



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

GLOBAL OFFERING

Sole Sponsor



*Sole Global Coordinator,
Sole Bookrunner and Sole Lead Manager*



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



河南金馬能源股份有限公司 HENAN JINMA ENERGY COMPANY LIMITED

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	133,334,000 H Shares (subject to the Over-allotment Option)
Number of International Offer Shares	:	120,000,000 H Shares (subject to reallocation and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	13,334,000 H Shares (subject to adjustment)
Maximum Offer Price	:	HK\$3.39 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB1.00 per H Share
Stock code	:	6885

Sole Sponsor



Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Friday, September 29, 2017 or such later date as may be agreed between the Sole Global Coordinator and our Company, but in any event not later than Monday, October 9, 2017. The Offer Price will not be more than HK\$3.39 per Offer Share and is currently expected to be not less than HK\$2.11 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$3.39 for each Hong Kong Offer Share together with a brokerage of 1.0%, an SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$3.39.

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may, with consent of our Company, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered under the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered in the Global Offering and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website at www.hnjmny.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, please see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares."

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company on or before Monday, October 9, 2017, the Global Offering will not become unconditional and will lapse immediately.

Prospective investors should note the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe, for the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

Our Company is established, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of our Company. Such differences and risk factors are set out in "Risk Factors," "Appendix III — Taxation and Foreign Exchange," "Appendix IV — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix V — Summary of Articles of Association."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

Tuesday, September 26, 2017

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications
under **White Form eIPO** service through
the designated website www.eipo.com.hk⁽²⁾ 11:30 a.m. on Friday, September 29, 2017

Application lists open⁽³⁾ 11:45 a.m. on Friday, September 29, 2017

Latest time for lodging **WHITE** and
YELLOW Application Forms 12:00 noon on Friday, September 29, 2017

Latest time for completing payment for
White Form eIPO applications by effecting
internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on Friday, September 29, 2017

Latest time for giving **electronic application instructions**
to HKSCC⁽⁴⁾ 12:00 noon on Friday, September 29, 2017

Application lists close⁽³⁾ 12:00 noon on Friday, September 29, 2017

Expected Price Determination Date⁽⁵⁾ Friday, September 29, 2017

Announcement of

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allotment of the Hong Kong Public Offering

to be published in South China Morning Post
(in English) and Hong Kong Economic Times (in Chinese)
and on the website of the Hong Kong Stock Exchange at
www.hkexnews.hk⁽⁶⁾ and our website at www.hnjmny.com⁽⁶⁾
on or before Monday, October 9, 2017

An announcement of results of allocations in the Hong Kong
Public Offering (including successful applicants'
identification document numbers, where appropriate)
will be available through a variety of channels (including
the website of the Hong Kong Stock Exchange at
www.hkexnews.hk⁽⁶⁾ and our website at www.hnjmny.com⁽⁶⁾
(see "*How to Apply for Hong Kong Offer Shares*
— 11. *Publication of Results*") from Monday, October 9, 2017

Results of allocations in the Hong Kong Public Offering
will be available at www.iporesults.com.hk with
a "search by ID" function from Monday, October 9, 2017

EXPECTED TIMETABLE⁽¹⁾

H Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before ⁽⁷⁾ Monday, October 9, 2017

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessfully applications to be despatched on or before ⁽⁸⁾ Monday, October 9, 2017

Dealings in H Shares on the Hong Kong Stock Exchange expected to commence 9:00 a.m. on Tuesday, October 10, 2017

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- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in “*Structure of the Global Offering.*”
 - (2) You will not be permitted to submit your application to the **White Form eIPO Service Provider** through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
 - (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, September 29, 2017, the application lists will not open and close on that day. Further information is set out in “*How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists*” in this prospectus. If the application lists do not open and close on Friday, September 29, 2017, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
 - (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “*How to Apply for Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS.*”
 - (5) We expect to determine the Offer Price by agreement with the Sole Global Coordinator on the Price Determination Date which is expected to be on or around Friday, September 29, 2017 and, in any event, not later than Monday, October 9, 2017. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator and us by Monday, October 9, 2017, the Hong Kong Public Offering and the International Offering will not proceed.
 - (6) None of the websites or any of the information contained on the websites form part of this prospectus.
 - (7) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates for the Hong Kong Offer Shares will only become valid certificates of title if (i) the Global Offering has become unconditional in all respects, and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms before 8:00 a.m. on the Listing Date. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.
 - (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant’s Hong Kong identify card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identify card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identify card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please see “*Structure of the Global Offering*” and “*How to Apply for Hong Kong Offer Shares*”, respectively.

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IMPORTANT NOTICE TO INVESTORS

We have issued this prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us or any of the Relevant Persons. Information contained on the website at www.hnjmny.com does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is only a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our H Shares.

There are risks associated with any investment. Some of the particular risks in investing in our H Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in our H Shares.

OVERVIEW

We are a leading coke producer and processor of coking by-products in the coking chemical industry in Henan province. We operate 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. According to Frost & Sullivan, we are the second and third largest independent coking enterprise⁽¹⁾ in terms of sales revenue and production volume of coke, respectively, in Henan province in 2016. Among all independent coking enterprises in Henan province, we are 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. Our vertically integrated business model enables us to maximize the value of our coking by-products, thereby allowing us to achieve a high recovery and re-utilization business model. This business model also allows us to tap the market for downstream products, mainly LNG that we are currently developing, which is clean energy actively promoted by the PRC government. We are committed to optimal resource utilization and environmentally responsible production throughout our production cycle. We have adopted a number of environmentally responsible measures to alleviate the impact of our operations on the environment.

OUR BUSINESS SEGMENTS

We operate our business and report our financial results for the following principal business segments:

- **Coke**: which involves the production and sale of coke;
- **Coking by-products**: which involves the recovery of coking by-products generated from our coking process, mainly crude benzene, coal tar and crude oven gas, and the sale of crude benzene and coal tar;
- **Refined chemicals**: which involves the processing of coking by-products into a series of benzene based and coal tar based refined chemicals and sale of these chemicals;
- **Energy products**: which involves the processing of crude oven gas into coal gas and the sale of coal gas; and
- **Trading**: which mainly involves the trading of coal and coal mining equipment.

The following table sets forth a breakdown of our revenue by business segment for the Track Record Period:

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Coke	1,919,231	74.9	1,522,290	67.8	2,058,932	62.4	402,470	57.5	1,146,733	65.1
Coking By-Products	332,045	13.0	170,071	7.6	102,504	3.1	36,319	5.2	3,775	0.2
Refined Chemicals										
Benzene based chemicals	—	—	236,730	10.5	537,374	16.3	142,466	20.4	263,890	15.0
Coal tar based chemicals	—	—	—	—	61,833	1.9	—	—	149,509	8.5
Energy Products	133,126	5.2	126,872	5.7	176,690	5.4	58,806	8.4	92,189	5.2
Trading	173,897	6.8	179,937	8.0	353,155	10.7	55,297	7.9	100,223	5.7
Others	5,375	0.1	8,831	0.4	8,146	0.2	4,192	0.6	4,484	0.3
Total	<u>2,563,674</u>	<u>100.0</u>	<u>2,244,731</u>	<u>100.0</u>	<u>3,298,634</u>	<u>100.0</u>	<u>699,550</u>	<u>100.0</u>	<u>1,760,803</u>	<u>100.0</u>

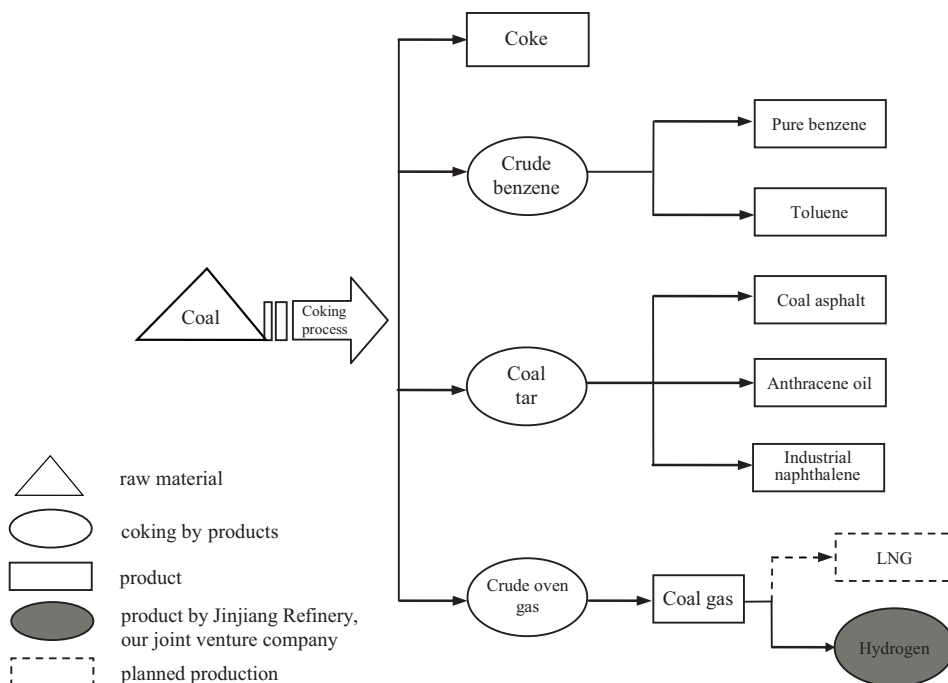
Our financial performance is largely determined by the movements in the market prices of coal and coke and the spread between them. We recorded a gross loss of RMB26.4 million in the coke segment for the four months ended April 30, 2016. We had a turnaround and recorded a gross profit of approximately RMB221.7 million in the coke segment during the same period in 2017. The gross profit was mainly attributable to the increasing spread between the average selling prices of coke and the average purchase prices of coal, as the increase in the price of coal lagged behind and was not as significant as the increase in the price of coke during the period. In the event that there are changes in the prices of coke and other downstream products, the changes in the price of coal would generally lag behind, and we may not be able to lower the cost of our coal immediately when the price of coke drops, or vice versa. For details, please see “Risk Factors — Risks Relating to Our Business — Fluctuations in the market prices for coal, coke, refined chemicals and energy products may materially and adversely affect our business, financial condition and results of operations” and “Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Performance of our business segments.”

⁽¹⁾ According to Frost & Sullivan, “independent coking enterprises” refers to coke producers that are not owned or controlled (typically more than 50% of the equity interest) by any iron and steel manufacturers. Generally, if a coke producer is controlled by any iron and steel manufacturers, the majority of its coke products are typically used in its own iron and steel operation or used by such iron and steel manufacturers.

SUMMARY

OUR PRODUCTS

The following diagram depicts the main products that we produced or planned to produce as of the Latest Practicable Date:

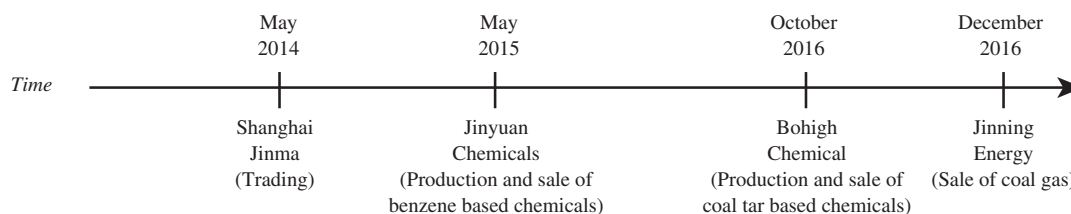


As of April 30, 2017, we were capable of producing approximately 2.1 million tons of coke (on a moist-free basis), processing approximately 120,000 tons and 180,000 tons of crude benzene and coal tar, respectively, and generating approximately 1,000 million m³ of coal gas per annum. The utilization rate for our coke production for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 amounted to approximately 99.7%, 99.5%, 98.9% and 34.6%, respectively. The utilization rate for our crude benzene processing for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 amounted to approximately nil, 89.2%, 106.9% and 40.4%, respectively. The utilization rate for our coal tar processing for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 amounted to approximately nil, nil, 100.3% and 31.0%, respectively. The utilization rates for the processing lines of our coking by-products exceeded 100% in 2016, primarily because our actual working hours exceeded those we used to calculate our annual capacity to meet the increased market demand and as a result of the improvements in the processing efficiency and technical upgrade of production facilities. For details, please see “*Business — Production Facilities.*”

During the Track Record Period, we sold substantially all the coke that we produced. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, we sold approximately 2.2 million tons, 2.3 million tons, 2.2 million tons and 0.8 million tons of coke (on a moist basis), respectively.

OUR ACQUISITIONS DURING THE TRACK RECORD PERIOD

Leveraging on our scale and strength in coking operations, we have established a vertically integrated business model mainly through acquisition. The following diagram shows the acquisitions that we completed during the Track Record Period:



As our coking process generates certain valuable coking by-products such as crude benzene, coal tar and crude oven gas, our management team has been exploring the possibility of maximizing the value of our coking by-products. Having attained a stable production of coke, we reached a critical scale of production that enabled us to implement a vertically integrated business model along the coking chemical value chain through processing

SUMMARY

coking by-products. Such integration has been implemented since 2015 through our acquisition of majority equity interests in companies engaged in the downstream processing of coking by-products and the production and sale of refined chemicals or coal gas. The production facilities of these companies are located in the same industrial park and connected by a network of pipelines with us. The establishment of such vertically integrated business model underpinned by an interconnected network of pipelines has enabled us to efficiently extend and diversify our product portfolio and revenue streams and reduce our exposure to market volatilities and price fluctuations with respect to any single product.

