THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Henan Jinma Energy Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Independent Financial adviser to the Independent Board Committee and the Independent Shareholders

第一上海
FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED
第一上海融資有限公司

A letter from the Board is set out on pages 5 to 16 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders the New Framework Agreements, the transactions contemplated thereunder and the New Annual Caps is set out on page 17 of this circular.

A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of Henan Jinma Energy Company Limited on the New Framework Agreements, the transactions contemplated thereunder and the New Annual Caps is set out on pages 18 to 35 of this circular.

Please refer to the EGM Notice for details in respect of the resolutions to be considered at the EGM, eligibility of attendance, registration procedure, proxy and other relevant matters.

18 September 2019

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

"5% Threshold"	the threshold referred to in Rule 14A.76(2)(a) of the Listing Rules
"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Company"	河南金馬能源股份有限公司 (Henan Jinma Energy Company Limited), a company established in the PRC with limited liability
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	domestic invested share(s) in the ordinary share capital of the Company with a par value of RMB1.00, which are subscribed for and paid up in RMB and are unlisted shares which are currently not listed or traded on any stock exchange
"EGM"	the extraordinary general meeting of the Company to be held on 18 October 2019 to consider and, if thought fit, approve, inter alia, the New Framework Agreements and the New Annual Caps in respect of the Non-exempt Continuing Connected Transactions
"EGM Notice"	the notice of the Company convening the EGM issued on 3 September 2019
"Existing Annual Caps"	has the meaning ascribed to it under section headed "II. Non-exempt Continuing Connected Transactions" in the "Letter from the Board" contained in this circular
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) in the capital of the Company with a nominal value of RMB1.00 each and are listed on the main board of the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited

"Independent Board Committee"	a committee of the Board comprising Mr. Zheng Wenhua, Mr. Liu Yuhui and Mr. Wu Tak Lung, being the independent non-executive Directors, to advise the Independent Shareholders on the New Framework Agreements, the transactions contemplated thereunder and the New Annual Caps
"Independent Financial Adviser"	First Shanghai Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the New Framework Agreements, the transactions contemplated thereunder and the New Annual Caps
"Independent Shareholders"	Shareholders who are not required to abstain from voting at the EGM in respect of the Non-exempt Continuing Connected Transactions
"Jiangxi PXSteel"	江西萍鋼實業股份有限公司 (Jiangxi PXSteel Industrial Co. Ltd.*), a joint stock company established in the PRC and a connected person of the Company
"Jiangxi PXSteel Continuing Connected Transactions"	the continuing connected transactions set out in the section headed "II. Non-exempt Continuing Connected Transactions – B. Jiangxi PXSteel Continuing Connected Transactions" in the "Letter from the Board" contained in this circular
"Jiangxi PXSteel Framework Agreement"	the framework agreement entered into between the Company and Jiangxi PXSteel on 18 September 2017 (as supplemented on 21 March 2018) in respect of the sale of coke by the Group to the Jiangxi PXSteel Group
"Jiangxi PXSteel Group"	Jiangxi PXSteel and its associates
"Latest Practicable Date"	13 September 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"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 whose A and H shares are listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively, and a connected person of the Company
"Maanshan Steel Continuing Connected Transactions"	the continuing connected transactions set out in the section headed "II. Non-exempt Continuing Connected Transactions – A. Maanshan Steel Continuing Connected Transactions" in the "Letter from the Board" contained in this circular
"Maanshan Steel Framework Agreement"	the framework agreement entered into between the Company and Maanshan Steel on 18 September 2017 in respect of the sale of coke by the Group to the Maanshan Steel Group
"Maanshan Steel Group"	Maanshan Steel and its associates
"New Annual Cap(s)"	the new annual cap(s) for the Non-exempt Continuing Connected Transactions set out in the section headed "II. Non-exempt Continuing Connected Transactions" in the "Letter from the Board" contained in this circular
"New Framework Agreements"	the New Maanshan Steel Framework Agreement and the New Jiangxi PXSteel Framework Agreement
"New Jiangxi PXSteel Framework Agreement"	the new framework agreement entered into between the Company and Jiangxi PXSteel on 23 August 2019 in respect of the Jiangxi PXSteel Continuing Connected Transactions
"New Maanshan Steel Framework Agreement"	the new framework agreement entered into between the Company and Maanshan Steel on 23 August 2019 in respect of the Maanshan Steel Continuing Connected Transactions
"Non-exempt Continuing Connected Transaction(s)"	being the Maanshan Steel Continuing Connected Transactions and the Jiangxi PXSteel Continuing Connected Transactions, the proposed New Annual Caps for which exceed the 5% Threshold, and accordingly, are subject to the reporting requirements, the announcement requirement and the annual review requirements under the Listing Rules, and approval from the Independent Shareholders at the EGM is required

"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Unlisted Foreign Shares"	unlisted foreign invested ordinary share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed and held by persons other than PRC nationals or PRC corporate entities
"%"	per cent

* *For identification purpose 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.

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

Non-executive Directors:
Mr. HU Xiayu
Mr. QIU Quanshan
Mr. WANG Zhiming

Independent Non-executive Directors:
Mr. ZHENG Wenhua
Mr. LIU Yuhui
Mr. WU Tak Lung

Supervisors:
Mr. Wong Tsz Leung
Ms. Li Lijuan
Mr. Zhou Tao, David
Ms. Tian Fangyuan
Ms. Hao Yali
Mr. Zhang Wujun

Registered office:
West First Ring Road South
Jiyuan
Henan Province
PRC

Principal place of business in Hong Kong:
Unit 2801, 28/F
88 Hing Fat Street
Causeway Bay
Hong Kong

18 September 2019

To: All shareholders of the Company

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

Reference is made to the announcement of the Company dated 23 August 2019 in relation to, among other things, the entering into of the New Framework Agreements in respect of the Non-exempt Continuing Connected Transactions. The New Framework Agreements and the relevant New Annual Caps are conditional upon the approval of the Independent Shareholders at the EGM.

The purpose of this circular is to provide you with, among other things, (i) further details of the Non-exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions.

II. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Summary of the Non-exempt Continuing Connected Transactions and the New Annual Caps

The Non-exempt Continuing Connected Transactions include the following:

A. Maanshan Steel Continuing Connected Transactions

Connected person	Connected person's relationship with the Group	Nature of the connected transaction with the Group
Maanshan Steel	Holder of approximately 26.89% of the total issued shares of the Company	Sale of coke by the Group to the Maanshan Steel Group

B. Jiangxi PXSteel Continuing Connected Transactions

Connected person	Connected person's relationship with the Group	Nature of the connected transaction with the Group
Jiangxi PXSteel	Holder of approximately 10.09% of the total issued shares of the Company	Sale of coke by the Group to the Jiangxi PXSteel Group

A summary of the New Annual Caps for each of the relevant Non-exempt Continuing Connected Transactions is set out below:

A. Maanshan Steel Continuing Connected Transactions

	New Annual Caps		
Connected person and details of the relevant Non-exempt Continuing Connected Transactions	**For the year ending 31 December 2020** *RMB'000*	**For the year ending 31 December 2021** *RMB'000*	**For the year ending 31 December 2022** *RMB'000*
Maanshan Steel (and its associates)			
Sale of coke by the Group to the Maanshan Steel Group	1,170,000	1,170,000	1,170,000

B. Jiangxi PXSteel Continuing Connected Transactions

	New Annual Caps		
Connected person and details of the relevant Non-exempt Continuing Connected Transactions	**For the year ending 31 December 2020**	**For the year ending 31 December 2021**	**For the year ending 31 December 2022**
	RMB'000	*RMB'000*	*RMB'000*
Jiangxi PXSteel (and its associates)			
Sale of coke by the Group to the Jiangxi PXSteel Group	1,755,000	1,755,000	1,755,000

Details of the Non-exempt Continuing Connected Transactions and the relevant New Framework Agreements

A. Maanshan Steel Continuing Connected Transactions

Sale of coke by the Group to the Maanshan Steel Group

Agreement: New Maanshan Steel Framework Agreement

Date: 23 August 2019

Parties: (1) The Company

(2) Maanshan Steel

Term: 1 January 2020 to 31 December 2022

Pursuant to the New Maanshan Steel Framework Agreement, conditional upon obtaining the Independent Shareholders' approval pursuant to the Listing Rules, the term of the Maanshan Steel Framework Agreement shall be extended for three years and the New Annual Caps have been determined as further described below.

