the date of this announcement, Shanghai Jinma is a non-wholly owned subsidiary of the Company of which 75% of its equity interest is held by the Company and the remaining 25% is held by the Vendor. As such, the Vendor is a substantial shareholder of Shanghai Jinma and hence a subsidiary-level connected person of the Company pursuant to the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, given that (i) the Board has approved the Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, and the Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

## INTRODUCTION

The Board is pleased to announce that on 23 August 2019, the Company entered into the Equity Transfer Agreement with the Vendor pursuant to which the Company has agreed to purchase, and the Vendor has agreed to sell, the Sale Interest (representing 25% of the equity interest in Shanghai Jinma) at the consideration of RMB9,755,021 (equivalent to approximately HK\$10,833,926).

## THE EQUITY TRANSFER AGREEMENT

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

Date: 23 August 2019

Parties: (1) The Company (as purchaser)  
(2) The Vendor (as vendor)

### Assets to be acquired

The Company has agreed to purchase, and the Vendor has agreed to sell, the Sale Interest, representing 25% of the equity interest in Shanghai Jinma.

### Consideration

The consideration for the Acquisition is RMB9,755,021 (equivalent to approximately HK\$10,833,926) (the “**Consideration**”), which shall be payable by the Company to the Vendor in cash within five Business Days after the date of the Completion. The Consideration is expected to be funded by the Group’s internal resources.

The Consideration was determined after arm’s length negotiations between the Company and the Vendor with reference to the audited net asset value of Shanghai Jinma as at 30 June 2019 which amounted to approximately RMB39,020,085.34 (equivalent to approximately HK\$43,335,707).

### Completion

The Completion shall take place on the date of receipt of the new business licence of Shanghai Jinma reflecting the Acquisition after the completion of the registration of the Acquisition with the relevant government authority in the PRC. Upon the Completion, Shanghai Jinma will become a wholly-owned subsidiary of the Company.

## INFORMATION ON THE VENDOR

The Vendor is a company established in the PRC with limited liability. Its principal business is sales and wholesale of building materials, coking coal and mineral products.

## INFORMATION ON THE GROUP AND SHANGHAI JINMA

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.

Shanghai Jinma is a company established in the PRC with limited liability on 27 November 2013. It has a total registered capital of RMB20 million. As at the date of this announcement, Shanghai Jinma is held as to 75% by the Company and 25% by the Vendor. It is principally engaged in the trading of coal, coal mining equipment and non-ferrous metals in the PRC.

Set out below is the summary of financial information of Shanghai Jinma for the two years ended 31 December 2017 and 2018 and the six months ended 30 June 2019 prepared in accordance with the accounting principles generally accepted in the PRC (the “**PRC GAAPs**”).

	<b>For the six months ended 30 June 2019 (unaudited) RMB</b>	<b>For the year ended 31 December 2018 (audited) RMB</b>	<b>For the year ended 31 December 2017 (audited) RMB</b>
Net profit before taxation	8,783,516	14,376,394	4,471,678
Net profit after taxation	6,587,637	10,727,760	3,235,100

Based on the financial information of Shanghai Jinma prepared in accordance with the PRC GAAPs, the audited net asset value of Shanghai Jinma as at 30 June 2019 was approximately RMB39,020,085.34 (equivalent to approximately HK\$43,335,707). As advised by the Vendor, the original acquisition costs of the Sale Interest incurred by the Vendor amounted to approximately RMB5,000,000 (equivalent to approximately HK\$5,553,000.00), being the 25% share of the registered capital of Shanghai Jinma. The Directors do not consider the original cost of Shanghai Jinma to the Vendor relevant to the determination of the Consideration.

## REASONS AND BENEFITS FOR THE ACQUISITION

Shanghai Jinma is located within the China (Shanghai) Pilot Free Trade Zone, which allows it to take advantage of various incentives provided by the government through, for example, government grant, which are available to the enterprises located in the free trade zone.

Shanghai Jinma has been the Group’s main trading subsidiary in the trading of coal, coal mining equipment and non-ferrous metals in the PRC and has a profit-making track record as illustrated above in the section headed “Information on the Group and Shanghai Jinma”. In line with the Group’s business strategy in strengthening its existing business operations, the Board considers that the Group’s acquisition of the remaining 25% equity interest in Shanghai Jinma would enable the Group to enhance control efficiency and facilitate management of Shanghai Jinma, which would in turn benefit the trading business of the Group and strengthen the Group’s business generally. After the Completion, Shanghai Jinma will become a wholly-owned subsidiary of the Company and its results will continue to be consolidated into the consolidated financial statements of the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable, and on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. Although the Acquisition shall be regarded as an investing activity for acquiring the remaining 25% equity interest in Shanghai Jinma, and therefore is not conducted in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) are of the view that such Acquisition is beneficial to the long-term business strategy of the Group.

## **LISTING RULES IMPLICATIONS**

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

As at the date of this announcement, Shanghai Jinma is a non-wholly owned subsidiary of the Company, of which, 75% of its equity interest is held by the Company and the remaining 25% is held by the Vendor. As such, the Vendor is a substantial shareholder of Shanghai Jinma and hence a subsidiary-level connected person of the Company pursuant to the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, given that (i) the Board has approved the Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, and the Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors had any material interests in the Equity Transfer Agreement and the Acquisition, and accordingly no Director was required to abstain from voting on the resolution approving the Equity Transfer Agreement and the Acquisition at the meeting of the Board on 23 August 2019.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Sale Interest by the Company from the Vendor;
“Board”	the board of Directors;
“Business Day(s)”	day(s) (other than Saturday and Sunday) on which banks in the PRC are open to conduct business generally throughout their normal business hour;

“Company”	河南金馬能源股份有限公司(Henan Jinma Energy Company Limited), a company established in the PRC with limited liability;
“Completion”	completion of the Acquisition in accordance with the terms of the Equity Transfer Agreement;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Consideration”	has the meaning ascribed to it under the section headed “The Equity Transfer Agreement – Consideration” in this announcement;
“Director(s)”	the director(s) of the Company;
“Equity Transfer Agreement”	the equity transfer agreement dated 23 August 2019 entered into between the Company and the Vendor in relation to the Acquisition;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Interest”	25% of the equity interest in Shanghai Jinma;
“Shanghai Jinma”	上海金馬能源有限公司(Shanghai Jinma Energy Sources Co., Ltd.*), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	南京嘉佰潤貿易有限公司(Nanjing Jiabairun Trading Co., Ltd.*), a limited liability company established in the PRC and a holder of 25% of the equity interest in Shanghai Jinma prior to the Completion; and
“%”	per cent.

\* For identification purposes only

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.1106 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.*

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

Hong Kong, 23 August 2019

*As at the date of this announcement, the executive Directors are Mr. YIU Chiu Fai, Mr. WANG Mingzhong and Mr. LI Tianxi; the non-executive Directors are Mr. HU Xiayu, Mr. QIU Quanshan and Mr. WANG Zhiming; and the independent non-executive Directors are Mr. ZHENG Wenhua, Mr. LIU Yuhui and Mr. WU Tak Lung.*