OUR FUTURE PLAN

Leveraging on our successful track record and past experience in extending our involvement in the coking chemical value chain, we intend to further extend the value chain to produce downstream energy products, mainly LNG. We commenced the construction of our LNG facilities in the first quarter of 2017 and expect to commence the commercial production of LNG in the first quarter of 2018. In addition, we plan to build new coke granules coal gas facilities as part of our raw materials and procurement plan in order to secure a sufficient amount of coal gas required for the production of LNG, and four gas stations as part of our sales and marketing plan for the LNG project. The total investment of our LNG project is estimated to be approximately RMB641.5 million, of which approximately RMB66.0 million had been incurred as of April 30, 2017. We plan to use certain portion of the proceeds from the Global Offering, cash from our operations and bank loans to fund the total investment of our LNG project. For more details, please see “*Business — Future Plan.*”

OUR COMPETITIVE STRENGTHS

We believe we have the following strengths that will enable us to maintain our leading position: (i) we are the second and third largest independent coking enterprise in terms of sales revenue and production volume of coke, respectively, in Henan province in 2016, focusing on quality production; (ii) we have established a vertically integrated business model along the coking chemical value chain and all our production facilities are pipeline-interconnected and located in the same industrial park; (iii) we possess advanced technologies and industry know-how and have facilities to facilitate environmentally responsible production and compliance with increasingly stringent emission standards; (iv) as a large-scale coke producer and coking by-products processor, we are well-positioned to benefit from future industry consolidation; (v) we are in close proximity to quality coal supply and markets with strong coke demands as well as convenient transportation network; and (vi) we have a diversified base of Shareholders, ranging from large state-owned enterprises to private companies and some of them are our long-term customers, as well as an experienced and dedicated management team.

OUR DEVELOPMENT STRATEGIES

We intend to pursue the following strategies: (i) we will continue to invest in production technologies and enhance the efficiency of our coke production facilities; (ii) we plan to capitalize on the market demand for clean energy driven by the PRC government’s environmental policies and extend our value chain further downstream by producing LNG; (iii) we will continue to develop and sustain our relationships with key customers and diversify our customer base; (iv) we will continue to invest in our facilities for environmentally responsible production and implement measures to further reduce emissions to achieve long-term sustainable development; and (v) we will pursue opportunities to expand our business through selected acquisitions, joint ventures and partnerships.

OUR RELIANCE ON MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS

During the Track Record Period, Maanshan Steel and Jiangxi PXSteel Group were two of our largest customers. The sales to Maanshan Steel represented approximately 31.2%, 30.3%, 27.2%, 25.0% and 24.9% of our total revenue for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, respectively, and the aggregated sales to Jiangxi PXSteel Group represented approximately 24.0%, 18.5%, 13.2%, 6.7% and 23.2% of our total revenue for the same periods, respectively. Maanshan Steel and Jiangxi PXSteel established our Predecessor in 2003 with Yugang Coking to ensure that they will be able to secure a stable supply of high quality coke from us to meet their production requirements. We had committed to provide Maanshan Steel and Jiangxi PXSteel, who also committed to purchase, at least 500,000 tons and 300,000 tons of coke per year based on prevailing market prices in our target markets during the Track Record Period, and the principles and key terms of the committed supply and purchase of coke were documented in the respective framework agreement that we entered into with each of them in anticipation of the Listing. For more details, please see “*Relationship with Maanshan Steel, Jiangxi PXSteel Group and Other Related Parties and Connected Persons*” and “*Continuing Connected Transactions — B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders’ approval requirements.*”

Our Directors consider that our business has not unduly relied on our relationship with Maanshan Steel and Jiangxi PXSteel Group primarily because: (i) we had actively and successfully diversified our product lines during the Track Record Period, (ii) the percentage of our sales to Maanshan Steel and Jiangxi PXSteel Group continued to decrease from 2014 to 2016 as we were able to develop new customers, including new large-scale iron and steel manufacturers and trading customers, and (iii) the reliance is mutual as evidenced by the fact that

SUMMARY

we were one of the largest coke suppliers of Maanshan Steel Group and Jiangxi PXSteel Group during the Track Record Period, respectively, and our stable track record of over 10 years of business relationship with each of them. For more details, please see “*Relationship with Maanshan Steel, Jiangxi PXSteel Group and Other Related Parties and Connected Persons.*”

During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, our transactions with related parties mainly consisted of (i) sale of products and services to related parties in an aggregated amount of approximately RMB2,067.7 million, RMB1,431.0 million, RMB1,646.5 million, RMB324.8 million and RMB888.6 million, respectively, (ii) purchase of raw materials and services from related parties in an aggregated amount of approximately RMB140.2 million, RMB26.0 million, RMB65.8 million, RMB10.9 million and RMB8.8 million, respectively; (iii) provision of financial guarantee in relation to the RMB50.0 million and RMB55.0 million bank loans of Jinjiang Refinery during the years ended December 31, 2015 and 2016, respectively, with a maximum exposure of RMB50.0 million, RMB55.0 million and RMB55.0 million for the years ended December 31, 2015 and 2016 and the four months ended April 30, 2017, respectively, which was due in 2019 and was released in May 2017, and (iv) loan from our related parties, mainly the RMB30.0 million loan from Jinma Xingye for five months in 2014 and the RMB10.0 million loan from Jinhai Industry for two months in 2014. For more details of our relationship with Maanshan Steel and Jiangxi PXSteel Group and our related party transactions, please see “*Relationship with Maanshan Steel, Jiangxi PXSteel Group and Other Related Parties and Connected Persons,*” Note 44 to the Accountants’ Report of the Group set out in Appendix I to this prospectus and “*Financial Information.*”

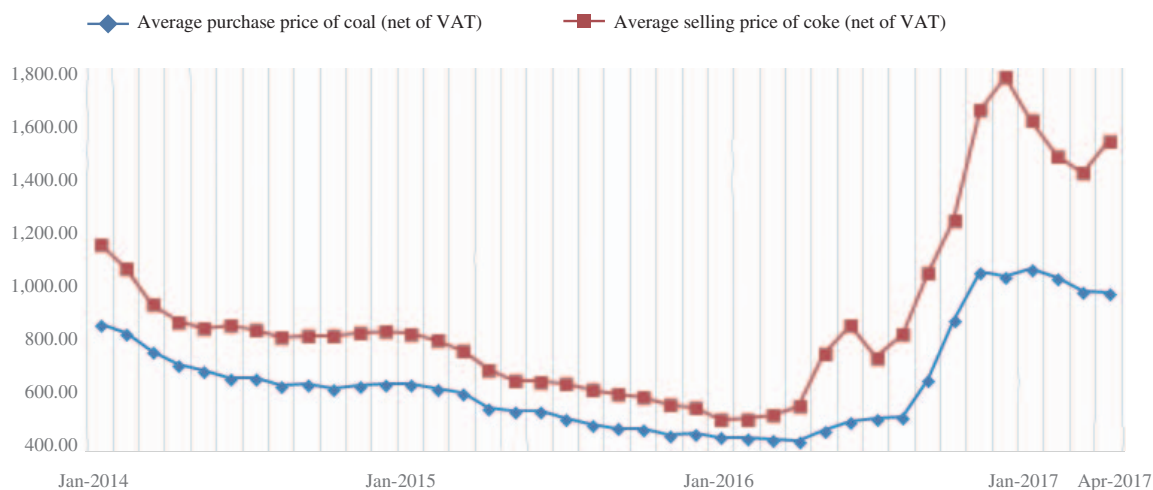
OUR RAW MATERIALS AND SUPPLIERS

The principal raw material used for coke production is coal. Our total cost of raw materials for our manufacturing segments constituted approximately 91.4%, 89.2%, 89.8%, 88.7% and 93.3% of our total cost of production for our manufacturing segments for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, respectively. Our cost of coal for our manufacturing segments constituted approximately 100.0%, 92.0%, 83.2%, 80.5% and 79.3% of our total cost of raw materials for our manufacturing segments for the same periods, respectively. We purchased coal from suppliers located in regions around our production base including Shanxi, Henan, Shaanxi and Jiangsu provinces in the PRC. As for the production of our refined chemicals, we use the crude benzene and coal tar derived from our coking process as principal raw materials. We also source these materials externally when the quantity of by-products generated from our coking process cannot satisfy the need of our production. The principal raw material for the production of our energy products is crude oven gas, which is derived from our main coking facilities. During the Track Record Period, we did not experience any difficulty in sourcing the coal or coking by-products that are necessary for our production. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, purchases from our five largest suppliers accounted for approximately 55.9%, 45.1%, 37.2%, 38.5% and 33.8% of our total purchases, respectively, while purchases from our largest supplier accounted for approximately 19.2%, 13.9%, 9.0%, 14.1% and 9.6% of our total purchases, respectively. For sensitivity analysis of the cost of coal on our operating results, please see “*Financial Information — Quantitative and Qualitative Disclosures about Market Risks.*”

OUR SALES AND CUSTOMERS

We market our products primarily by direct marketing through our sales and marketing department and, with respect to our refined chemicals, also through online trading platforms. Our key customers are large-scale iron and steel manufacturers for coke, and chemical companies and trading companies for refined chemicals. During the Track Record Period, we sold our coal gas to Jinning Energy, which in turn sold the coal gas to glass manufacturing companies, metal refineries and to our joint venture company, Jinjiang Refinery, for its production of hydrogen.

We generally sell our products based on prevailing market prices in the regions where we sell our products, with reference to other factors mainly including the raw materials price, the supply and demand in downstream industries, and factors applicable to individual customers such as the specifications of our products and the availability of regional transportation capacity. The prices of our coke and refined chemicals are subject to frequent negotiation and adjustment, in some cases several times a month in response to market price fluctuations. We are exposed to movements in the market prices of coal and our products, as well as changes in the spread between those prices. The following chart shows the average purchase price of our coal and the average selling price of our coke during the Track Record Period according to our internal records:



SUMMARY

For more details, please see “*Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Prices of our raw materials and products.*” For sensitivity analysis of selling price of coke and cost of sales, please see “*Financial Information — Quantitative and Qualitative Disclosures about Market Risks.*”

PRICING RISK MANAGEMENT

Since we sell our products and procure our coal generally based on prevailing market prices and the prices of coal typically move in tandem, though at different speed and magnitude, with the prices of coke and iron and steel, we believe we are generally able to negotiate the prices of our products and raw materials taking into account market price fluctuations. Given that (i) we closely monitor the size of orders placed by our customers, typically on a monthly or weekly basis, to plan our production, (ii) our production cycle is relatively short thus reducing our exposure to market price fluctuations, and (iii) we actively manage our inventory at a reasonable level to sustain our production without interruption as well as to avoid inventory risk, we did not enter into any hedging arrangement to hedge our exposure to changes in the prices of raw materials and products during the Track Record Period. Going forward, our management team will review our pricing risk management policy from time to time and we may consider to engage in hedging activities if we consider that it is commercially reasonable and effective to mitigate our exposure to market price risk through hedging.

NON-COMPLIANCE

All of our business operations are in the PRC. As of the Latest Practicable Date and except as disclosed below, we are in compliance with related laws and regulations in all material respects, and have obtained all necessary licenses, permits and certificates in respect of our business in the PRC. Our historical non-compliance incidents during the Track Record Period can be summarized into the following categories: (i) discharge of pollutants beyond the specified emission standards; (ii) failure to timely obtain certain permits and complete certain filings for certain of our buildings and structures; and (iii) production or sale of certain products beyond the permitted scope or limit. Considering (i) the historical non-compliance incidents were due to failure of our relevant staff to fully appreciate the relevant legal requirements or inadvertent oversight of our relevant staff, was not due to the dishonesty or fraudulence of our Directors nor did any of these incidents raise any concern on the integrity of our Directors, and has no material impact on the results of our business operations or financial position; (ii) we adopted substantially all of the recommendations made by our Internal Control Reviewer who confirmed that all matters previously identified had been rectified; and (iii) that since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that we had not had any material breach of applicable laws and regulations, our Directors are of the view that, despite such non-compliance incidents, our Directors are still suitable to serve as directors of a listed company and we are suitable for listing. For more details, please see the section headed “*Business — Regulatory Compliance*” and “*Business — Internal Control.*”

RISK FACTORS

There are certain risks and other factors involved in our operations and the Global Offering, which can be categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. We believe that the following are some of the major risks that we face: (i) fluctuations in the market prices for coal, coke, refined chemicals and energy products may materially and adversely affect our business, financial condition and results of operations; (ii) our operating results have been subject to significant fluctuations during the Track Record Period and may continue to fluctuate in the future; (iii) we rely on a limited number of customers and we do not generally enter into long-term sales contracts with our customers; (iv) we are subject to risks relating to product concentration and our product development efforts may not be successful; and (v) we are exposed to risks of inventory fluctuation. For more details, please see “*Risk Factors.*”

RECENT DEVELOPMENTS

Our business model, revenue and cost structure have remained unchanged since April 30, 2017. Based on our unaudited management accounts for the two months ended June 30, 2017, our unaudited revenue for the two months ended June 30, 2017 was comparatively higher than the same period in 2016 due to a substantial increase in the average selling price of coke in 2017. We believe that demand for our products will remain steady despite the fluctuation of our selling prices. The price of coal, the key raw material for our coking process, had increased since May 2016 but decreased in 2017. According to Frost & Sullivan, the average monthly price of main coking coal slightly decreased from approximately RMB1,195.9 per ton (net of VAT) in December 2016 to approximately RMB1,086.0 per ton (net of VAT) in August 2017. The average price of main coking coal for the period from September 1, 2017 to September 15, 2017 amounted to approximately RMB1,167.8 per ton (net of VAT). The average monthly price of coke has decreased from approximately RMB1,770.4 per ton (net of VAT) in December 2016 to approximately RMB1,583.6 per ton (net of VAT) in August 2017. The average price of coke for the period from September 1, 2017 to September 15, 2017 amounted to approximately RMB1,755.3 per ton (net of VAT).