Principal terms of the transactions contemplated under the New Maanshan Steel Framework Agreement

Pursuant to the New Maanshan Steel Framework Agreement, the Group shall sell coke to the Maanshan Steel Group during the term of 1 January 2020 to 31 December 2022. The Maanshan Steel Group shall from time to time place purchase orders with the Group, specifying the amount of coke required by the Maanshan Steel Group, the requisite product specifications, as well as the expected delivery schedule; and following the Group's acceptance of the orders, the Group shall sell the coke at a prevailing market price (as determined based on the pricing policy as further disclosed below) and complete the delivery of the products according to the agreed delivery schedule. The costs of transportation of coke from the Group's production facilities to the depot designated by the Maanshan Steel Group shall be borne by the Maanshan Steel Group. The payment to the Group in respect of the sale of coke shall be settled by the Maanshan Steel Group on a monthly basis.

The price of the coke shall be determined according to the following mechanism:

(i) the Group's sales department will regularly monitor the movements and trend of the futures price of coke and determine the prevailing price range of coke on a weekly basis after considering (a) the prices and market inventory levels of coke published by specialized online information platforms (including MySteel and Steelhome) as well as (b) the factory gate prices recommended by the China Coking Industry Association together with other associations in principal coke production regions;

(ii) based on the prevailing price range of coke, the Group will convene weekly internal price analysis meetings to determine the factory gate price of its coke after considering the above factors;

(iii) based on the abovementioned factory gate price, the Group will then determine, at the internal price analysis meeting lead by the CEO of the Group with the participation of the deputy general manager, the chief financial officer and other senior management of the Group, the final sale price after arm's length negotiations with the Maanshan Steel Group having taken into account the prevailing market conditions and the specific demands for coke in the regions where the relevant Maanshan Steel's steel mills are located; and

(iv) regarding coke with special specifications requested by its customers (including the Maanshan Steel Group), the Group will also take into account the relevant product specifications, the extra production costs as well as the historical prices of coke with similar specifications when determining its factory gate price.

Basis of setting the New Annual Caps

The table below summarises the Existing Annual Caps for the three years ending 31 December 2019 for the transactions contemplated under the Maanshan Steel Framework Agreement:

	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Existing Annual Caps	1,425,000	1,472,500	1,491,500

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2018 and the six months ended 30 June 2019 for the transactions contemplated under the Maanshan Steel Framework Agreement:

	Year ended 31 December		Six months ended 30 June
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	1,218,363	1,030,544	344,679

For each of the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, the Group supplied approximately 767,000 tons, 559,000 tons and 192,000 tons of coke, respectively, to Maanshan Steel and its subsidiaries. Maanshan Steel has been purchasing coke from the Group as a raw material for its manufacturing of iron and steel. With the expected continual increase in investments in infrastructure as encouraged by the implementation of the Belt and Road Initiative, it is estimated that the demand for coke (as a raw material for the production of iron and steel) will remain stable. Further, taking into account the Group's business strategy in diversifying its customer base, based on the Maanshan Steel Group's historical demand for the Group's coke, the Board estimates that the Group will sell up to 600,000 tons of coke to the Maanshan Steel Group for each of the three years ending 31 December 2020, 2021 and 2022.

The average price of coke (net of VAT) sold to Maanshan Steel and its subsidiaries for the year ended 31 December 2018 was approximately RMB1,840 per ton and the average price of coke (net of VAT) for the six months ended 30 June 2019 was approximately RMB1,790 per ton. Following a recent review by the Group's sales department on the future trend of the market price of coke, the Board estimated that, whilst facing uncertainties in the global economic situation, with the recovery of the iron and steel industry coupled with an increase in investments in infrastructure as encouraged by the implementation of the Belt and Road Initiative, the average price of coke (net of VAT) sold to the Maanshan Steel Group would either fluctuate at the current level or continue to rise mildly within the range of 5% to 10%, reaching in average approximately RMB1,950 per ton for each of the years ending 31 December 2020, 2021 and 2022.

Based on (i) the historical transaction amounts, (ii) the estimated supply of coke of up to 600,000 tons from the Group to the Maanshan Steel Group for each of the years ending 31 December 2020, 2021 and 2022, and (iii) the assumption that the average market price (net of VAT) of coke will increase to approximately RMB1,950 per ton for each of the years ending 31 December 2020, 2021 and 2022, the Board proposed to set the following as the New Annual Caps in respect of the transactions contemplated under the New Maanshan Steel Framework Agreement for each of the three years ending 31 December 2022:

	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
New Annual Caps	1,170,000	1,170,000	1,170,000

As the highest percentage ratio calculated in accordance with the Listing Rules in respect of the New Annual Caps concerning the Maanshan Steel Continuing Connected Transactions exceeds the 5% Threshold, the Maanshan Steel Continuing Connected Transactions constitute Non-exempt Continuing Connected Transactions of the Company and the New Maanshan Steel Framework Agreement and the relevant proposed New Annual Caps will be subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements.

B. Jiangxi PXSteel Continuing Connected Transactions

Sale of coke by the Group to the Jiangxi PXSteel Group

Agreement:	New Jiangxi PXSteel Framework Agreement
Date:	23 August 2019
Parties:	(1) The Company
	(2) Jiangxi PXSteel
Term:	1 January 2020 to 31 December 2022

Pursuant to the New Jiangxi PXSteel Framework Agreement, conditional upon obtaining the Independent Shareholders' approval pursuant to the Listing Rules, the term of the Jiangxi PXSteel Framework Agreement shall be extended for three years and the New Annual Caps have been determined as further described below.

Principal terms of the transactions contemplated under the New Jiangxi PXSteel Framework Agreement

Pursuant to the New Jiangxi PXSteel Framework Agreement, the Group shall sell coke to the Jiangxi PXSteel Group during the term of 1 January 2020 to 31 December 2022. The Jiangxi PXSteel Group shall from time to time place purchase orders with the Group, specifying the amount of coke required by the Jiangxi PXSteel Group, the requisite product specifications, as well as the expected delivery schedule; and following the Group's acceptance of the orders, the Group shall sell the coke at a prevailing market price (as determined based on the pricing policy as further disclosed below) and complete the delivery of the products according to the agreed delivery schedule. The costs of transportation of coke from the Group's production facilities to the depot designated by the Jiangxi PXSteel Group shall be borne by the Jiangxi PXSteel Group. The payment to the Group in respect of the sale of coke shall be settled by the Jiangxi PXSteel Group on a monthly basis.

The price of the coke shall be determined according to the following mechanism:

(i) the Group's sales department will regularly monitor the movements and trend of the futures price of coke and determine the prevailing price range of coke on a weekly basis after considering (a) the prices and market inventory levels of coke published by specialized online information platforms (including MySteel and Steelhome) as well as (b) the factory gate prices recommended by the China Coking Industry Association together with other associations in principal coke production regions;

(ii) based on the prevailing price range of coke, the Group will convene weekly internal price analysis meetings to determine the factory gate price of its coke after considering the above factors;

(iii) based on the abovementioned factory gate price, the Group will then determine, at the internal price analysis meeting lead by the CEO of the Group with the participation of the deputy general manager, the chief financial officer and other senior management of the Group, the final sale price after arm's length negotiations with the Jiangxi PXSteel Group having taken into account the prevailing market conditions and the specific demands for coke in the regions where the relevant Jiangxi PXSteel's steel mills are located; and

(iv) regarding coke with special specifications requested by its customers (including the Jiangxi PXSteel Group), the Group will also take into account the relevant product specifications, the extra production costs as well as the historical prices of coke with similar specifications when determining its factory gate price.

Basis of setting the New Annual Caps

The table below summarises the Existing Annual Caps for the three years ending 31 December 2019 for the transactions contemplated under the Jiangxi PXSteel Framework Agreement:

	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Existing Annual Caps	900,000	1,890,000	1,890,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2018 and the six months ended 30 June 2019 for the transactions contemplated under the Jiangxi PXSteel Framework Agreement:

	Year ended 31 December		**Six months ended 30 June**
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	897,488	1,420,413	648,683

For each of the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, the Group supplied approximately 555,000 tons, 725,000 tons and 350,000 tons of coke, respectively, to Jiangxi PXSteel and its subsidiaries. Jiangxi PXSteel has been purchasing coke from the Group as a raw material for its manufacturing of iron and steel. With the expected continual increase in investments in infrastructure as encouraged by the implementation of the Belt and Road Initiative, it is estimated that the demand for the Group's coke (as a raw material for the production of iron and steel) will remain stable. Hence, based on Jiangxi PXSteel Group's historical demand for the Group's coke, the Board estimates that the Group will sell up to 900,000 tons of coke to Jiangxi PXSteel Group for each of the three years ending 31 December 2020, 2021 and 2022.