SUMMARY

According to Frost & Sullivan, the monthly production volume of pig iron and crude steel in China has remained stable in the first six months of 2017. In the first eight months of 2017, steel price in China slightly increased because of the increasing demand from the construction industry, mainly driven by the local governments' announcements of major infrastructure and city construction projects in early 2017.

The price of benzene based chemicals generally decreased while the price of coal tar based chemicals generally increased from December 2016 to August 2017. For example, according to Frost & Sullivan, the average monthly price of pure benzene decreased from approximately RMB6,390.0 per ton (net of VAT) to approximately RMB5,144.9 per ton (net of VAT) and the average monthly price of coal asphalt increased from approximately RMB1,617.8 per ton (net of VAT) to approximately RMB2,900.4 per ton (net of VAT) from December 2016 to August 2017.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in “— *Recent Developments*,” our Directors confirm that there has been no material adverse change in our financial or trading position, business, industry or market environment in which we operate since April 30, 2017.

SHAREHOLDING STRUCTURE AND CONTROLLING SHAREHOLDER

Our Controlling Shareholder, Mr. Yiu Chiu Fai (an executive Director), through his controlled corporation of Golden Star, Jinma Coking and Jinma HK, will be interested in approximately 30.37% of the share capital of our Company immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised). As of the Latest Practicable Date, other than his interest in our Group, Mr. Yiu Chiu Fai did not control any other material private operating businesses. Having considered (i) our management, operational and financial independence; (ii) the non-competition deed entered into between Mr. Yiu Chiu Fai and us on September 18, 2017; and (iii) the corporate governance measures we will adopt to manage any potential conflicts of interest, our Directors believe that we are capable of carrying out our business independently from, and do not place reliance on, our Controlling Shareholder and his close associates after Listing. For more details, please see “*Relationship with Our Controlling Shareholder*.”

Maanshan Steel was interested in 36% of the total issued share capital of our Company as of the Latest Practicable Date. Upon completion of the Global Offering, Maanshan Steel will be interested in approximately 27% of the total issued shares of our Company (assuming the Over-allotment Option is not exercised) or approximately 26.67% of the total issued shares of our Company (assuming the Over-allotment Option is exercised in full). Upon the Listing, Maanshan Steel will continue to be one of the substantial Shareholders and connected persons of our Company and is not subject to lock-up requirement pursuant to Rule 10.07(1)(b) of the Listing Rules.

DIVIDEND

On March 17, 2017, we declared a special dividend in the amount of approximately RMB100.0 million. Such dividend had been fully settled by June 2017. In 2014, 2015 and 2016, we declared dividends in the total amount of nil, approximately RMB48.0 million and nil, respectively, which were fully settled. We do not have any dividend policy nor a predetermined dividend payout ratio. The recommendation of payment and the amount of any future dividends will be at the absolute discretion of our Board and the amount of any dividend actually distributed to our Shareholders will depend on our operation, earnings and financial condition, working capital, cash requirement and availability, capital expenditure and future development and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. For more details, please see “*Financial Information — Dividend*.”

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Selected Historical Consolidated Income Statement Data

The following table sets forth selected items of consolidated statements of profit or loss and other comprehensive income:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	2,563,674	2,244,731	3,298,634	699,550	1,760,803
Cost of sales	(2,385,867)	(2,119,342)	(2,863,413)	(666,836)	(1,478,473)
Gross profit	177,807	125,389	435,221	32,714	282,330
Other income	5,845	8,953	4,379	1,444	2,352
Other gains and losses	74,255	8,790	29,038	2,663	4,254
Selling and distribution expenses	(12,931)	(18,222)	(30,795)	(7,524)	(18,865)
Administrative expenses	(33,068)	(36,912)	(43,912)	(13,115)	(19,328)
Finance costs	(73,842)	(53,006)	(47,729)	(14,617)	(18,408)
Listing expenses	—	—	(5,540)	—	(3,500)
Share of result in a joint venture	—	(1,208)	4,001	2,257	1,722
Share of result in associates	1,935	(888)	1,374	431	—
Profit before tax	140,001	32,896	346,037	4,253	230,557
Income tax expense	(34,741)	(8,739)	(79,205)	(437)	(57,700)
Profit and total comprehensive income for the year/period	<u>105,260</u>	<u>24,157</u>	<u>266,832</u>	<u>3,816</u>	<u>172,857</u>
Profit and total comprehensive income for the year/period attributable to:					
- Owners of the Company	104,390	23,631	265,939	3,575	166,778
- Non-controlling interests	870	526	893	241	6,079
	<u>105,260</u>	<u>24,157</u>	<u>266,832</u>	<u>3,816</u>	<u>172,857</u>
Earnings per share (RMB)					
- Basic	<u>0.38</u>	<u>0.07</u>	<u>0.66</u>	<u>0.01</u>	<u>0.42</u>
Non-IFRS Measures					
Adjusted net profit/ (loss) (unaudited)	45,725	17,553	228,290	(822)	168,660
Adjusted EBITDA (unaudited)	197,790	147,103	429,556	37,087	276,828

Gross Profit Margin and Net Profit Margin

Our gross profit margin was approximately 6.9%, 5.6%, 13.2%, 4.7% and 16.0% for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, respectively. During the Track Record Period, the fluctuations of our gross profit margin were mainly attributable to (i) the changes in the spread between the average selling prices of our products, mainly coke and the average purchase prices of the main raw materials used, mainly coal, (ii) the fact that the fixed cost element in our manufacturing overhead remained relatively stable regardless of changes in revenue and (iii) the consolidation of the results of our acquired businesses and the elimination of intra-group sales and purchases.

The following table sets out our gross profit and gross profit margin by our business segment:

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	Segment gross profit	Gross profit margin	Segment gross profit	Gross profit margin	Segment gross profit	Gross profit margin	Segment gross profit/(loss)	Gross profit/(loss) margin	Segment gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Coke	31,692	1.7	9,352	0.6	301,607	14.6	(26,415)	(6.6)	221,699	19.3
Coking by-Products	111,768	33.7	29,939	17.6	11,030	10.8	4,136	11.4	1,314	34.8
Refined Chemicals	—	—	30,473	12.9	54,654	9.1	18,082	12.7	35,503	8.6
Energy products	31,332	23.5	45,739	36.1	69,675	39.4	35,133	59.7	26,883	29.2
Trading	6,588	3.8	10,110	5.6	6,124	1.7	1,929	3.5	3,103	3.1

SUMMARY

Our gross profit margin increased significantly from 2015 to 2016 mainly because our gross profit margin for the coke segment increased from approximately 0.6% in 2015 to 14.6% in 2016. The substantial increase was primarily due to the increase in the average selling price of coke from approximately RMB665.4 per ton in 2015 to approximately RMB917.1 per ton in 2016 (both on a net of VAT basis), mainly attributable to the recovery of iron and steel and construction industries in 2016. In addition, our gross profit margin increased significantly from 4.7% in the four months ended April 30, 2016 to 16.0% in the comparable period in 2017, mainly due to the substantial increase in the gross profit margin for our coke segment, which was partially offset by a decrease in the gross profit margin for our energy products due to a substantial increase in coal price during the four months ended April 30, 2017 as compared to the same period in 2016. The increase in the gross profit margin for our coke segment was mainly driven by the substantial increase in the average selling price of coke from approximately RMB535.8 per ton during the four months ended April 30, 2016 to approximately RMB1,509.4 per ton in the comparable period in 2017 (both on a net VAT basis), which was mainly attributable to the continuous recovery of iron and steel and construction industries in 2017. For details regarding our gross profit and gross profit margin by business segment, please see “*Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Performance of our business segments.*”

Our net profit margin was approximately 4.1%, 1.1%, 8.1%, 0.5% and 9.8% in 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, respectively. The fluctuations of our net profit margin during the Track Record Period were primarily due to the changes in gross margin for the reasons specified above, an increase in the selling, general and administrative expenses and a fluctuation of finance costs. The fluctuations were also due to the changes in other gains and losses mainly reflecting the net gains recognized on the changes of the obligations under financial guarantee contracts. Our net profit margin increased significantly from 2015 to 2016, and from the four months ended April 30, 2016 to the four months ended April 30, 2017, respectively, mainly as a result of the significant increase in our gross profit for the reasons as stated above. For more details, please see “*Financial Information — Review of Historical Operating Results.*”

Other Income and Other Gains and Losses

Our other income consists primarily of interest income generated from the deposits we maintained at our bank accounts, government grant and subsidies and rental income. Our other gains and losses primarily consist of allowance for or reversal of allowance for doubtful debts, allowance for inventories, loss on disposal of property plant and equipment, gain on release of and loss on initial recognition of obligations under financial guarantee contracts, bargain purchase on acquisition of a subsidiary, gain on deemed disposal of interest in an associate, donations and others. For more details, please see “*Financial Information — Description of Selected Income Statement Line Items.*”

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit/(loss) and adjusted EBITDA as additional financial measures. We present these financial measures because they are used by our management to evaluate our operating performance. For the definition of adjusted net profit/(loss) and adjusted EBITDA and more details of these non-IFRS measures, please see “*Financial Information — Non-IFRS Measures.*” When assessing our operating and financial performance, you should not consider adjusted net profit/(loss) or adjusted EBITDA in isolation or as a substitute for our profit and total comprehensive income for the year or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies.

Selected Historical Consolidated Statements of Financial Position Data

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	857,898	1,020,829	1,195,138	1,268,030
Current assets	963,188	744,926	1,167,178	1,215,533
Current liabilities	1,277,289	1,045,010	976,495	1,059,890
Net current (liabilities) assets	(314,101)	(300,084)	190,683	155,643
Total assets less current liabilities	<u>543,797</u>	<u>720,745</u>	<u>1,385,821</u>	<u>1,423,673</u>
Capital and reserves	<u>312,534</u>	<u>288,165</u>	<u>480,834</u>	<u>547,612</u>
Total equity	540,624	620,141	945,934	1,037,791
Non-current liabilities	3,173	100,604	439,887	385,882
	<u>543,797</u>	<u>720,745</u>	<u>1,385,821</u>	<u>1,423,673</u>

SUMMARY

Net Current (Liabilities) Assets

As of December 31, 2014 and 2015, we had net current liabilities of approximately RMB314.1 million and RMB300.1 million, respectively, primarily because we used more short-term bank borrowings to finance our working capital requirements. We increased our long-term borrowings in 2016 and recorded net current assets of approximately RMB190.7 million as of December 31, 2016. Our net current assets then decreased to RMB155.6 million as of April 30, 2017 primarily due to the special dividend in the amount of RMB100.0 million declared on March 17, 2017, which had been fully settled by June 2017. Our Directors expect that after giving effect to, among other things, the net proceeds from the Global Offering, the cash generated from our business operations, and our continuing effort in optimizing our debt structure to reduce the percentage of our short-term borrowings in our total borrowings, our working capital position will continue to improve.