The average price of coke (net of VAT) sold to Jiangxi PXSteel and its subsidiaries for the year ended 31 December 2018 was approximately RMB1,960 per ton and the average price of coke (net of VAT) for the six months ended 30 June 2019 was approximately RMB1,850 per ton. Following a recent review by the Group's sales department on the future trend of the market price of coke, the Board estimated that, whilst facing uncertainties in the global economic situation, with the recovery of the iron and steel industry coupled with an increase in investments in infrastructure as encouraged by the implementation of the Belt and Road Initiative, the average price of coke (net of VAT) sold to the Jiangxi PXSteel Group would either fluctuate at the current level or continue to rise mildly within the range of 5% to 10%, reaching in average approximately RMB1,950 per ton for each of the years ending 31 December 2020, 2021 and 2022.

Based on (i) the historical transaction amounts, (ii) the estimated supply of coke to up to 900,000 tons from the Group to Jiangxi PXSteel Group for each of the years ending 31 December 2020, 2021 and 2022, and (iii) the assumption that the average market price (net of VAT) of coke will increase to approximately RMB1,950 per ton for each of the years ending 31 December 2020, 2021 and 2022, the Board proposed to set the following as the New Annual Caps in respect of the transactions contemplated under the New Jiangxi PXSteel Framework Agreement for each of the three years ending 31 December 2022:

	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
New Annual Caps	1,755,000	1,755,000	1,755,000

As the highest percentage ratio calculated in accordance with the Listing Rules in respect of the New Annual Caps concerning the Jiangxi PXSteel Continuing Connected Transactions exceeds the 5% Threshold, the Jiaangxi PXSteel Continuing Connected Transactions constitute Non-exempt Continuing Connected Transactions of the Company and the New Jiangxi PXSteel Framework Agreement and relevant proposed New Annual Caps will be subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements.

III. REASONS FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group is a 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.

Maanshan Steel, being one of the largest steel product manufacturers in the PRC, has been one of the main customers of the Group's coke for over a decade. Jiangxi PXSteel, principally engaged in the manufacturing and sale of iron and steel products which requires coke as a raw material, has also been one of the main customers of the Group's coke since 2004. As the Group has conducted the Maanshan Steel Continuing Connected Transactions and the Jiangxi PXSteel Continuing Connected Transactions for many years and has built up a long term strategic and solid business relationship with Maanshan Steel and Jiangxi PXSteel, the Directors (including the independent non-executive Directors) consider it beneficial to the Company to continue to conduct these Non-exempt Continuing Connected Transactions to enable in order to ensure and maximise operating efficiency and generate stable and predictable revenue.

The Directors (including the independent non-executive Directors) are of the view that the New Framework Agreements have been negotiated on an arm's length basis, have been entered into by the Group in the ordinary and usual course of business and are on normal commercial terms or better, and that the terms of the Non-exempt Continuing Connected Transactions and the New Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

At the meeting of the Board on 23 August 2019 approving, inter alia, the New Framework Agreements and the New Annual Caps, the following Directors have abstained from voting on the resolutions in respect of the Non-exempt Continuing Connected Transactions as follows:

1. Mr. Hu Xiayu (a non-executive Director) and Mr. Qiu Quanshan (a non-executive Director) have abstained from voting on the resolution in respect of the New Maanshan Steel Framework Agreement and the proposed New Annual Caps for the reason of their respective positions in Maanshan Steel Group; and

2. Mr. Wang Zhiming (a non-executive Director) has abstained from voting on the resolution in respect of the New Jiangxi PXSteel Framework Agreement and the proposed New Annual Caps for the reason of his position in Jiangxi PXSteel Group.

Save as disclosed above, no other Directors have any material interest in the Non-exempt Continuing Connected Transactions.

IV. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Maanshan Steel is a substantial shareholder of the Company holding approximately 26.89% of the total issued shares of the Company, and therefore a connected person of the Company under the Listing Rules. As at the Latest Practicable Date, Jiangxi PXSteel is a substantial shareholder of the Company holding approximately 10.09% of the total issued shares of the Company, and therefore a connected person of the Company under the Listing Rules.

As the highest percentage ratio calculated in accordance with the Listing Rules in respect of the New Annual Caps concerning each of the Maanshan Steel Continuing Connected Transactions and the Jiangxi PXSteel Continuing Connected Transactions exceeds the 5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company and their respective New Framework Agreements and proposed New Annual Caps are subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements.

V. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Zheng Wenhua, Mr. Liu Yuhui and Mr. Wu Tak Lung) has been established to advise the Independent Shareholders on whether or not the New Framework Agreements, the transactions contemplated thereunder and the New Annual Caps are conducted in the ordinary and usual course of business and on normal commercial terms or better, fair and reasonable and in the interests of the Company and its shareholders as a whole. An Independent Financial Adviser, First Shanghai Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the New Framework Agreements, the transactions contemplated thereunder and the New Annual Caps.

VI. EGM

It was proposed that the New Framework Agreements, the transactions contemplated thereunder and the New Annual Caps shall be considered and, if thought fit, approved at the EGM.

The EGM Notice setting out the resolutions in respect of, *inter alia,* the New Framework Agreements, the transactions contemplated thereunder and the New Annual Caps has been despatched on 3 September 2019. Other than (i) Maanshan Steel who had control or was entitled to exercise control over the exercise of voting rights in respect of 144,000,000 Domestic Shares as at the Latest Practicable Date, representing approximately 26.89% of the total issued shares of the Company, which will abstain from voting at the EGM in respect of the resolution concerning the Maanshan Steel Continuing Connected Transactions, and (ii) Jiangxi PXSteel who had control or was entitled to exercise control over the exercise of voting rights in respect of 54,000,000 Domestic Shares as at the Latest Practicable Date, representing approximately 10.09% of the total issued shares of the Company, which will abstain from voting at the EGM in respect of the resolution concerning the Jiangxi PXSteel Continuing Connected Transactions, no Shareholder is required to abstain from voting at the EGM in respect of the resolutions concerning the New Framework Agreements, the transactions contemplated under the New Framework Agreements, and the New Annual Caps.

If you intend to attend the EGM, please complete and return the reply slip of the Company published on 3 September 2019 in accordance with the instructions printed thereon as soon as possible and in any event by no later than 28 September 2019.

The proxy form for use at the EGM was published on 3 September 2019. Whether or not you intend to be present at such meeting, you are requested to complete the forms of proxy in accordance with the instructions printed thereon and return the same to the H Share Registrar at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the holders of H Shares) or the Company's Secretary to the Board at West First Ring Road South, Jiyuan, Henan Province, the PRC, no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending and voting at the relevant meeting or any adjournment thereof if you so wish.

VII. INFORMATION ON MAANSHAN STEEL

Insofar as the Company is aware, as at the Latest Practicable Date, 馬鋼(集團)控股有限公司 (Magang (Group) Holdings Co., Ltd.*) ("**Magang Group**"), a state-owned enterprise, was the holding company of Maanshan Steel and held approximately 45.53% of the shares of Maanshan Steel. Insofar as the Company is aware, other than their shareholding interest in the Company through Maanshan Steel, Magang Group is a third party independent of and is not a connected person (as defined under the Listing Rules) of the Company.

Maanshan Steel is principally engaged in the manufacturing and sale of iron and steel products, whereas Magang Group is a steel conglomerate in the PRC which is principally engaged in the manufacturing and distribution of steel products.

VIII. INFORMATION ON JIANGXI PXSTEEL

Insofar as the Company is aware, as at the Latest Practicable Date, 遼寧方大集團實業有限公司 (Liaoning Fangda Group Industrial Co., Ltd.*) ("**Liaoning Fangda**") was the holding company of Jiangxi PXSteel and interested in approximately 29.91% of Jiangxi PXSteel, and Liaoning Fangda was held as to 99.2% by 北京方大國際實業投資有限公司 (Beijing Fangda International Enterprise Investment Co., Ltd.*) ("Beijing Fangda"), which was in turn wholly-owned by Mr. Fang Wei (方威). Insofar as the Company is aware, other than their shareholding interest in the Company through Jiangxi PXSteel, Liaoning Fangda, Beijing Fangda and Mr. Fang Wei are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

Jiangxi PXSteel is principally engaged in the manufacturing and sale of iron and steel products, whereas Liaoning Fangda and Beijing Fangda are principally engaged in investment holdings in areas including the carbon industry, the iron and steel industry and the chemical industry.

IX. RECOMMENDATIONS

Having considered the reasons set out herein, the Directors, including the independent non-executive Directors (having considered the advice of the Independent Financial Adviser), are of the opinion that the New Framework Agreements, the transactions contemplated thereunder, and the New Annual Caps are fair and reasonable, in the ordinary and usual course of business of the Group, on normal commercial terms (or better to the Group), and in the interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions regarding the Non-exempt Continuing Connected Transactions.

Your attention is drawn to (i) the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the New Framework Agreement, the transactions contemplated thereunder and the New Annual Caps, and (ii) the letter of advice from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Framework Agreement, the transactions contemplated thereunder, and the New Annual Caps, both of which are set out in this circular.

X. FURTHER INFORMATION

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

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)

To the Independent Shareholders

18 September 2019

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Henan Jinma Energy Company Limited to consider the New Framework Agreements, the transactions contemplated thereunder and the New Annual Caps in respect of the Non-Exempt Continuing Connected Transactions, details of which are set out in the section headed "II. Non-Exempt Continuing Connected Transactions" in the "Letter from the Board" contained in the circular of the Company dated 18 September 2019 (the "**Circular**"). Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the "Letter from the Board", the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreement, the transactions contemplated thereunder and the New Annual Caps as set out in the "Letter from the Independent Financial Adviser" as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that the terms of the New Framework Agreements and the New Annual Caps are fair and reasonable, and the transactions contemplated thereunder are conducted in the ordinary and usual course of the Company's business and are on normal or better commercial terms, and in the interest of the Company and its shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Framework Agreement, the transactions contemplated thereunder and the New Annual Caps for the Non-exempt Continuing Connected Transactions.

Yours faithfully,
The Independent Board Committee

Zheng Wenhua	**Liu Yuhui**	**Wu Tak Lung**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter to the Independent Board Committee and the Independent Shareholders received from the Independent Financial Adviser setting out its opinion regarding the Non-exempt Continuing Connected Transactions (including their respective New Annual Caps) contemplated under each of the New Maanshan Steel Framework Agreement and the New Jiangxi PXSteel Framework Agreement, for the purpose of inclusion in this circular.

第一上海
FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED
第一上海融資有限公司

First Shanghai Capital Limited
19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

18 September 2019

To the Independent Board Committee and
the Independent Shareholders

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

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions (including their respective New Annual Caps) contemplated under each of the New Maanshan Steel Framework Agreement and the New Jiangxi PXSteel Framework Agreement (collectively the "**New Framework Agreements**"), details of which are contained in the circular to the Shareholders dated 18 September 2019 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those ascribed in the Circular.

Reference is made to the prospectus of the Company dated 26 September 2017 and the announcement of the Company dated 21 March 2018 in relation to, among other things, the continuing connected transactions contemplated under the Maanshan Steel Framework Agreement and the Jiangxi PXSteel Framework Agreement, pursuant to which the Existing Annual Caps for such Non-exempt Continuing Connected Transactions were set.

The Company proposes to renew the abovementioned continuing connected transactions and apply for new annual caps. For such purposes, the Board announces that, on 23 August 2019, the Group has entered into the respective New Framework Agreements in respect of the Non-exempt Continuing Connected Transactions.

LISTING RULES IMPLICATIONS

The New Maanshan Steel Framework Agreement

Maanshan Steel is a substantial Shareholder holding approximately 26.89% of the total issued shares of the Company, and therefore a connected person of the Company under the Listing Rules.

The New Jiangxi PXSteel Framework Agreement

Jiangxi PXSteel is a substantial Shareholder holding approximately 10.09% of the total issued shares of the Company, and therefore a connected person of the Company under the Listing Rules.

As the highest percentage ratio calculated in accordance with the Listing Rules in respect of the New Annual Caps concerning each of the Maanshan Steel Continuing Connected Transactions and the Jiangxi PXSteel Continuing Connected Transactions exceeds the 5% Threshold, such continuing connected transactions constitute Non-exempt Continuing Connected Transactions of the Company and their respective New Framework Agreements and proposed New Annual Caps will be subject to the reporting, announcement, annual review, and the Independent Shareholders' approval requirements.

In so far as the Company is aware, other than Maanshan Steel and Jiangxi PXSteel, no Shareholder will be required to abstain from voting at the EGM in relation to the resolutions to be proposed in respect of the New Annual Caps and the New Framework Agreements in respect of the Non-exempt Continuing Connected Transactions.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising Mr. Zheng Wenhua, Mr. Liu Yuhui and Mr. Wu Tak Lung, being all the three independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions (including their respective New Annual Caps) pursuant to the New Framework Agreements.

As the independent financial adviser, we have been appointed to advise the Independent Board Committee and the Independent Shareholders as to (i) whether or not the Non-exempt Continuing Connected Transactions (including their respective New Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in relation to the ordinary resolutions to be proposed for approving the Non-exempt Continuing Connected Transactions (including their respective New Annual Caps) pursuant to the New Framework Agreements at the EGM.

OUR INDEPENDENCE

Independent Shareholders should note that, within the past two years from the Latest Practicable Date, we were engaged as the independent financial adviser by the Company for three occasions, including the provision of independent financial advice to the then Independent Board Committee and Independent Shareholders for (i) continuing connected transactions regarding revision of existing annual caps under the Existing Framework Agreement (as defined therein); (ii) continuing connected transactions contemplated under the CCT Framework Agreements (as defined therein); and (iii) renewal of annual caps for Yugang Coking Continuing Connected Transactions (as defined therein) and a discloseable and connected transaction in respect of acquisition of 25% equity interest in Shanghai Jinma Energy Sources Co., Ltd., as detailed in the respective circular and announcements of the Company dated 8 May 2018, 17 June 2019 and 23 August 2019, respectively.

Given (i) our independent roles in the previous three engagements; (ii) none of the members of our parent group is a direct party to each of the New Framework Agreements; and (iii) our independent financial advisory fees for this present engagement in addition to the previous three engagements represented an insignificant percentage of revenue of our parent group, we consider that the previous three engagements would not affect our independence to form our opinion in respect of this engagement to be contemplated under each of the New Framework Agreements.

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 Company (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 Directors and management of the Company 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. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, the Maanshan Steel Group and the Jiangxi PXSteel Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Non-exempt Continuing Connected Transactions (including their respective New Annual Caps) pursuant to the New Framework Agreements, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Company was established in the PRC with limited liability, the H shares of which have been listed on the Main Board of the Stock Exchange since 10 October 2017.

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.

The Group's vertically integrated business model enables it to maximize the value of its coking by-products, thereby allowing it to achieve a high recovery and re-utilization business model. This business model also allows the Group to tap the market for downstream products, including liquefied natural gas that the Group is currently developing, which is clean energy actively promoted by the PRC government. The Group is committed to optimal resource utilization and environmentally responsible production throughout its production cycle. The Group has adopted a number of environmentally responsible measures to alleviate the impact of its operations on the environment.

According to Frost & Sullivan, the Group was the second and third largest independent coking enterprise in terms of sales revenue and production volume of coke, respectively, in Henan province in 2016. Among all independent coking enterprises in Henan Province, the PRC, the Group was the second largest and the third largest producer of crude benzene and coal tar, respectively, and the second largest coal gas producer in terms of production volume in 2016.

2. Background information on the contracting parties

The Maanshan Steel Group

Maanshan Steel was set up on 1 September 1993, whose A and H shares are listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively.

Maanshan Steel, being one of the largest steel product manufacturers in the PRC, has been one of the main customers of the Group's coke for over a decade.

According to Frost & Sullivan, in 2016, the Maanshan Steel Group ranked 7th in the Chinese pig iron market, with a market share of approximately 2.5%. The Maanshan Steel Group was the largest iron and steel enterprise in Anhui Province, the PRC, in terms of pig iron production volume in 2016.

The Jiangxi PXSteel Group

Jiangxi PXSteel, principally engaged in the manufacturing and sale of iron and steel products which requires coke as a raw material, has also been one of the main customers of the Group's coke since 2004.

According to Frost & Sullivan, in 2016, the Jiangxi PXSteel Group ranked 20th in the Chinese pig iron market, with a market share of approximately 1.3%. The Jiangxi PXSteel Group was the second largest iron and steel enterprise in Jiangxi Province, the PRC, in terms of pig iron production volume in 2016.