Selected Historical Consolidated Statements of Cash Flow Data

The following table presents selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Net cash from operating activities	348,533	227,971	168,435	46,708	119,619
Net cash used in investing activities	(160,400)	(34,306)	(76,323)	(68,665)	(80,369)
Net cash (used in)/from financing activities	(204,928)	(211,237)	(16,065)	53,876	26,124
Net (decrease)/increase in cash and cash equivalents	(16,795)	(17,572)	76,047	31,919	65,374
Cash and cash equivalents at the beginning of the year	65,060	48,265	30,693	30,693	106,740
Cash and cash equivalents at the end of the year, representing bank balances and cash	<u>48,265</u>	<u>30,693</u>	<u>106,740</u>	<u>62,612</u>	<u>172,114</u>

KEY FINANCIAL RATIO

	As of December 31,			As of April 30,	
	2014	2015	2016	2017	
Gearing Ratio ⁽¹⁾	1.3x	1.0x	0.8x	0.7x	
Current Ratio ⁽²⁾	0.75x	0.71x	1.20x	1.15x	
Quick Ratio ⁽³⁾	0.59x	0.61x	1.03x	1.01x	

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2017	
Return on Equity ⁽⁴⁾	21.6%	4.1%	35.6%	54.7%	
Adjusted Return on Equity ⁽⁴⁾	9.3%	3.0%	30.4%	53.4%	
Return on Assets ⁽⁵⁾	5.8%	1.3%	12.9%	21.4%	
Adjusted Return on Assets ⁽⁵⁾	2.5%	1.0%	11.1%	20.9%	

- (1) Calculated by dividing our total interest-bearing bank borrowings by our total equity as of the end of each year/period.
- (2) Calculated by dividing our total current assets by our total current liabilities as of the end of each year/period.
- (3) Calculated by dividing our total current assets excluding inventories by our total current liabilities as of the end of each year/period.
- (4) Return on equity is calculated by dividing our profit attributable to owners of our Company for each year/period by our average equity attributable to owners of our Company for the same year/period, and adjusted return on equity is calculated by dividing our adjusted net profit (as defined in “*Financial Information — Non-IFRS Measures*”) minus profit attributable to non-controlling interests for the same year/period by our average equity attributable to owners of our Company for the same year/period. The return on equity and adjusted return on equity for the four months ended April 30, 2017 are annualized numbers (three times the number of the four months) based on the profit for the four months ended April 30, 2017 and hence may not be comparable to the return for the full year ended December 31, 2016.
- (5) Return on assets is calculated by dividing our profit and total comprehensive income for each year/period by our average total assets for the same year/period, and adjusted return on assets is calculated by dividing our adjusted net profit (as defined in “*Financial Information — Non-IFRS Measures*”) for each year/period by our average total assets for the same year/period. The return on assets and adjusted return on assets for the four months ended April 30, 2017 are annualized numbers (three times the number of the four months) based on the profit for the four months ended April 30, 2017 and hence may not be comparable to the return for the full year ended December 31, 2016.

SUMMARY

LISTING EXPENSE

Listing of H Shares will incur listing expenses including professional fees, underwriting commissions and other fees and expenses. The total listing expenses, which are non-recurring in nature, are expected to amount to approximately RMB38.6 million, of which RMB17.5 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB21.1 million is directly attributable to the issue of the Shares to the public and to be capitalized. For the year ended December 31, 2016 and the four months ended April 30, 2017, we recognized and charged to our consolidated statements of profit or loss and other comprehensive income approximately RMB5.5 million and RMB3.5 million of such expenses, respectively. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ending December 31, 2017.

STATISTICS OF THE GLOBAL OFFERING

All the figures set forth in the following table are based on the following assumptions: (i) the Global Offering is completed and 133,334,000 H shares are issued and sold in the Global Offering; (ii) Over-allotment Option is not exercised at all:

	Based on an Offer Price of HK\$2.11 per Share	Based on an Offer Price of HK\$3.39 per Share
Market capitalization of H Shares to be issued under the Global Offering	HK\$281,334,740	HK\$452,002,260
Unaudited pro forma adjusted net tangible assets per Share ⁽¹⁾	HK\$ 2.38	HK\$ 2.68

(1) Unaudited pro forma adjusted net tangible assets per Share as of April 30, 2017 is calculated upon adjustment set out in Appendix II in this prospectus.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) (the “**Net Proceeds**”), assuming the Offer Price of HK\$2.75 per Offer Share, being the mid-point of the indicative Offer Price range, will be approximately HK\$320.2 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply the Net Proceeds in the following manner:

- (i) For our LNG project:
 - (a) 40.0%, or approximately HK\$128.1 million will be used to fund the construction of our coke granules coal gas facilities, which are expected to be put into operation during the first half of 2018, in order to secure a sufficient amount of coal gas required for the production of LNG. For details of our coke granules coal gas facilities, please see “*Business — Future Plan — Raw Materials and Procurement Plan*”;
 - (b) 10.0%, or approximately HK\$32.0 million will be used to invest in our LNG production facilities, which is expected to be put into operation during the first quarter of 2018. For details of our LNG production facilities, please see “*Business — Future Plan*”; and
- (ii) 40.0%, or approximately HK\$128.1 million will be used to invest in the implementation of the dry quenching facility for our coking furnaces 1 and 2, which are expected to be put into operation during the second quarter of 2019. For details of the reasons, benefits and our plan for the investment in our dry quenching facility, please see “*Business — Our Strategies — We will continue to invest in production technologies and enhance the efficiency of our coke production facilities*”; and
- (iii) 10.0%, or approximately HK\$32.0 million will be used as working capital and other general corporate purposes.

For more details, please see “*Future Plans and Use of Proceeds*.”

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“12th Five-Year Plan”	12th Five-Year Plan for National Economic and Social Development of the PRC
“13th Five-Year Plan”	13th Five-Year Plan for National Economic and Social Development of the PRC
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	the WHITE , YELLOW and GREEN Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of the Company conditionally adopted on January 17, 2017, which will become effective upon the Listing, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of our Company
“Bohigh Chemical”	河南博海化工有限公司 (Henan Bohigh Chemical Co., Ltd.), a company established in the PRC on January 29, 2004 and a wholly owned subsidiary of our Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“CAGR”	compound annual growth rate, calculated as $(\frac{V_{(tn)}}{V_{(to)}})^{\frac{1}{tn-to}} - 1$, $V_{(to)}$: start value, $V_{(tn)}$: finish value, $tn-to$: number of years
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CG Code”	Corporate Governance Code set out as Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Taiwan, the Macau Special Administrative Region of the PRC and the Hong Kong Special Administrative Region of the PRC
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Henan Jinma Energy Company Limited (河南金馬能源股份有限公司), a joint stock company with limited liability incorporated in the PRC on August 3, 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, for the purpose of this prospectus, refers to Mr. Yiu Chiu Fai, Golden Star, Jinma Coking and Jinma HK
“Controlling Shareholder Group”	Mr. Yiu Chiu Fai, any of his close associates and companies controlled by Mr. Yiu Chiu Fai and his close associates, including Golden Star, Jinma Coking and Jinma HK, but other than our Group
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	a deed of indemnity dated September 18, 2017 entered into by Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye, with and in favor of, our Company (for itself and as the trustee for each of its subsidiaries) in respect of, among other things, certain indemnities regarding taxation and estate duty

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition undertakings dated September 18, 2017 executed by Mr. Yiu Chiu Fai, our Controlling Shareholder, in favor of our Company, particulars of which are set out in the section headed “ <i>Relationship With Our Controlling Shareholder — Non-competition Undertaking</i> ” in this prospectus
“Director(s)”	director(s) of our Company
“Domestic Share(s)”	domestic invested share(s) in our ordinary share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
“Existing Shareholders”	collectively, Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye
“Fangsheng Chemicals”	濟源市方升化學有限公司 (Jiyuan Fangsheng Chemicals Co., Ltd.*), a company established in the PRC on October 15, 2003. It is owned as to approximately 57.92% by Jinma Xingye, approximately 41.24% by Yugang Coking and approximately 0.85% by 濟源市工業開發公司 (Jiyuan Industrial Development Co., Ltd.*), an Independent Third Party
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Golden Star”	Golden Star Chemicals (Holdings) Limited (金星化工(控股)有限公司), a company incorporated in the BVI on December 7, 2007 with limited liability. It is wholly owned by Mr. Yiu Chiu Fai, our Controlling Shareholder and an executive Director, and it is a holder of approximately 96.3% of the issued share capital of Jinma Coking
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group” or “we” or “our” or “us”	our Company and its subsidiaries, and “Group Companies” shall be construed accordingly, and if the context requires, includes our Predecessor and subsidiaries

DEFINITIONS

“HK\$”, “Hong Kong dollar(s)”, “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC, in its capacity as nominee for HKSCC (or any successor thereto) as operator of CCASS and any successor, replacement or assign of HKSCC Nominees Limited as nominee for the operator of CCASS
“Hong Kong Offer Shares”	H Shares offered pursuant to the Hong Kong Public Offering, subject to adjustment as described in “ <i>Structure of the Global Offering</i> ”
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares (subject to adjustment) by the public in Hong Kong at the Offer Price on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in “ <i>Structure of the Global Offering — The Hong Kong Public Offering</i> ”
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering set out in “ <i>Underwriting — Hong Kong Underwriters</i> ”
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated September 25, 2017 which was entered into among our Company, the Sole Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters, Mr. Yiu Chiu Fai, Mr. Wang Mingzhong and Mr. Li Tianxi relating to the Hong Kong Public Offering, as further described in “ <i>Underwriting</i> ”
“H Share(s)”	overseas listed foreign share(s) in our share capital with a nominal value of RMB1.00 each, to be subscribed for Hong Kong dollars and listed and traded on the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“IFRS”	the International Financial Reporting Standard(s)
“Independent Third Party(ies)”	any entity or person who is not a connected person (within the meaning ascribed under the Listing Rules) of the Company

DEFINITIONS

“International Offer Shares”	H Shares offered pursuant to the International Offering together, where relevant, with any H Shares which may be issued or offered pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in “ <i>Structure of the Global Offering</i> ”
“International Offering”	the offer of the International Offer Shares outside the United States in offshore transactions in accordance with Regulation S for subscription at the Offer Price on and subject to the terms and conditions of the International Underwriting Agreement, as further described in “ <i>Structure of the Global Offering</i> ”
“International Underwriters”	the group of underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into among our Company, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters, as further described in “ <i>Structure of the Global Offering — the Global Offering</i> ”
“Jiangxi PXSteel”	江西萍鋼實業股份有限公司 (Jiangxi PXSteel Industrial Co. Ltd.*) (formerly known as 萍鄉鋼鐵有限責任公司 (Ping Xiang Steel Co., Ltd.*)), a joint stock company established in the PRC on November 29, 1999. It is currently interested in 13.5% of the issued shares of our Company
“Jiangxi PXSteel Framework Agreement”	has the meaning ascribed in “ <i>Continuing Connected Transactions — Continuing Connected Transactions — B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders’ approval requirements — (2) Sale of coke to the Jiangxi PXSteel Group</i> ”
“Jiangxi PXSteel Group”	Jiangxi PXSteel and its subsidiaries
“Jinboyuan Technology”	濟源市金博源科技有限公司 (Jiyuan Jinboyuan Technology Co., Ltd.*), a company established in the PRC on August 9, 2016 and was a wholly owned subsidiary of Bohigh Chemical before its deregistration on January 20, 2017

DEFINITIONS

“Jinjiang Refinery”	河南金江煉化有限責任公司 (Henan Jinjiang Refinery Co., Ltd.*), a company established in the PRC on May 14, 2014. It is owned as to 49% by the Company and 51% by 洛陽煉化有限責任公司 (Luoyang Refinery Co., Ltd.*), an Independent Third Party
“Jinma Coking”	Jinma Coking (BVI) Limited (金馬焦化(英屬維爾京群島)有限公司), a company incorporated in the British Virgin Islands on December 9, 2010 with limited liability. It is owned as to approximately 96.3% by Golden Star and approximately 3.7% by an Independent Third Party, and it is the sole shareholder of Jinma HK
“Jinma HK”	Jinma Energy (Hong Kong) Limited (金馬能源(香港)有限公司) (formerly known as Jinma Coking (Hong Kong) Limited (金馬焦化(香港)有限公司)), a company incorporated in Hong Kong on November 5, 2010 with limited liability. It is a wholly owned subsidiary of Jinma Coking and is currently interested in 40.5% of the issued shares of our Company
“Jinma Xingye”	濟源市金馬興業投資有限公司 (Jiyuan Jinma Xingye Investment Co., Ltd.*), a company established in the PRC on February 14, 2008. It is held by 43 individual shareholders comprising certain current and former employees of the Group and its associated companies, details of which are set out in “ <i>History, Development and Reorganization.</i> ” It is currently interested in 10% of the issued shares of our Company
“Jinning Energy”	濟源市金寧能源實業有限公司 (Jiyuan Jinning Energy Co., Ltd.*), a company established in the PRC on July 2, 2007 and a subsidiary of our Company
“Jinrui Energy”	河南金瑞能源有限公司 (Henan Jinrui Energy Co., Ltd.*), a company established in the PRC on May 24, 2016 and a subsidiary of our Company
“Jinrui Gas”	河南金瑞燃氣有限公司 (Henan Jinrui Gas Co., Ltd.*) , a company established in the PRC on May 24, 2016 and a subsidiary of our Company
“Jinyuan Chemicals”	濟源市金源化工有限公司 (Jiyuan Jinyuan Chemicals Co., Ltd.*), a company established in the PRC on November 23, 2012 and a wholly owned subsidiary of our Company