3. Principal terms of the New Framework Agreements

Set out below are the principal terms of the respective New Framework Agreements, comprising each of the New Maanshan Steel Framework Agreement and the New Jiangxi PXSteel Framework Agreement.

		The New Framework Agreements	
		The New Maanshan Steel Framework Agreement	**The New Jiangxi PXSteel Framework Agreement**
Date of agreement	:	23 August 2019	23 August 2019
Contracting parties	:	• The Company • Maanshan Steel	• The Company • Jiangxi PXSteel
Connected persons' relationship with the Group		Maanshan Steel is interested in approximately 26.89% of the total issued Shares, and therefore is a substantial Shareholder, and hence, a connected person of the Company.	Jiangxi PXSteel is interested in approximately 10.09% of the total issued Shares, and therefore is a substantial Shareholder, and hence, a connected person of the Company.
Term of the agreement	:	From 1 January 2020 to 31 December 2022	From 1 January 2020 to 31 December 2022
Nature of transaction	:	Sale of coke from the Group to the Maanshan Steel Group	Sale of coke from the Group to the Jiangxi PXSteel Group
Pricing terms	:	Please refer to below for details.	Please refer to below for details.
Payment terms	:	On monthly basis	On monthly basis

Please refer to the "Letter from the Board" of the Circular for further details of the terms of each of the New Framework Agreements.

Pricing terms

According to the "Letter from the Board" of the Circular, the price of the coke to be sold to Maanshan Steel Group as well as Jiangxi PXSteel Group shall be determined according to the following mechanism:

(i) the Group's sales department will regularly monitor the movements and trend of the futures price of coke and determine the prevailing price range of coke on a weekly basis after considering (a) the prices and market inventory levels of coke published by specialized online information platforms (including MySteel and Steelhome) as well as (b) the factory gate prices recommended by the China Coking Industry Association together with other associations in principal coke production regions;

(ii) based on the prevailing price range of coke, the Group will convene weekly internal price analysis meetings to determine the factory gate price of its coke after considering the above factors;

(iii) based on the abovementioned factory gate price, the Group will then determine, at the internal price analysis meeting lead by the CEO of the Group with the participation of the deputy general manager, the chief financial officer and other senior management of the Group, the final sale price after arm's length negotiations with the Maanshan Steel Group/Jiangxi PXSteel Group having taken into account the prevailing market conditions and the specific demands for coke in the regions where the relevant Maanshan Steel/Jiangxi PXSteel's steel mills are located; and

(iv) regarding coke with special specifications requested by its customers (including the Maanshan Steel Group/Jiangxi PXSteel Group), the Group will also take into account the relevant product specifications, the extra production costs as well as the historical prices of coke with similar specifications when determining its factory gate price.

Based on our independent visit to the website of 中國煉焦行業協會 (China Coking Industry Association) at http://www.cnljxh.com, we have noted that the coke prices quoted therein have been closely comparable to the international coke price available from the Bloomberg's data portal, which we consider it to be the prevailing market price of coke and therefore are fairly and reasonably to be relied on.

Payment terms

The payment to the Group in respect of the sale of coke shall be settled by the Maanshan Steel Group and the Jiangxi PXSteel Group on a monthly basis (i.e. around 30 days).

Based on our independent review of the Prospectus and the annual report of the Company for the Year 2018 (the "**2018 Annual Report**"), we have noted that the Group requests cash-on-delivery from certain customers and generally grants credit to the Independent Customers with period ranging from 30 days to 180 days, based on the credit ratings of the customers and the relationship with the customers. Credit period could be extended on a case-by-case basis. As at 31 December 2017 and 2018, approximately 99.1% and 86.2% of the outstanding trade receivable balances were within an aging period of 90 days from their respective invoice dates.

Taking into account factors such as their substantial shareholder position of the Company, Maanshan Steel and Jiangxi PXSteel being the Group's valuable and stable customers for coke, the Group's better credit understanding on Maanshan Steel Group and Jiangxi PXSteel Group and the payment terms granted by the Group to them under the respective New Framework Agreements being normal business practice in the industry, we concur with the Management's view that the payment terms granted by the Group to each of Maanshan Steel Group and Jiangxi PXSteel Group are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

As this price mechanism can fairly and effectively reflect the then prevailing market conditions regarding the sale of coke in the open market and then to be referred/adopted by the Group with reference to the then prevailing market price available from such specialized online information platform, relevant industry association and etc. as its pricing policy for sale of coke the Maanshan Steel Group and the Jiangxi PXSteel Group, there is no preferential treatment to be offered to the Maanshan Steel Group and the Jiangxi PXSteel Group. Accordingly, we consider such pricing mechanism to be reliable, realistic, fair and reasonable.

We have reviewed the 40 samples of sales invoices/contracts conducted between the Group and (i) the Maanshan Steel (5 samples each Year x 2 Years = 10 samples) Group and the Jiangxi PXSteel Group (5 samples each Year x 3 Years = 15 samples) in respect of sale of coke; and (ii) independent third party customers of the Group (the "**Independent Customers**") (5 samples each Year x 3 Years = 15 samples), on a random sampling basis for the three Years between 2017 and 2019, and noted that the unit selling prices (after adjusting delivery costs for largely different locations and variations in quality) of coke in comparable quality content at similar timing charged by the Group to the Maanshan Steel Group and the Jiangxi PXSteel Group had been basically comparable to those charged by the Group to its other Independent Customers. Based on our independent review of those sales invoices, we concur with the Management's view that the pricing principles under each of the Maanshan Steel Framework Agreement and Jiangxi PXSteel Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Group and the Shareholders as a whole notwithstanding the connected relationship between the Group and each of the Maanshan Steel Group and the Jiangxi PXSteel Group.

Having considered the above mechanism for setting the unit selling price for sale of coke from the Group to each of the Maanshan Steel Group and the Jiangxi PXSteel Group as well as the payment terms thereunder, we concur with the Board's view that each of the New Framework Agreements are on normal commercial terms, the Non-exempt Continuing Connected Transactions have been conducted in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

4. The historical transaction amounts, the Existing Annual Caps and the New Annual Caps for the New Framework Agreements

Historical transaction amounts

The table below sets out the historical transaction amounts in relation to the sale of coke to the Maanshan Steel Group and the Jiangxi PXSteel Group pursuant to each of the Maanshan Steel Framework Agreement and the Jiangxi PXSteel Framework Agreement during the periods indicated below:

	For the year ended/ending 31 December					
	2017	**Increase/ (decrease) from 2016**	**2018**	**Increase/ (decrease) from 2017**	**2019**	**Increase/ (decrease) from 2018**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Existing Annual Caps						
Maanshan Steel Group	1,425,000	N/A	1,472,500	3.3%	1,491,500	1.3%
Jiangxi PXSteel Group	900,000	N/A *(Note 1)*	1,890,000	110.0%	1,890,000	0.0%
Actual/estimated transaction amounts						
Maanshan Steel Group	1,218,363	36.0%	1,030,544	(15.4)%	344,679	N/A
Jiangxi PXSteel Group	897,488	105.5%	1,420,413	58.3%	648,683	N/A *(Note 2)*
Utilisation rate of the Existing Annual Caps						
Maanshan Steel Group	85.5%		70.0%		23.1%	
Jiangxi PXSteel Group	99.7%		75.2%		34.3%	
Total revenue of the Group	5,137,652	55.8%	7,451,793	45.0%	3,968,373	N/A
Proportion of revenue from each of the counter-parties to the total revenue of the Group						
Maanshan Steel Group	23.7%		13.8%		8.7%	
Jiangxi PXSteel Group	17.5%		19.1%		16.3%	
Total	41.2%		32.9%		25.0%	

Notes:

1. The Company was listed on the Main Board of the Stock Exchange in October 2017, there were no Existing Annual Caps for the Year 2016.

2. The respective actual transaction amounts for the Year 2019 only accounted for six months up to 30 June 2019 instead of the full Year 2019 so that which are incomparable between the two Years 2018 and 2019.

The New Annual Caps

	For the year ending 31 December		
	2020	**2021**	**2022**
	RMB	*RMB*	*RMB*
Maanshan Steel Group			
Expected sales amount of coke (RMB)	1,170,000,000	1,170,000,000	1,170,000,000
Expected sales volume (tons)	600,000	600,000	600,000
Expected average selling price (RMB)	1,950	1,950	1,950
Jiangxi PXSteel Group			
Expected sales amount of coke (RMB)	1,755,000,000	1,755,000,000	1,755,000,000
Expected sales volume (tons)	900,000	900,000	900,000
Expected average selling price (RMB)	1,950	1,950	1,950

Basis of determination of the New Annual Caps

Based on the Group's latest unaudited management accounts for the six months ended 30 June 2019, the actual transaction amounts of the sale of coke to the Maanshan Steel Group and the Jiangxi PXSteel Group under each of the New Framework Agreements for the period from 1 January 2019 to 30 June 2019 had not exceeded the Existing Annual Caps for the Year 2019. The Management currently expects that the sales volume of coke and its unit selling price per ton basis would be relatively stable over the coming three Years from 2020 to 2022.

The Directors are of the view that the New Annual Caps under each of the New Framework Agreements are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

We understand from the Management that in determining the above New Annual Caps in respect of the New Framework Agreements, the Company has taken into account the following factors:

(i) Sale of coke to the Maanshan Steel Group

For each of the two Years 2017 and 2018 and the six months ended 30 June 2019, the Group supplied approximately 767,000 tons, 559,000 tons and 192,000 tons of coke, respectively, to Maanshan Steel and its subsidiaries. Maanshan Steel has been purchasing coke from the Group as a raw material for its manufacturing of iron and steel. With the expected continual increase in investments in infrastructure as encouraged by the implementation of the Belt and Road Initiative, it is estimated that the demand for coke (as a raw material for the production of iron and steel) by the Maanshan Steel Group will remain stable. Further, taking into account the Group's business strategy in diversifying its customer base, based on the Maanshan Steel Group's historical demand for the Group's coke, the Board estimates that the Group will sell up to 600,000 tons of coke to the Maanshan Steel Group for each of the three Years from 2020 to 2022.

The average price of coke (net of VAT) sold to Maanshan Steel and its subsidiaries for the Year 2018 was approximately RMB1,840 per ton and the average price of coke (net of VAT) for the six months ended 30 June 2019 was approximately RMB1,790 per ton. Following a recent review by the Group's sales department on the future trend of the market price of coke, the Board estimated that, whilst facing uncertainties in the global economic situation, with the recovery of the iron and steel industry coupled with an increase in investments in infrastructure as encouraged by the implementation of the Belt and Road Initiative, resulting in a stable demand within the relevant industries, the average price of coke (net of VAT) sold to the Maanshan Steel Group would either fluctuate at the current level or continue to rise mildly within the range of 5% to 10%, reaching in average approximately RMB1,950 per ton for each of the three Years from 2020 to 2022.

Based on (i) the historical transaction amounts, (ii) the estimated supply of coke of up to 600,000 tons from the Group to the Maanshan Steel Group for each of the three Years from 2020 to 2022, and (iii) the assumption that the average market price (net of VAT) of coke will increase to approximately RMB1,950 per ton for each of the three Years from 2020 to 2022, the Board proposed to set the New Annual Caps at RMB1,170 million in respect of the transactions contemplated under the New Maanshan Steel Framework Agreement for each of the three Years from 2020 to 2022

In assessing the fairness and reasonableness of the New Annual Caps at RMB1,170 million throughout the coming three Years from 2020 to 2022 pursuant to the New Maanshan Steel Framework Agreement, we shall analyse the rationale behind for the above decrease in the New Annual Caps resulting from the expected changes in sales volume and unit selling price in the following two directions.

In comparison of the New Annual Caps in terms of unit selling price of coke for the three Years from 2020 to 2022, which are now anticipated to increase from an average of approximately RMB1,790 per ton during the six months ended 30 June 2019 to the maximum of RMB1,950 per ton during the three Years from 2020 to 2022, representing an increase of about 8.7% there between. Based on our independent review of the Prospectus and the 2018 Annual Report, the Group had actually incurred overall average selling prices of coke (on a moist basis for coke per ton) of RMB901.0, RMB679.9, RMB958.6, RMB1,608.7 and RMB1,937.1 for each of the five Years from 2014 to 2018 respectively, representing a compound annual growth rate ("**CAGR**") of approximately 21.1% during the five Years from 2014 to 2018. When comparing the more recent average unit selling prices of coke (on a moist basis for coke per ton) actually incurred by the Group between the Year 2016 and the six months ended 30 June 2019, which increased from RMB958.6 per ton to approximately RMB1,790 per ton respectively, representing a drastic upsurge of approximately 86.8% during the past 42 calendar months between January 2016 and June 2019.

Based on our independent research from the Bloomberg's data portal, we have reviewed the international coke price (i.e. in category of Coke Active Contract denominated in currency of RMB) for the period of almost 14 months from 1 July 2018 up to the date of the New Framework Agreements on 23 August 2019 (the "**Review Period**"), and noted that the international coke price reached its highest on 20 August 2018 at RMB2,535.0 per ton and subsequently hit its lowest on 28 November 2018 at RMB1,759.5 per ton during the Review Period, representing a drastic decrease by approximately 30.6% during the almost 100 days between the two dates; and then gradually increasing to its recent relatively stable level at RMB2,044.5 per ton in August 2019. Starting from 1 January 2019, the international coke price has risen from RMB1,778.0 per ton to the maximum of RMB2,308.5 per ton with an average coke price of RMB2,053.3 per ton, representing a mild increase by approximately 15.5% during the past almost 235 days since the commencement of Year 2019. On such basis, we concur with the Directors' forecasts that there may be a possibility of its coke price further increasing by approximately 8.9% to RMB1,950 per ton during the coming 40 months between September 2019 and December 2022 when compared to the average coke price of approximately RMB1,790 per ton actually incurred by the Group for the six months ended 30 June 2019, on the basis that the historical international coke price had been fluctuating largely between RMB1,759.5 per ton to RMB2,535.0 per ton during the past almost 14 months since 1 July 2018 up to the date of the New Framework Agreements on 23 August 2019, and hence, an anticipation for a further increase in international coke price to RMB1,950 per ton in the coming 40 months between September 2019 and December 2022 shall be prudent, fair and reasonable.

In respect of the anticipated sales volume of coke to the Maanshan Steel Group during the coming three Years from 2020 to 2022, the Management makes reference to the historical sales volume of approximately 767,000 tons, 559,000 tons and 192,000 tons for each of the two Years 2017 and 2018 and the six months ended 30 June 2019. As advised by the Management, starting from Year 2018, there have been some new coke producers established in the areas adjacent to the steel mills of the Maanshan Steel Group, so the Maanshan Steel Group has commenced to source coke products from such new coke producers with aims of saving transportation costs and delivery lead time. As a consequence, the Company's sales volume of coke products to the Maanshan Steel Group has been decreasing over the Years. However, the Management anticipates that the Group's sales volume of 559,138 tons for the Year 2018 shall be relatively stable and comparable in the coming three Years from 2020 to 2022. On such basis, the Management realistically estimates that the Company will sell up to 600,000 tons of coke to the Maanshan Steel Group and now sets the New Annual Caps amount at RMB1,170 million (i.e. 600,000 tons x RMB1,950 per ton) throughout the coming three Years from 2020 to 2022, which we consider to be prudent, fair and reasonable. Based on independent review of the Prospectus and 2018 Annual Report, the Company had historically supplied approximately 890,000 tons, 1,010,000 tons, 940,000 tons, 767,000 tons and 559,000 tons of coke to the Maanshan Steel Group for each of the five Years from 2014 to 2018, respectively, so the currently New Annual Caps of 600,000 tons for the coming three Years from 2020 to 2022 is not unjustifiable, and therefore fair and reasonable.

According to the Prospectus and 2018 Annual Report, the Company's current maximum coke production capacity used to be 2,100,000 tons, which has always been saturated over the past few Years. In fact, the Maanshan Steel Group's declining trend of procuring coke products from the Company over the Years could be well-absorbed by the gradually increasing demand from the Jiangxi PXSteel Group and other Independent Customers, so as the Group has attained its business strategy of gradually lessening the reliance on its major customers (i.e. also being the substantial Shareholders). As a consequence, the Group's reliance on sales to Maanshan Steel Group and Jiangxi PXSteel Group had been decreasing from around 41% to 32.9% during the three Years from 2016 to 2018, and 25.0% for the six months ended 30 June 2019.