DEFINITIONS

“Jinzheng E-commerce”	河南金正電子商務有限公司 (Henan Jinzheng E-commerce Co., Ltd.*), a company established in the PRC on August 4, 2014. It was a 51% subsidiary of our Company before the Reorganization
“Latest Practicable Date”	September 18, 2017, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of the H Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Tuesday, October 10, 2017, on which dealings in the H Shares first commence on the Hong Kong Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Maanshan Steel”	Maanshan Iron & Steel Company Limited (馬鞍山鋼鐵股份有限公司), a company incorporated in the PRC on September 1, 1993 whose A and H shares are listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively. It is currently interested in 36% of the issued shares of our Company
“Maanshan Steel Framework Agreement”	has the meaning ascribed in “ <i>Continuing Connected Transactions — Continuing Connected Transactions — B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders’ approval requirements — (1) Sale of coke to the Maanshan Steel Group</i> ”
“Maanshan Steel Group”	Maanshan Steel and its subsidiaries
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas* (《到境外上市公司章程必備條款》), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, which were promulgated by the former Securities Commission of the State Council (國務院證券委員會), the predecessor of the CSRC, and the former State Commission for Restructuring and the Economics Systems (國家經濟體制改革委員會) on August 27, 1994, as amended and supplemented from time to time
“NDRC”	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC” or “National People’s Congress”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which the H Shares are to be subscribed for and issued pursuant to the Global Offering, such price to be determined by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on or before the Price Determination Date. For more details, please see “ <i>Structure of the Global Offering</i> ”
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional H Shares which may be issued or offered pursuant to any exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters pursuant to which our Company may be required to allot and issue up to an aggregate of 6,666,000 additional H Shares (representing approximately 5% of the Offer Shares initially available under the Global Offering) at the Offer Price to, among other things, cover over-allocation, if any, in the International Offering, as further described in “ <i>Structure of the Global Offering</i> ”

DEFINITIONS

“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as promulgated by the Standing Committee of the National People’s Congress of the PRC on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
“PRC EIT Law”	the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) adopted by the National People’s Congress of the PRC on March 16, 2007 and become effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Legal Advisors”	EY Chen & Co. Law Firm, our PRC legal advisors
“PRC government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the Standing Committee of the Ninth National People’s Congress on December 29, 1998 and effective on July 1, 1999, and subsequently amended on August 31, 2014, as amended, supplemented or otherwise modified from time to time
“Predecessor” or “our Predecessor”	河南金馬能源有限公司 (Henan Jinma Energy Co., Ltd.*) (formerly known as 濟源市金馬焦化有限公司 (Jiyuan Jinma Coking Co., Ltd.*)), a limited liability company established in the PRC on February 13, 2003 and the predecessor of our Company
“Price Determination Date”	the date, expected to be on or about Friday, September 29, 2017, on which the Offer Price will be determined and, in any event, no later than Monday, October 9, 2017
“Promoters”	Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye, being the promoters of our Company upon its establishment on August 3, 2016
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Persons”	the Sole Sponsor, Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their or our Company’s respective directors, officers, employees, agents, advisors or representatives or any other person involved in the Global Offering

DEFINITIONS

“Reorganization”	the reorganization of our Group in preparation for the Listing, details of which are set out in “ <i>History, Development and Reorganization — The Reorganization</i> ” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAIC” or “State Administration for Industry and Commerce”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Jinma”	上海金馬能源有限公司 (Shanghai Jinma Energy Sources Co., Ltd.*), a company established in the PRC on November 27, 2013 and a subsidiary of our Company
“Shanghai Lugang”	上海路港燃料有限公司 (Shanghai Lugang Fuel Co., Ltd.*), a company established in the PRC on November 2, 2001 and an indirect wholly owned subsidiary of the Zhengzhou Railway Bureau
“Shares”	our ordinary shares in the share capital with a nominal value of RMB 1.00 each
“Shareholder(s)”	the holder(s) of the shares of our Company and if the context requires, includes our Predecessor
“Sichuan Kongfen”	四川空分設備(集團)有限責任公司 (Sichuan Kongfen Equipment (Group) Co., Ltd.*), a company established in the PRC on 25 February 1972 and held by 48 Independent Third Parties. It is a holder of a 19% interest in Jinrui Energy, a subsidiary of our Company
“Sole Bookrunner”, “Sole Global Coordinator” and “Sole Lead Manager”	Haitong International Securities Company Limited
“Sole Sponsor”	Haitong International Capital Limited

DEFINITIONS

“Special Regulations”	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
“Stabilizing Manager”	Haitong International Securities Company Limited (or any of its affiliates or any person acting for it)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	supervisor(s) of our Company
“Supervisory Committee”	the supervisory committee of our Company established pursuant to the PRC Company Law, as described in “ <i>Directors, Supervisors and Senior Management</i> ”
“Track Record Period”	the period comprising the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Unlisted Foreign Share(s)”	unlisted foreign invested ordinary share(s) in our ordinary share capital with a nominal value of RMB1.00 each, which are subscribed and held by persons other than PRC nationals or PRC corporate entities
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollar(s)”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax

DEFINITIONS

“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO service at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Yilong Coal”	霍州煤電集團洪洞億隆煤業有限責任公司 (Huozhou Coal Electricity Group Hongdong Yilong Co., Ltd.*), a company established in the PRC on January 28, 2015. It is owned as to 33% by our Company and 51% and 16% by 霍州煤電集團有限責任公司 (Huozhou Coal Electricity Group Co., Ltd.*) and 山西億隆礦山用品有限公司 (Shanxi Yilong Mine Products Co., Ltd.*), each being an Independent Third Party, respectively
“Yugang Coking”	豫港 (濟源) 焦化集團有限公司 (Henan Hongkong (Jiyuan) Coking Group Co., Ltd.), a company established in the PRC on May 22, 1997. It is owned as to approximately 88.03% by Golden Fair Chemicals (Holdings) Limited, being a connected person of our Company (details of which are set out in “ <i>Continuing Connected Transactions — Continuing Connected Transactions — B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders’ approval requirements — (3) Purchase of coal tar, crude benzene and coal gas from Yugang Coking</i> ”) and as to approximately 11.97% by 洛陽鐵路運通集團有限公司 (Luoyang Railway Yuntong Group Co., Ltd.*), being an Independent Third Party
“Zhengzhou Fuxiang”	鄭州福祥汽車銷售服務有限公司 (Zhengzhou Fuxiang Vehicle Sales Services Co., Ltd.*), a company established in the PRC on April 29, 2010 and held by two Independent Third Parties. It is a holder of a 10% interest in Jinrui Energy, a subsidiary of our Company
“Zhengzhou Railway Bureau”	Zhengzhou Railway Bureau is wholly owned by 中國鐵路總公司 (China Railway Corporation), which in turn is the national railway operator of the PRC and a state-owned enterprise
“Zhengzhou Railway Group”	Zhengzhou Railway Bureau and its subsidiaries

DEFINITIONS

“Zhongyuan Yungong”	河南中原雲工有限責任公司 (Henan Zhongyuan Yungong Co., Ltd.*), a company established in the PRC on January 20, 2016. It was owned by our Company as to approximately 11.11%, Fangsheng Chemicals and Yugang Coking as to approximately 11.11% each, and six other Independent Third Parties as to approximately 66.67% in aggregate before the Reorganization
“%”	per cent

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms and abbreviations used in this prospectus that are in connection with our Group and our business. The terms and their assigned meanings may not, however, correspond to standard industry meaning or usage of those terms.

“1/3 coking coal”	a type of coking coal that possess the characteristics of main coking coal, gas coal and fat coal
“adhesiveness”	the ability of a substance to cause two surfaces to stick together
“ammonium sulfate”	a crystalline solid produced from the chemical reaction between sulfuric acid and ammonia
“anthracene oil”	a dark yellow oil that distills over from coal tar above 270° C and is the principal source of anthracene, phenanthrene, and carbazole
“ash content”	ash consists of incombustible impurities contained in coal. Ash increases the weight of coal, adds to the cost of handling, and can affect the burning characteristics. Ash content is measured as a percent by weight of coal on a moist-free basis
“carbon black”	a material produced by the incomplete combustion of petroleum or coal tar
“carbon monoxide”	a colorless, odorless toxic flammable gas
“coal”	metallurgical coal, the key raw material used in the production of coke
“coal asphalt”	a sticky black liquid or solid, distilled from coal tar
“coal gas”	a mixture of gases (chiefly hydrogen, methane, and carbon monoxide) obtained by the destructive distillation of coal
“coal blending”	blending coal in predetermined and controlled quantities to adjust the chemical or burn characteristics of the resulting coal or to produce a more uniform product
“coal tar”	a brown or black liquid of high viscosity, which is the liquid by-product of the distillation of coal to make coke
“coke”	a carbon material produced by the destructive distillation of a mixture of coal. Unless otherwise indicated, the term “coke” used in this prospectus refers to coke, coke granules and coke breeze

GLOSSARY OF TECHNICAL TERMS

“crude oven gas”	oven gas is obtained as a by-product of the manufacture of coke
“coking”	the process of converting coal into coke and other coking by-products
“coking by-products”	refer to crude benzene, coal tar and crude oven gas in this prospectus
“crude benzene”	a crude form of benzene, containing mainly toluene and xylene
“domestic fuel”	fuel used for domestic purposes
“dry quenching”	a process which coke is cooled by circulating inert gas
“Entry Conditions”	the Entry Conditions for Coking Industry (焦化行業准入條件) promulgated by the National Development and Reform Commission in September 2005, which was amended in 2014 by The Ministry of Industry and Information Technology of the PRC to raise the level of entry requirements
“fat coal”	a coal that shows greater levels of volatile matter. It generally also has a higher caking index
“hydrogen”	a colorless, odorless, highly flammable gas
“industrial fuel”	fuel used for industrial purposes
“industrial naphthalene”	a volatile white crystalline compound produced by the distillation of coal tar
“ISO”	International Organization for Standardization, an organization which maintains a standard for quality management systems
“lean coal”	a relatively low volatile coal with average caking abilities
“LNG”	also known as liquefied natural gas, a gas comprised predominantly of methane that has been converted to liquid form for ease of storage or transport
“main coking coal”	a high quality hard coking coal with low to medium levels of volatility and relatively high bonding properties
“manufacturing segments”	our coke, coking by-products, refined chemicals and energy products segments
“mechanical strength”	the ability of coke to withstand the stress of physical force and resist breakup and abrasion

GLOSSARY OF TECHNICAL TERMS

“moisture content”	the percentage moisture content equals the weight of moisture divided by the weight of dry material multiplied by 100. The moisture content of a coal or mineral sample consists of two portions, namely, the free or surface moisture which can be removed by exposure to air, and the inherent moisture which is entrapped in the fuel, and is removed by heating at 93.3 degrees centigrade
“nitrogen oxides”	any of several oxides of nitrogen most of which are produced in combustion
“pig iron”	raw iron, the immediate product of smelting iron ore with coke and limestone in a blast furnace
“processing capacity”	the ability and speed of a processor, and how many operations it can carry out in a given amount of time
“production capacity”	the maximum quantity of product that can be produced by an equipment in a period of time on a normal sustainable long-term operating rate that is based on the operating parameters of such equipment, subject to certain assumptions
“pulverizer”	a mechanical device for the grinding of many different types of materials
“pure benzene”	an organic chemical compound which is a colorless and highly flammable liquid
“refined chemicals”	chemicals which have undergone the process of purification
“sulfur”	the chemical element of atomic number 16, a yellow combustible non-metal
“sulfur content”	the amount of sulfur, a non-metallic chemical element, that is contained in a particular sample of coal
“sulfur dioxide”	a colorless pungent gas formed by burning sulfur in air
“thermal energy”	the internal energy present in a system due to its temperature
“toluene”	a colorless liquid hydrocarbon present in crude benzene
“volatility”	the percentage of volatile matter contained in coal, which is determined by heating coal to around 1,000 degrees Celsius under controlled conditions and measuring, among others, the weight loss

GLOSSARY OF TECHNICAL TERMS

“wash oil”	oil used in scrubbing and recovering benzene and other aromatic compounds, may be processed into other refined chemicals or used as fuel
“xylene”	a volatile liquid hydrocarbon contained in crude benzene

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would,” “wish” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in “*Financial Information*” in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Our Directors confirm that these forward-looking statements are made after due and careful consideration. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and

FORWARD-LOOKING STATEMENTS

assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

For more details, please see “*Risk Factors — Risk Relating to the Global Offering — There are risks associated with forward-looking statements contained in this prospectus.*”

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations and the Global Offering. Many of these risks are beyond our control and can be categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS

Fluctuations in the market prices for coal, coke, refined chemicals and energy products may materially and adversely affect our business, financial condition and results of operations.

Coal is a key raw material for our coke production process. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, our total cost of raw materials for our manufacturing segments constituted approximately 91.4%, 89.2%, 89.8%, 88.7% and 93.3% of our total cost of production for our manufacturing segments, respectively. Our cost of coal for our manufacturing segments constituted approximately 100.0%, 92.0%, 83.2%, 80.5% and 79.3% of our total cost of raw materials for our manufacturing segments for the same periods, respectively. We source coal principally from large state-owned mine bureaus and local coal plants located in Shanxi, Henan, Shaanxi and Jiangsu provinces in China. We normally enter into annual supply contracts with our coal suppliers. These supply contracts specify the indicative quantities of coal that we plan to purchase in the relevant period but the actual purchase prices are determined at the time of purchase. According to our internal records, for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, our coal input to coke output ratios were approximately 1.304, 1.289, 1.351, 1.330 and 1.329, respectively, and we consumed approximately 2.9 million tons, 2.9 million tons, 3.0 million tons, 1.0 million tons and 1.0 million tons of coal, respectively. If our coal input to coke output ratio increases, we may need to source additional coal from our suppliers.