(ii) Sale of coke to the Jiangxi PXSteel Group

For each of the two Years 2017 and 2018 and the six months ended 30 June 2019, the Group supplied approximately 555,000 tons, 725,000 tons and 350,000 tons of coke, respectively, to Jiangxi PXSteel and its subsidiaries. Jiangxi PXSteel has been purchasing coke from the Group as a raw material for its manufacturing of iron and steel. With the expected continual increase in investments in infrastructure as encouraged by the implementation of the Belt and Road Initiative, as well as the elimination of outdated coking plants located within a 30km radius of Jiangxi PXSteel Group's steel mills, it is estimated that the demand for the Group's coke (as a raw material for the production of iron and steel) by Jiangxi PXSteel Group will at least remain stable or even considerably increase. Hence, based on the Jiangxi PXSteel Group's historical demand for the Group's coke, the Board estimates that the Group will sell up to 900,000 tons of coke to Jiangxi PXSteel Group for each of the three Years from 2020 to 2022.

The average price of coke (net of VAT) sold to Jiangxi PXSteel and its subsidiaries for the Year 2018 was approximately RMB1,960 per ton and the average price of coke (net of VAT) for the six months ended 30 June 2019 was approximately RMB1,850 per ton. Following a recent review by the Group's sales department on the future trend of the market price of coke, the Board estimated that, whilst facing uncertainties in the global economic situation, with the recovery of the iron and steel industry coupled with an increase in investments in infrastructure as encouraged by the implementation of the Belt and Road Initiative, resulting a stable demand within the relevant industries, the average price of coke (net of VAT) sold to the Jiangxi PXSteel Group would either fluctuate at the current level or continue to rise mildly within the range of 5% to 10%, reaching in average approximately RMB1,950 per ton for each of the three Years 2020 to 2022.

Based on (i) the historical transaction amounts, (ii) the estimated supply of coke to up to 900,000 tons from the Group to Jiangxi PXSteel Group for each of the three Years from 2020 to 2022, and (iii) the assumption that the average market price (net of VAT) of coke will increase to approximately RMB1,950 per ton for each of the three Years from 2020 to 2022, the Board proposed to set the New Annual Caps at RMB1,755 million in respect of the transactions contemplated under the New Jiangxi PXSteel Framework Agreement for each of the three Years from 2020 to 2022.

In assessing the fairness and reasonableness of the New Annual Caps of sale of coke of RMB1,755 million throughout the coming three Years from 2020 to 2022 pursuant to the New Jiangxi PXSteel Framework Agreement, we shall analyse the rationale behind for the above increases resulting from the expected changes in sales volume and unit selling price in the following two directions.

In comparison of the New Annual Caps in terms of unit selling price of coke for the three Years from 2020 to 2022, which are now anticipated to be increased from an average of approximately RMB1,850 per ton during the six months ended 30 June 2019 to the maximum of RMB1,950 per ton during the remaining 40 months between September 2019 and December 2022, representing an increase of about 5.0% there between. Please refer to our analysis in the above regarding the historical coke price that experienced by the Group over the past five Years from 2014 to 2018, and the international coke price trend over the almost 14 months since 1 July 2018 up to the date of the New Framework Agreements.

In respect of the anticipated sales volume of coke to the Jiangxi PXSteel Group for the three Years from 2020 to 2022, the Management makes reference to the historical sales volume of approximately 555,000 tons, 724,000 tons and 350,000 tons for each of the Years 2017 and 2018 and the six months ended 30 June 2019, and expects a stable increase by around 25.0% to 900,000 tons for each of the three Years 2020 and 2022.

Reference is made to the Company's circular dated 8 May 2018, Jiangxi PXSteel and the Group had anticipated that, with the then enforcement of environmental protection rules and regulations against factories and processing plants located within a 30 km radius of the Jiangxi PXSteel Group's steel mills, certain coking plants with outdated technologies had been and will be eliminated, resulting in a reduction of coke production capacities (such reduction estimated to reach approximately 700,000 tons annually) of these coke production plants located in the vicinity of the Jiangxi PXSteel Group's steel mills.

We have conducted independent researches from the public websites and noted a number of articles that the PRC governments, whether at central or provincial levels, had increasing concerns on issues of environmental protection and pollution control all across the nation. In particular, according to the 《江西省"十三五"節能減排綜合工作方案 ("Thirteen Five" Energy Saving and Emission Reduction Consolidated Work Schedule of the Jiangxi Province)》promulgated by the Jiangxi Provincial Government, the PRC, it had imposed stricter environmental measures, rules and regulations against those factories and coking processing plants therein with outdated technologies to be rectified, or failing which, even to be eliminated. On such basis, the Directors' above anticipation is comprehensible.

To the best knowledge of the Board, the Jiangxi PXSteel Group's annual steel production volume was approximately 5.7 million tons in the Year 2018 and projected to be stable at around 5.7 million tons in the coming few Years. Based on such production plan, the Jiangxi PXSteel Group would continue to require approximately 2.1 million tons of coke annually to support its production operations. With coke being the main and irreplaceable reducing agent, heat agent and column skeleton for blast furnaces used in the production of pig iron by iron and steel manufacturers such as Jiangxi PXSteel, the Board expects that the Jiangxi PXSteel Group, in addition to its original demand for coke, will also divert its demand for coke previously supplied by some of the coking plants located in said 30 km radius of the Jiangxi PXSteel Group's steel mills to the Group, resulting in a stable increase in its demand for the Group's coke. Based on the Board's understanding, during the course of the long-term business relationship between the parties, the blast furnaces of the Jiangxi PXSteel Group have been adjusted and conditioned to operate with the coke produced by the Group. With such well-established business relationship between the Group and the Jiangxi PXSteel Group and based on the understanding from Jiangxi PXSteel, the Board therefore estimates that the Jiangxi PXSteel Group, with an aim to incur less costs arising from the need to recondition its blast furnaces to accommodate coke with different specification supplied by different suppliers, may require supply of coke from the Group up to 900,000 tons in the coming three Years from 2020 to 2022.

Taking into consideration the above opportunity which may enable the Group to increase its sales of coke to the Jiangxi PXSteel Group, and with the expected continual increase in investments in infrastructure as encouraged by the implementation of the Belt and Road Initiative, it is anticipated that the Jiangxi PXSteel Group would have a considerably higher demand for the Group's coke in the coming few Years. In light of the above, the Board currently estimates that the Group will sell up to 900,000 tons of coke to the Jiangxi PXSteel Group for each of the three Years from 2020 to 2022 and now sets the New Annual Caps at RMB1,755 million (i.e. 900,000 tons x RMB1,950 per ton) throughout the coming three Years from 2020 to 2022, which we consider to be realistic, fair and reasonable.

However, the Independent Shareholders should note that there may not be exactly the same coke products to be comparable between that of the Group and the international market, because coke products sold to/in different customers/markets may vary largely in terms of physical characteristics and specifications by moisture, ash, volatility, carbon, sulphur and other natural elements, etc.. Direct comparison in exactly the same quality of coke may not be practicable.

Based on the above analysis and consideration, we are of the view that the basis adopted by the Management in determining the New Annual Caps is prudent, justifiable, fair and reasonable; while the entering into of the New Framework Agreements (including their respective New Annual Caps) is conducted in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as whole.

6. Measures to ensure compliance with the Listing Rules

In compliance with the annual review requirements under Chapter 14A of the Listing Rules, the Company will comply with the following during the term of the New Framework Agreements in relation to the Non-exempt Continuing Connected Transactions:

(i) each year the independent non-executive Directors must review the Non-exempt Continuing Connected Transactions and confirm in the annual report and accounts of the Company that the Non-exempt Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the New Framework Agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming that the Non-exempt Continuing Connected Transactions (a) have received the approval of the Board; (b) are in accordance with the pricing policies of the Company if the Non-exempt Continuing Connected Transactions involve provision of goods or services by the Company; (c) have been entered into in accordance with the relevant agreement governing the transactions; and (d) have not exceeded the New Annual Caps;

(iii) the Company will allow, and will procure that the counterparties (i.e. the Maanshan Steel Group and the Jiangxi PXSteel Group) will allow, the auditors of the Company with sufficient access to the relevant records of the Non-exempt Continuing Connected Transactions for the purpose of reporting on the Non-exempt Continuing Connected Transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (ii) above; and

(iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) above respectively.