The price of coal is driven by numerous factors beyond our control, including the supply and demand in the market and governmental policy and is subject to fluctuation from time to time. The average price of coal decreased gradually from January 2011 to December 2015, due to various factors including the decreasing price of downstream products, including coke, and the decrease in demand in the iron and steel industries in China. According to Frost & Sullivan, the average price of the main coking coal in China, for example, decreased from approximately RMB1,262.6 per ton (net of VAT) in January 2011 to approximately RMB537.7 per ton (net of VAT) in December 2015. The average monthly price of main coking coal rebounded significantly in 2016, increasing from RMB522.2 per ton (net of VAT) in January 2016 to RMB1,195.9 per ton (net of VAT) in December 2016. Between January 2017 and September 2017, the price of main coking coal maintained a stable trend. The average price of main coking coal for the period from September 1, 2017 to September 15, 2017 amounted to approximately RMB1,167.8 per tonnes (net of VAT).

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The PRC government regulates the supply, demand and price of coal in part through changes to laws, regulations, policies and controls. For more details, please see “*Regulatory Overview — Others — Policies Relating to Macro-Control in the Coal Industry.*” Coal producers in China are therefore subject to extensive national, provincial and local governmental laws, regulations, policies and controls. For instance, the PRC government implemented certain policies in 2016 to address the coal industry’s overcapacity issue, such as limiting the number of days that coal mines can operate in a year, which limited the supply of coal and resulted in an increase in the price of coal in China. If the abovementioned policies are waived and cause the price of coal to drop, it may in turn result in a drop of the coke price. As the changes in the price of coke may not move in tandem with that of coal, the spread may be narrowed, which may have an adverse impact on our margin and profit. If there is a shortage in supply of, or an increased demand for, coal in China, the price of coal may increase and we cannot assure you that we will be able to secure an adequate supply of coal at acceptable prices, or at all. If we are unable to pass any price increase in coal on to our customers and cannot lower other manufacturing costs in amounts sufficient to offset such higher raw material costs, our business, financial condition and results of operations may be materially and adversely affected.

Our coke, refined chemicals and energy products as well as our coal supplies are all priced largely according to prevailing market prices, which are subject to fluctuation and by reference to various other factors applicable to individual customers. In the past few years, the market prices for coal, coke, refined chemicals and energy products have experienced significant fluctuations. Generally, the average price of coke declined gradually from 2011 to 2015, mainly due to downstream iron and steel industry slowdown. The average price of coke has rebounded since May 2016 to reach approximately RMB1,583.6 per ton (net of VAT) in August 2017. The average price of coke for the period from September 1, 2017 to September 15, 2017 amounted to approximately RMB1,755.3 per ton (net of VAT).

According to our internal records, our average selling price of coke decreased from approximately RMB882.6 per ton (net of VAT) in 2014 to approximately RMB665.4 per ton (net of VAT) in 2015, but it has rebounded significantly since August 2016 to reach approximately RMB917.1 per ton (net of VAT) in 2016 and to approximately RMB1,509.4 per ton (net of VAT) in the four months ended April 30, 2017. Although the factors influencing changes in the price of coal overlap to a certain extent with those influencing changes in the prices of our coke, refined chemicals and energy products, market price trends of coal and our coke, refined chemicals and energy products may not always correlate with one another. In addition, the changes in the price of coal normally lag behind the changes in the prices of coke and other downstream products, and we may not be able to lower our cost of coal immediately when the coke price drops, or vice versa.

If the prices of coke, refined chemicals and energy products fall below the cost of sales and remain at such a level for any sustained period, we could experience operational losses which could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that the prices of coke, refined chemicals and energy products will remain steady or move in tandem with the cost of sales, and any fluctuation may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

In addition, our profit margin was mainly determined by the changes in the spread between the average selling prices of our products and the average purchase prices of the main raw materials. Given the relatively fixed manufacturing costs that we incur, we are particularly sensitive to the fluctuations in the prices of our products, and our profit margin will decrease when the prices of our products drop.

We are particularly sensitive to movements in the market prices of coal and our products and the changes in the spread between these prices. Our gross profit margin decreased from approximately 6.9% in 2014 to 5.6% in 2015, but increased significantly to 13.2% in 2016, and our gross profit margin was approximately 16.0% for the four months ended April 30, 2017 as compared to approximately 4.7% for the four months ended April 30, 2016, mainly due to the changes in the spread between the prices of coal and coke. For more details, please see “*Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Prices of our raw materials and products.*” Any increase in the market price of coal without a corresponding increase in the market prices of our products, or any decrease in the market prices of our products without a corresponding decrease in the market price of coal, could materially and adversely affect our business, financial condition and results of operations.

Our operating results have been subjected to significant fluctuations during the Track Record Period and may continue to fluctuate in the future.

Our operating results during the Track Record Period were, and we expect will continue to be, subject to significant fluctuations. Our revenue decreased by approximately 12.4% from approximately RMB2,563.7 million in 2014 to approximately RMB2,244.7 million in 2015, mainly due to a significant decline of coke price in the market in 2015. Our net profit before tax dropped by approximately 76.5% from approximately RMB140.0 million in 2014 to approximately RMB32.9 million in 2015, mainly due to a decrease in revenue and a decrease in gain on release of financial guarantee contracts. For more details, please see “*Financial Information.*” Some material factors affecting our operating results include, but are not limited to:

- changes in general economic conditions;
- alterations in the prices of and demand for our products, mainly coke, refined chemicals and energy products;
- our customers’ business outlook;
- changes in our production costs and the prices and availability of raw materials (mainly coal, crude benzene and coal tar) and labor;
- our effectiveness in managing the timing of our raw materials purchases and delivery;
- our effectiveness in managing our manufacturing processes and controlling costs;
- our ability to optimize our production capacity and maintenance schedule of our production facilities;

RISK FACTORS

- our ability to obtain financing in a timely manner and on reasonable terms;
- natural disasters and other unexpected business interruptions; and
- local conditions and events that may affect our production volumes, such as labor conditions, political instability and changes in local rules and regulations.

Due to the factors mentioned above and other risks discussed in this section, many of which are beyond our control, our operating results may fluctuate from period to period. As a result, our Share price may be volatile and may not always accurately represent our longer term value, and period-to-period comparisons may not be meaningful due to the above reasons. No assurance can be given that our operating results will meet the expectations of market analysts or our investors. If we fail to meet their expectations, there may be a decline in our Share price, which could materially and adversely affect our business, financial condition and results of operations.

We rely on a limited number of customers and we do not generally enter into long-term sales contracts with our customers.

We rely on our major customers for a substantial portion of our revenue. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, our sales to our five largest customers accounted for approximately 78.5%, 71.1%, 61.2%, 50.0% and 66.0% of our total revenue, respectively. Further, our sales to our single largest customer, Maanshan Steel, accounted for approximately 31.2%, 30.3%, 27.2%, 25.0% and 24.9% of our total revenue and our sales to the second largest customer, Jiangxi PXSteel Group, accounted for approximately 24.0%, 18.5%, 13.2%, 6.7% and 23.2% of our total revenue for the same periods, respectively. We anticipate that we will continue to rely on the business activities of our major customers. Our ability to maintain close relationships with these major customers is essential to our strategy and to the stability of our business. We cannot guarantee that we will be able to retain any of our major customers or any other customers, or that these customers will place orders with us in the future at the same levels as in prior periods, or that any of these or future customers will not terminate their relationship with us or significantly change, reduce, delay or cancel the products ordered from us or delay any payment to us. If any one of these customers significantly reduces its purchases of or delays any payment for our products or if we are unable to sell our products to them on similarly favorable terms or at all, our business, financial condition and results of operations may be materially and adversely affected.

Although we typically enter into annual sales agreements with our customers covering the general terms of our sales, none of our customers is obliged to purchase a minimum or fixed quantity of our products save as disclosed in “*Continuing Connected Transactions — Continuing Connected Transactions — B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders’ approval requirements.*” Our customers typically provide non-binding indications of the quantities of each product they expect to order in our sales agreements, but the actual sales volume is confirmed on a monthly or weekly basis and the price are subject to changes frequently based on prevailing market price. As such, we cannot assure you the stability and profitability of our sales. We do not normally have minimum purchase orders or long term sales contracts to protect us from the adverse financial effect of a reduction in the demand for our products, which may materially and adversely affect our business, financial condition and results of operations.

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Our results of operations and financial condition also depend on the financial condition and commercial success of our major customers. If one or more of these customers were to become insolvent or otherwise become unable to purchase or pay for products supplied by us, our business, financial condition and results of operations would be materially and adversely affected.

We are subject to risks relating to product concentration and our product development efforts may not be successful.

We derived the majority of our revenue from the sales of coke during the Track Record Period. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, revenue generated from the sales of coke accounted for approximately 74.9%, 67.8%, 62.4%, 57.5% and 65.1% of our total revenue, respectively. We expect that coke will continue to account for a large percentage of our revenue in the near term. Continued and increasing market acceptance of coke and our other products is critical to our future success. Any negative changes in the demand for or prices of these products could have a material adverse effect on our business, financial condition and results of operations. As a part of our strategy, we target to expand our product portfolio to include more downstream energy products such as LNG. Our sales of downstream energy products are expected to increase as a result of our expansion plan. There can be no assurance that any products we develop and introduce will achieve market acceptance. Any failure to successfully develop, launch and market new products could jeopardize our ability to recover from our significant investments, which in turn may materially and adversely affect our business, financial condition and results of operations.

We are exposed to risks of inventory fluctuation.

As of December 31, 2014, 2015 and 2016 and April 30, 2017, we had approximately RMB208.6 million, RMB106.8 million, RMB159.8 million and RMB144.1 million of inventories, respectively, accounting for approximately 21.7%, 14.3%, 13.7% and 11.9% of our total current assets as of the same date, respectively. When prices of our products decrease, the market value of our inventories will decrease. When the cost of ending inventories is greater than their recoverable value, we will mark our inventory to market value at the end of period, which we would record as an impairment loss. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, we provided approximately nil, RMB2.3 million, RMB2.4 million and RMB0.3 million of inventory provision, respectively, mainly for our inventory of coke breeze and coal tar due to the decrease in the prices of these products. For more details, please see “*Financial Information — Liquidity and Capital Resources — Inventory*.” If we fail to manage our inventory level efficiently or if we encounter any unanticipated decrease in demand for our products in the future, we may be subject to a decline in inventory values or significant inventory write-downs or write-offs. The occurrence of any of the above may materially and adversely affect our financial condition and results of operations.

RISK FACTORS

We may not be able to manage our growth and implement our expansion plans effectively.

We have grown rapidly over the past few years and intend to further expand our operations and diversify our product lines to include more downstream energy products, mainly LNG, to capitalize on opportunities in the relevant market in China. Such expansion would require investment in new facilities. We are in the process of constructing our LNG facilities, for more details, please see “*Business — Future Plan.*” We expect that we will incur additional costs, such as depreciation charges, raw material costs, financial costs and labour costs in relation to such expansion and the operation of such facilities. The success of our business expansion plan depends on various factors, many of which are beyond our control. The production and sale of new products may subject us to potential risks, such as potential difficulties in operating in a new industry with new competition or different operational requirements, regulatory schemes and trade controls with which we may not be familiar and which may require us to obtain new governmental or regulatory consents or approvals. There can be no assurance that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to successful achievement of our objectives.

In addition, if we fail to develop and maintain management, operational and administrative systems, resources and supporting infrastructure sufficient to keep pace with our planned growth, we may experience difficulties in managing our growth and our business, financial condition and results of operations could be materially and adversely affected. For example, we may encounter difficulties in producing or selling our new products or in constructing our production facilities for new products as a result of delay in obtaining necessary approvals from government authorities, budget overruns, shortage of necessary equipment components, shortage of labor, increase in costs or unexpected extreme weather condition. Furthermore, there is no assurance that we will be able to secure a stable supply of power or water at favorable terms, or at all, to sustain our future expansion. Any delay or interruption in the schedule for our production and sale may impact our ability to meet customer orders. This could result in a loss of existing and potential new customers who, under such circumstances, may seek to source products from our competitors.

Furthermore, we may seek to expand our business through acquisitions. The success of our acquisitions depends on the availability of, and competition for, suitable acquisition targets and on our financial resources, including available cash and borrowing capacity, and our ability to integrate the acquired targets into our business after completion. Moreover, future acquisitions may expose us to potential risks, including the diversion of management attention and resources from our existing business and the inability to generate sufficient revenue to offset the costs and expenses of an acquisition. Acquisitions may also result in an increased leverage, assumption of potential legal liabilities in respect of the acquired businesses, and incurrence of impairment charges related to goodwill and other intangible assets. As a result, we cannot assure you that we will be able to achieve the strategic purpose of any acquisition, the desired level of operational integration or our investment return target. If we are unable to implement our strategies effectively, our business, financial condition and results of operations may be materially and adversely affected.

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Our short production history of refined chemicals may make it difficult for you to evaluate our business and prospects.

We commenced our production of refined chemicals after we acquired Jinyuan Chemicals in May 2015 and Bohigh Chemical in October 2016. Our limited operating history with respect to these products may not form an adequate basis for the evaluation of our future operating results and prospects. You may have difficulties evaluating our business and prospects because of our limited operating history with respect to these products or any new products or the fluctuations in our performance during the Track Record Period. Our financial performance during the Track Record Period may not be indicative of our business and operating results in the future.