In light of the requisite reporting requirements attached to the Non-exempt Continuing Connected Transactions, and having considered, in particular, (i) the restriction of the value of the Non-exempt Continuing Connected Transactions by way of the New Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Non-exempt Continuing Connected Transactions and the New Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern and monitor the conduct of the Non-exempt Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

In fact, according to the 2018 Annual Report, the Company had confirmed that an annual review of the Group's existing Non-exempt Continuing Connected Transactions for the Year 2018 had been conducted by the independent non-executive Directors and the auditors of the Company, in compliance with the requirements as set out in Rules 14A.37 to 14A.41 of the Listing Rules. On such basis, we believe that the Company's internal control measures and policies for governing and monitoring the conduct of the Non-exempt Continuing Connected Transactions are expected to be properly followed.

RECOMMENDATION

Having taken into account the principal factors and reasons as referred to the above, we are of the view that the Non-exempt Continuing Connected Transactions (including their respective New Annual Caps) contemplated under the respective New Framework Agreements are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions (including their respective New Annual Caps) and the transactions contemplated under the respective New Framework Agreements.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Nicholas Cheng
Director

Note: Mr. Nicholas Cheng has been the Responsible Officer of Type 6 (advising on corporate finance) regulated activity under the SFO and has over 17 years of experience in corporate finance industry. He has participated in the provision of independent financial advisory services for and completed numerous connected transactions involving companies listed in Hong Kong.

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:

Name	Nature of Interest	Class of securities	Number of Shares held*(Note 1)*	Approximate percentage of shareholding in the relevant class of shares of our Company*(Note 2)*	Approximate percentage of shareholding in the total share capital of our Company*(Note 3)*
Mr. Yiu Chiu Fai	Interest in a controlled corporation*(Note 4)*	Domestic Shares	162,000,000 (L)	40.50%	30.26%
	Beneficial owner	H Shares	1,453,000 (L)	1.07%	0.27%

Notes:

1. The letter "L" denotes the person's long position in such Shares.

2. As advised by the PRC legal advisers of the Company, holders of the Unlisted Foreign Shares are treated as if they are in the same class as the holders of Domestic Shares. The calculation of the relevant percentage is based on the total number of 400,000,000 Domestic Shares and Unlisted Foreign Shares in issue and 135,421,000 H shares in issue.

3. The calculation of the relevant percentage is based on the total number of 535,421,000 Shares in issue.

4. 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 Energy (Hong Kong) Limited is wholly owned by Jinma Coking (BVI) Limited. Accordingly, Mr. Yiu is deemed to be interested in Jinma Energy (Hong Kong) Limited'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	Capacity	Class of Securities	Number of shares *(Note 1)*	Approximate percentage of shareholding in the relevant class of shares in the Company *(Note 2)*	Approximate percentage of shareholding in the total share capital of the Company *(Note 3)*
Jinma Energy (Hong Kong) Limited ("**Jinma HK**")	Beneficial owner	Unlisted Foreign Shares	162,000,000 (L)	40.50%	30.26%
Jinma Coking (BVI) Limited ("**Jinma Coking**")	Interest in a controlled corporation *(Note 4)*	Unlisted Foreign Shares	162,000,000 (L)	40.50%	30.26%
Golden Star Chemicals (Holdings) Limited ("**Golden Star**")	Interest in a controlled corporation *(Note 5)*	Unlisted Foreign Shares	162,000,000 (L)	40.50%	30.26%
Ms. Lam Yuk Wai	Interest of spouse *(Note 6)*	Unlisted Foreign Shares	162,000,000 (L)	40.50%	30.26%
		H Shares	1,453,000 (L)	1.07%	0.27%

Name	Capacity	Class of Securities	Number of shares(Note 1)	Approximate percentage of shareholding in the relevant class of shares in the Company(Note 2)	Approximate percentage of shareholding in the total share capital of the Company(Note 3)
Maanshan Iron & Steel Company Limited ("**Maanshan Steel**")	Beneficial owner	Domestic Shares	144,000,000 (L)	36.00%	26.89%
馬鋼(集團)控股有限公司 (Magang (Group) Holdings Co., Ltd.*)	Interest in a controlled corporation *(Note 7)*	Domestic Shares	144,000,000 (L)	36.00%	26.89%
Jiangxi PXSteel	Beneficial owner	Domestic Shares	54,000,000 (L)	13.50%	10.09%
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)*	Domestic Shares	54,000,000 (L)	13.50%	10.09%
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)*	Domestic Shares	54,000,000 (L)	13.50%	10.09%
Mr. Fang Wei	Interest in a controlled corporation *(Note 10)*	Domestic Shares	54,000,000 (L)	13.50%	10.09%

Name	Capacity	Class of Securities	Number of shares(Note 1)	Approximate percentage of shareholding in the relevant class of shares in the Company(Note 2)	Approximate percentage of shareholding in the total share capital of the Company(Note 3)
濟源市金馬興業投資有限公司 (Jiyuan Jinma Xingye Investment Co., Ltd.*) ("**Jinma Xingye**")	Beneficial owner	Domestic Shares	40,000,000 (L)	10.0%	7.47%
Mr. Wang Lijie	Interest in a controlled corporation *(Note 11)*	Domestic Shares	40,000,000 (L)	10.0%	7.47%
Ms. Zheng Jing	Interest of spouse *(Note 12)*	Domestic Shares	40,000,000 (L)	10.0%	7.47%
RAYS Capital Partners Limited	Investment manager	H shares	18,769,000 (L)	13.86%	3.51%
Ruan David Ching Chi	Interests in controlled corporation *(Note 13)*	H shares	18,769,000 (L)	13.86%	3.51%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	H shares	17,931,000 (L)	13.24%	3.35%
Risun Coal Chemicals Group Limited	Beneficial owner	H Shares	13,000,000 (L)	9.60%	2.43%

Notes:

1. The letter "L" denotes the person's long position in such Shares.

2. As advised by the PRC legal advisers of the Company, holders of the Unlisted Foreign Shares are treated as if they are in the same class as the holders of Domestic Shares. The calculation of the relevant percentage is based on the total number of 400,000,000 Domestic Shares and Unlisted Foreign Shares in issue and 135,421,000 H shares in issue.

3. The calculation of the relevant percentage is based on the total number of 535,421,000 Shares in issue.

4. 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.

5. 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.

6. 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.

7. Magang (Group) Holdings Co., Ltd., being wholly owned by the state-owned Assets Supervision and Administration People's Government of Anhui Province, is the holding company of Maanshan Steel and holds approximately 45.53% 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.

8. As per their confirmations, while Liaoning Fangda is directly and indirectly interested in approximately 29.91% of Jiangxi PXSteel, Liaoning Fangda is the holding company. Accordingly, Liaoning Fangda is deemed to be interested in Jiangxi PXSteel's interest in the Company by virtue of the SFO.

9. 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.

13. Mr. Ruan David Ching Chi is the holder of approximately 95.24% shares in RAYS Capital Partners Limited, and RAYS Capital Partners Limited holds 100% shares in Asian Equity Special Opportunities Portfolio Master Fund Limited. Accordingly, Mr. Ruan David Ching Chi is deemed to be interested in the equity interest of the Company owned by RAYS Capital Partners Limited and Asian Equity Special Opportunities Portfolio Master Fund Limited by virtue of the SFO.

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. Hu Xiayu	Head of the raw fuels center of Maanshan Steel
Mr. Qiu Quanshan	Secretary of the party committee and factory director of the main coking plant of Maanshan Steel, and secretary of the party committee, director and manager of certain subsidiaries of Maanshan Steel
Mr. Wang Zhiming	Supervisor and assistant to the general manager of a subsidiary of Jiangxi PXSteel

3. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

(a) 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).

(b) As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group 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.

(c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and entered into by the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, and which was significant in relation to the business of the Group.

(d) 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.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, the date to which the latest audited consolidated financial statements of the Group were made up.

5. EXPERT

(a) The following is the qualification of the expert which 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

(b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any 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 interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, 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.

(c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the forms and contexts in which they appear. The letter of the Independent Financial Adviser contained herein was issued on 18 September 2019 and was made by the Independent Financial Adviser for incorporation in this circular.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Unit 2801, 28/F, 88 Hing Fat Street, Causeway Bay, Hong Kong, from 18 September 2019 to 2 October 2019 (both days inclusive):

(a) the letter from the Independent Financial Adviser as set out in this circular;

(b) the letter from the Independent Board Committee as set out in this circular;

(c) the Maanshan Steel Framework Agreement;

(d) the Jiangxi PXSteel Framework Agreement and the relevant supplemental agreement dated 21 March 2018;

(e) the New Maanshan Steel Framework Agreement; and

(f) the New Jiangxi PXSteel Framework Agreement.