Any shortage of reliable and/or adequate transportation capacity and any material increase in transportation costs could materially and adversely affect our business, financial condition and results of operations.

The coal that we require for production and our products are all transported to us and from our production facilities, respectively, by rail and by road. Due to the limited transport capacity and the large transportation demand on the PRC national railway system, the allocation of transport capacity is subject to regulatory decisions. There is no assurance that our transportation requirements will be fully satisfied in the future. Transportation services by rail are subject to disruption from a variety of causes, including insufficient railway transport capacity, equipment or operating problems, labor disputes or strikes and severe weather conditions. Transportation services by road are also subject to disruption from other causes, including storms and adverse weather and natural disasters. Disruptions in the transportation systems we use for these or any other reasons could adversely affect our ability to receive raw materials and deliver products to our customers on a timely basis. In addition, any material increase in transportation costs could have a negative effect on our competitiveness, which may in turn materially and adversely affect our business, financial condition and results of operations.

Failure to comply with changes in the safety and environmental regulations applicable to coking chemical industry in a timely manner could harm our business.

We are heavily regulated by laws and regulations in the areas that we operate, including environmental regulations applicable to coking chemical industry and laws regulating the production, sale, storage, transportation and usage of dangerous chemicals, the generation, storage, handling, use and transportation of waste materials, the emission and discharge of waste materials into soil, air or water, energy saving standards and the health and safety of employees. The PRC government has been strengthening the environmental protection control and enforcement in recent years to alleviate the environmental impact of coke production. These laws and regulations currently impose fines for pollution and operations that are deemed unsafe and provide for discretions for the local government authorities to impose fines, limit production or close down any facility which violates environmental and safety laws and regulations or causes serious damages to the environment and human health and safety. The production of coke and other coking chemical products is inherently dangerous in nature. We cannot assure you that industrial accidents will not occur in our operations as well as any new operations that we may take on. We are also required to obtain and comply with production and operation licenses, permits and registration certificates for our coking chemical products and environmental permits for our operations. We may not be able to update such licenses and permits in

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a timely manner when such applicable laws and regulations change, in which event, our licenses or permits may be suspended or revoked, which may in turn materially and adversely affect our business, financial condition and results of operations. In addition, we will be responsible for clean-up in the event that our operations result in contamination at our production facilities. We may incur substantial costs for such clean-up, which may have a material adverse effect on our business, financial condition and results of operations.

We were fined for an aggregate of RMB210,000 by the Environmental Protection Bureau of Jiyuan City for excessive discharge of sulfur dioxide, nitrogen oxides and soot during the Track Record Period. For more details, please see “*Business — Regulatory Compliance.*” As the PRC government increases its efforts in environmental protection, our operation and facilities may be more strictly scrutinized and inspected, and approval processes for future operation or facilities or any alteration to existing operation or facilities may be prolonged. Compliance with environmental laws and regulations may result in delays, cause us to incur substantial compliance and other costs and prohibit or severely restrict our activity in environmentally-sensitive regions or areas. If we violate or fail to comply with applicable laws or regulations, we could be fined or otherwise sanctioned by regulators. If more stringent compliance or clean-up standards are imposed, or the results of future testing and analyses at our operating facilities indicate that we are in breach, we may be subject to additional remediation liability. Additional matters may also arise in the future at sites where no problem is currently known or at sites that we may acquire in the future. Any non-compliance with standards established by applicable laws and regulations or imposed on us could materially and adversely affect our business, financial condition and results of operations.

We incurred net current liabilities during the Track Record Period and we may not be able to extend or refinance our short term borrowings.

We incurred significant short-term borrowings during the Track Record Period. As of December 31, 2014, 2015 and 2016 and April 30, 2017, our short-term borrowings amounted to approximately RMB705.6 million, RMB518.4 million, RMB348.3 million and RMB422.0 million, respectively. As a result, as of December 31, 2014 and 2015, we had net current liabilities of approximately RMB314.1 million and RMB300.1 million, respectively. We may fund capital expenditures with internally generated cash flow and short-term bank loans in the future. We may not be able to renew or refinance our existing short term bank loans or secure additional external financing and, in that event, our business, financial condition and results of operations may be materially and adversely affected.

Our net current liabilities position exposes us to certain liquidity risks. Our future liquidity, the payment of other payables, and the repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and adequate external financing. We cannot assure you that we will maintain net current assets in the future. If we continue to have net current liabilities in the future, our working capital for the purpose of our operations may be constrained, which may materially and adversely affect our business, financial condition and results of operations.

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We rely on third party transportation companies to transport raw materials and products.

In addition to the railway transportation, we rely on a number of third party transportation companies to transport raw materials, from our suppliers to our production facilities and to transport our products to our customers when we are required to arrange the transportation under relevant contracts. There can be no assurance that sufficient transportation services will always be available to us. Based on our contracts, the transportation companies are typically responsible for any accidents or other incidents arising in relation to the transport trucks or drivers, or any loss of, or damage to, the goods while being delivered. However, we cannot assure you that we will be able to recover our lost profits, or be compensated if there is any such loss.

In addition, if we source our raw materials from suppliers or sell our products to customers located further away from our production facilities, or if fuel prices were to increase, our transportation costs would likely to increase, and we may not be able to pass such increase to our customers or stay competitive on pricing. Transportation costs affect our cost of sales and selling and distribution expenses. Any significant increase in our transportation costs could reduce our margins and profitability and could also have a negative effect on the competitiveness of our products, which may in turn materially and adversely affect our business, financial condition and results of operations.

Our reputation, business and results of operations may suffer if coal supplied to us does not meet our qualitative specifications.

Our customers require coke that meets certain benchmark qualitative specifications, including ash and sulfur content and mechanical strength. In order to be able to produce coke that meets these qualitative specifications, we in turn require that the coal supplied to us meets certain benchmark qualitative specifications stipulated by us. If we fail to use coal of appropriate standards as feedstock, we may be unable to produce coke that meets the requirements of our customers, which in turn may lead to our coke products being rejected and claims for damages by our customers. If this were to happen, our business, financial condition and results of operations would be materially and adversely affected.

We depend on certain third party suppliers of raw materials.

We depend on third party suppliers for coal, the main raw material for our coke production. We source our coal mainly from state-owned mine bureaus and local coal plants. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, purchases from our top five suppliers accounted for approximately 55.9%, 45.1%, 37.2%, 38.5% and 33.8% of our total purchase, respectively, and purchases from our largest supplier accounted for approximately 19.2%, 13.9%, 9.0%, 14.1% and 9.6% of our total purchase, respectively. In addition, after we acquired Jinyuan Chemicals and Bohigh Chemical and consolidated their production and sale of refined chemicals, we rely on third party suppliers for crude benzene and coal tar, as our internal supply is not sufficient to meet the production needs of our refined chemicals. There can be no assurance that our suppliers will continue to be able to supply at prices and terms and conditions acceptable to us in the future, or that new sources of supply will be available in a timely manner in the event that any of our existing suppliers is unable to meet our orders. If any of our suppliers ceases

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supplying to us for any reason and no suitable replacement of suppliers can be identified within a short period of time, we may not be able to satisfy purchase orders from our customers, and we may lose sales or be subject to increased raw materials costs, which may in turn materially and adversely affect our business, financial condition and results of operations.

Our business operations are subject to significant operational and safety risks and other unforeseen risks that may not be fully covered by our insurance policies.

In the course of our operation, we store, handle and transport volatile, flammable and/or hazardous liquid and gaseous chemical products (such as benzene, tar, sulphuric acid and coal gas) that are susceptible to the risks of fire, explosion and other hazards during the manufacture, storage and transportation processes. Improper handling of these materials and products can cause serious pollution, fires, explosions, personal injuries and possible legal liabilities. Any accidents resulting from improper handling of these materials may cause serious health and safety issues, or significant damages to our facilities and equipment and may cause interruptions to our business and operation and cause adverse publicity for us. We may face compensation claims from any parties, including but not limited to, our employees, customers or governments or other entities or individuals situated next to or adjacent to us.

Furthermore, there may be instances where we may have to pay out of our funds for financial and other losses, damages and liabilities caused by our operation and by other unforeseeable conditions such as weather, diseases, strikes, breakdowns of equipment, difficulties or delays in obtaining raw materials and equipment, natural disasters, terrorist incidents, industrial accidents or other situations. We have not purchased any third-party liability insurance coverage for claims relating to personal injuries, assets or environmental damages arising from our operations, nor have we purchased any insurance for interruptions to our business and operation or environmental liabilities, which, in our opinion, is consistent with customary practices. In addition, there are certain types of losses that are normally uninsurable in China, such as losses due to war and terrorism. There can be no assurance that our insurance coverage will be sufficient to cover all our losses in the future. Any business disruptions or natural disasters may result in substantial costs and diversion of resources and may materially and adversely affect our business, financial condition and results of operations.

We are exposed to counterparty risks in our contracts.

We have entered into a number of contractual arrangements including, but not limited to, sales contracts and framework agreements with our customers and purchase contracts with our suppliers. Our business, financial condition and results of operations are dependent on, among other things, the due performance of the obligations under these contracts by the relevant counterparties. We cannot assure you that these contracts and framework agreements will be duly performed by our counterparties, or at all. If our counterparties do not duly perform their obligations under the relevant contracts or the framework agreements, or at all, our business, financial condition and results of operations could be materially and adversely affected. We provided allowance for our doubtful debts of nil, approximately RMB0.5 million, RMB0.2 million and nil in relation to our trade receivables,

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and of approximately RMB2.3 million, RMB2.3 million, RMB2.4 million and RMB1.0 million in relation to our other receivables as of December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. For more details, please see “*Financial Information — Liquidity and Capital Resources — Trade and other receivables.*”

We are dependent on future cash flows generated from our business and additional financing to support our business operations and meet our capital expenditure requirements.

We have cash requirements both for ongoing operating expenses, working capital, general corporate purposes, for interest and principal payments on our outstanding indebtedness and for expansion of our business. As of April 30, 2017, we had cash and cash equivalents of approximately RMB172.1 million and net current assets of approximately RMB155.6 million, respectively. For details on changes in our cash flows, please see “*Financial Information — Liquidity and Capital Resources — Cash flow.*”

Our ability to generate adequate cash inflows from operating activities may be affected by decreasing sales or downward movements in our product prices. There can be no assurance that we will be able to generate sufficient net cash inflow from our operations in the future.

If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flows from operations. We cannot assure you that we will be able to raise adequate financing to fund our future capital requirements on acceptable terms, in time, or at all. External funding is subject to various factors, some of which are beyond our control, including:

- our future financial condition and credit rating;
- general market conditions for financing activities;
- our Share price; and
- the PRC government policies and regulations relating to lending in general.

If we are unable to generate sufficient cash from our operations or secure additional financing, which may include commercial bank borrowings or the issuance of equity or debt securities, to meet our obligations, we may suffer liquidity issue or may be forced to reduce our capital expenditures or may not be able to continue as a going concern. Reduction of our capital expenditures would make it more difficult for us to execute our strategy, including our expansion plans, in accordance with our expectations and could materially and adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations could be materially and adversely affected by our indebtedness and we are exposed to fluctuations in interest rates.

We are subject to a high degree of financial leverage. We have been and are expected to continue to rely on the borrowings to fund the majority of our capital requirements. As of April 30, 2017, we

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had a total outstanding debt of approximately RMB751.0 million. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, our gearing ratio (defined as total bank and other borrowings divided by total equity) were approximately 1.3, 1.0, 0.8 and 0.7, respectively. Our ability to repay the principal and pay the interest on our debt depends substantially on our operating performance, which in turn depends on the general conditions of the Chinese economy and the economic conditions of the particular market segments we serve, many of which are beyond our control. We may be forced to sell assets, seek additional capital or seek to restructure or refinance our indebtedness, which may not be successful or provide sufficient remedial measures. We may face substantial financial and operational risks if our business environment or the relevant interest or exchange rates change, or if our cash flows and capital resources are insufficient to fund our debt service obligations. Failure to service our debt could result in the imposition of penalties, including increases in interest rates that we pay on our debt and legal actions against us by our creditors, or even bankruptcy.

Due to our reliance on the borrowings, we are exposed to interest rate risk resulting from fluctuations in interest rates. As of April 30, 2017, we had fixed-rate borrowings in the amount of approximately RMB722.0 million and floating-rate borrowings in the amount of approximately RMB29.0 million. We do not currently hedge any of our interest rate risk. Increases in interest rates would increase interest expenses relating to our outstanding floating rate borrowings and increase the cost of new debt including rolled over short term loans. A significant increase in prevailing interest rates could substantially increase our finance costs, which could materially and adversely affect our business, financial condition and results of operations.

Moreover, we may incur additional debt to fund our planned capital expenditures and future projects, including our LNG project. The level of our indebtedness could have important consequences to our Shareholders, including, but not limited to: (i) limiting our ability to pay dividends and satisfy our debt obligations; (ii) increasing our exposure to general adverse economic and industry conditions; (iii) limiting our ability to obtain additional financing to fund future capital expenditures, working capital or other business development and expansion projects; (iv) requiring us to set aside a substantial portion of cash flow from our operations for the repayment of the principal of, and the interest on, our indebtedness, thereby reducing the availability of cash flow to fund capital expenditures, working capital or other business development expansion projects; and (v) limiting our ability to plan for, or react to, changes in our business. These consequences could materially and adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations may be materially and adversely affected by shortages in water supply and electricity or increases in water and electricity prices.

We consume a substantial amount of water and electricity in connection with our operations. We expect our demand for water and electricity to increase as our production capabilities increase and our business grows. The water available from our reservoir or our water processing facility or the electricity generated by us may not be sufficient for our operations. During the Track Record Period, we incurred higher costs when we sourced more electricity from third party power grids. There can be no assurance that sufficient supply of water and electricity will be available to us in the future. Any shortages or disruption in water supply or electricity could lead to lengthy production shutdowns and increased costs related to recommencement of operations. Insufficient water supply or electricity may

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force us to limit or delay our production, and could have a material adverse effect on our business, financial condition and results of operations. Any significant increase in water and electricity prices may increase our production costs and may materially and adversely affect our business, financial condition and results of operations if we are unable to pass the increased costs on to our customers.

We may not be able to retain or secure key qualified personnel, key senior management or other personnel for our operations.

We believe that the effectiveness of our operation depends, to a significant extent, on the expertise, experience and continued services of our key management personnel, including our Directors, key senior executives, managers, engineers, marketing, sales, manufacturing, support and other personnel, as well as our ability to continue to attract, retain and motivate such personnel. For details, please see “*Directors, Supervisors and Senior Management.*” The loss in the services of any key management personnel without adequate and timely replacement could limit our competitiveness, interrupt our production processes, affect our manufacturing quality and cause customer dissatisfaction, all of which could reduce our profitability. In addition, in order to manage our expansion, we will need to recruit additional skilled personnel. We believe there is competition for such personnel and we rely on the availability of manual labor at rates acceptable to us. In the event that any local labor shortage occurs in the future, we may have difficulties recruiting or retaining labor for our production facilities or may face increasing labor costs. In such event, our business, financial condition and results of operations could be materially and adversely affected.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future could materially and adversely affect our business, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. These regions may be under the threat of typhoons, tornados, snow storms, earthquakes, floods, droughts, power shortages or failures, or are susceptible to epidemics, such as Severe Acute Respiratory Syndrome, avian influenza, H1N1 influenza, H5N1 influenza, H7N9 influenza or Middle East respiratory syndrome, potential wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could materially and adversely affect our operations. Acts of war or terrorism, riots or disturbances may also injure or cause deaths to our employees, and disrupt our business network and operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely affect our business, financial condition and results of operations.

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RISKS RELATING TO OUR INDUSTRY

Our business is heavily influenced by the coal and iron and steel industries.

A large portion of our revenue is derived from the sale of coke. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, approximately 74.9%, 67.8%, 62.4%, 57.5% and 65.1%, respectively, of our revenue were attributable to the sale of coke. As the key raw material for the production of coke is coal, we are heavily influenced by the coal industry. Our cost of coal for our manufacturing segments constituted approximately 100.0%, 92.0%, 83.2%, 80.5% and 79.3% of our total cost of raw materials for our manufacturing segments for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, respectively. We are subject to the risk of fluctuating prices of coal as we may not be able to pass on any increase in coal prices to our customers. Historically, market prices for coal in China have fluctuated and have at times experienced changes in demand and supply. The fluctuations in supply and demand are caused by numerous factors beyond our control, which include, but are not limited to:

- economic and political conditions and competition from other energy sources;
- the rate of growth and expansion in industries with high demand for coal, and in particular the power, iron and steel and construction industries; and
- regulatory changes through the PRC government's regulation of on-grid tariffs and the allocation of transportation capacity on the national rail system.

Our business, financial condition and results of operations could be materially and adversely affected if we were unable to obtain sufficient quantities of coal on specifications and prices that are acceptable to us.

Coke is used principally in the iron and steel industry, which is heavily influenced by demand for iron and steel in the construction industry. Historically, a slowdown in the economy has usually resulted in a reduction in activities in the construction industry. In 2015, for example, the production volume of pig iron and crude steel in China both decreased. Any slowdown in the economy may result in reduced demand for iron and steel, which in turn would result in reduced demands for coke, and which could materially and adversely affect our business, financial condition and results of operations. Furthermore, our coke was primarily sold to iron and steel manufacturers in nearby provinces, and as such, we are heavily reliant on the level of activities in the iron and steel industry in the regions where we operate our business. We cannot assure you that the demand for coke in our nearby provinces and in China will continue to grow or will be sustained, or that the markets for coke will not experience fluctuations. The iron and steel industry is influenced by the PRC governmental policies. For example, the encouragement in infrastructure investment by the policy of the "Belt and Road" initiative is likely to stimulate demand of iron and steel, while the industry consolidation promoted by the PRC government will continue to phase out small-scale and technologically primitive iron and steel operations and result in a decrease in production volume. We cannot assure you that the investment in infrastructure in China will continue to grow or will be sustained. We may also be adversely affected by government policies that aim to rein excessive steel production in China. For instance, the PRC government recently published policies that aim to reduce excessive steel capacity, which may

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lead to shutdown of outdated steel mills in China and, in turn, may result in a decrease in demand for coke from the iron and steel industry. The iron and steel industry in China may be affected by barriers such as anti-dumping and other tariffs or other restrictions imposed on foreign trade. For instance, the United States and the European Union have recently launched anti-dumping and/or countervailing duty probes against the import of Chinese steel products. Such taxes on Chinese steel products may, in turn, adversely affect the production of steel and demand for coke in China. In addition, the steel price in China may be driven by the price difference between domestic and foreign steel prices. Any fluctuation in steel export may have an impact on the steel price in China. Any significant downturn in the iron and steel industry in China, and in particular, a downturn affecting iron and steel manufacturers in our target markets, could materially and adversely affect our business, financial condition and results of operations.

We face competition from a number of PRC competitors.

Competition in the PRC coking chemical industry is based on many factors, such as price and cost, production capacity, transport capabilities and quality and characteristics. We compete in the PRC with other small or large PRC companies in the supply of coke to iron and steel manufacturers and the supply of refined chemicals to chemical industry. The PRC coking chemical market is fragmented and we believe we may face price competition from other companies that may be able to produce coke and refined chemicals for lower costs than us due to various factors, including their lower expenditure on environmental protection, safety and regulatory compliance.

It is also possible that coal mines, steel plants or chemical companies may scale up their operations by expanding downstream or upstream and hence become our direct competitors in certain stages of the coking chemical value chain in the PRC. In addition, it is possible for coal mines and our customers such as steel plants to directly contract with each other and establish a coking operation and thereby bypass the services that we currently provide to them. In such circumstances, these coal mines or steel plants may have advantages over us and we may not be able to compete effectively against them. If so, our business, financial condition and results of operations may be materially and adversely affected. Our future success will depend on our ability to respond in an effective and timely manner to competitive pressure.

RISKS RELATING TO THE PRC

Substantially all of our assets are located in the PRC and most of our revenue is derived from the PRC. Hence, our business operations and prospects are to a large extent affected by the economic, political and legal developments in the PRC.

China's political, economic and social conditions could materially and adversely affect our business, financial condition and results of operations, and adverse developments in China's economy or an economic slowdown in China may reduce the demand for our products and services and materially and adversely affect on our business, financial condition and results of operations.

We conduct most of our business in China, and substantially all of our assets and operations are located, and substantially all of our revenues are derived from our operations, in China. Accordingly,

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our business, financial condition and results of operations are subject to the political, economic and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Although China's economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in China are still owned by the Chinese government. The Chinese government also has significant oversight over the economic growth of China by allocating resources, regulating payments of foreign currency-denominated obligations, setting monetary policies and granting preferential treatments to particular industries or companies. Although the Chinese government has implemented economic reform measures with a view to introducing market forces and establishing sound corporate governance systems and modern management systems in business enterprises in recent years, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not necessarily benefit from such measures.

The Chinese government has the power to implement macroeconomic control measures affecting its economy. Macroeconomic measures adopted by the Chinese government to stimulate economic growth may not be effective in sustaining the current growth of the Chinese economy. In addition, if any macroeconomic measures reduce the total fixed asset investment or value-added products generated by the construction industry, such measures may have a material adverse effect on our business, results of operations, financial condition and prospects.

Although China has been one of the world's fastest growing economies in recent years as measured by the GDP growth, China may not be able to sustain such a high growth rate. For example, the GDP growth rate of China decreased from 7.3% in 2014, to 6.9% in 2015 and to 6.7% in 2016. China's GDP growth rate is expected to continue declining. The global economy may continue to deteriorate in the future and continue to have an adverse impact on China's economy. Any significant slowdown in the Chinese economy could have a material adverse effect on our business and operations, in particular:

- Any slowdown in the economy may result in reduced demand for steel or chemical products or may impact our customers' financial condition, which in turn would result in reduced demand for coke, refined chemicals or coal gas, which would materially reduce our profit before tax;
- We may not be able to raise additional capital on favorable terms, or at all; and
- Trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

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In addition, the Chinese stock market has been relatively volatile in recent years. The significant government involvement in the stock market has brought further uncertainties to the market, and has had and may continue to have an adverse impact on investors' confidence in the capital markets in China. Moreover, concerns over liquidity issues, geopolitical issues, the availability and cost of credit and the unemployment rate have resulted in adverse market conditions in China, which may materially and adversely affect our business, financial condition and results of operations.

Furthermore, factors such as consumer, corporate and government spending, business investment, capital market volatility and inflation all affect the business and economic environment, the growth of the coal and steel industries and ultimately, could have a material adverse effect on our business, financial condition and results of operations.

Government control of currency conversion and future fluctuations in Renminbi exchange rates could have a material effect on our business, financial condition and results of operations, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Our revenues and expenses are substantially denominated in Renminbi, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we will need to obtain foreign currency to make payments of declared dividends, if any, on our Shares.

Under China's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to make current account foreign exchange transactions, including paying dividends in foreign currencies without prior approval from the SAFE. However, in the future, the Chinese Government may take measures, at its discretion, to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. If such measures are implemented, we may not be able to pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under our capital account are subject to significant foreign exchange controls and require the SAFE's approval. These limitations could affect our ability to obtain foreign exchange through offshore financing.

The RMB exchange rate fluctuates and is affected by changes in PRC government policies, domestic and international economic and political developments and supply and demand in the monetary market. Since July 2005, the PRC government has managed the Renminbi exchange rate within a floating band based on market supply and demand and with reference to a basket of currencies. The PBOC broadened the floating band for the trading price of Renminbi against the U.S. dollar on the inter-bank spot exchange market to 1% around the central parity rate in April 2012, and further broadened it to 2% in March 2014. The Renminbi depreciated significantly against major currencies in August 2015. In November 2015, the International Monetary Fund decided to include the Renminbi in the Special Drawing Rights basket used to value supplementary foreign exchange assets maintained by the International Monetary Fund beginning on October 1, 2016. While the immediate impact of this decision remains uncertain, the Renminbi's inclusion in the Special Drawing Rights basket is expected to encourage greater liberalization of PRC currency policies. We cannot assure you that Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other foreign currencies in the future.

RISK FACTORS

Our proceeds from the Global Offering will be denominated in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on our Shares in foreign currencies. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable cost in China, and we have not utilized, and may not in the future utilize, any such instrument. Furthermore, we are also currently required to obtain SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, results of operations, financial condition and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Uncertainties with respect to the Chinese legal system could have a material adverse effect on our business, financial condition and results operations.

Our business and operations are primarily conducted in China and are governed by applicable Chinese laws, rules and regulations. China's legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but have limited weight as precedents. Since the late 1970s, the Chinese government has significantly enhanced China's legislation and regulations to provide protection to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activity in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, China's legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of violations of these policies and rules by us, if any, until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention, which in turn could have a material adverse effect on our business, financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in China or Hong Kong based on foreign laws against us and our Directors and management.

Substantially all of our assets and a substantial portion of the assets of our Directors and management are located in China. It may not be possible for investors to effect service of process upon us or those persons in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "Arrangement"), pursuant to which a party with an enforceable final court

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judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors and management in China in order to seek recognition and enforcement of foreign judgments in China.

Payment of dividends is subject to restrictions under the PRC law.

Under the PRC law, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under the PRC GAAP or IFRSs, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in respect of periods in which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year may be retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under the PRC GAAP is different from the calculation under the IFRSs in certain respects, our operating subsidiaries may not have distributable profits as determined under the PRC GAAP, even if they have profits for that year as determined under the IFRSs, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Inability by our operating subsidiaries to pay us dividends could materially and adversely impact our cash flow and ability to make dividend distributions to our Shareholders in the future, including in respect of periods in which our financial statements indicate we are profitable.

You will generally be subject to PRC withholding tax on dividends received on our Shares, and may be subject to PRC tax on gains realized on the disposition of our Shares.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates

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pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual Shareholder and the tax rate applicable thereto are known to us. There is uncertainty as to whether gains realized upon disposition of Shares by non-PRC individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC enterprise income tax at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there are no specific rules about how to levy tax on gains realized by non-resident enterprise holders of Shares through the sale or transfer of Shares by other means.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or enterprise income tax on gains derived by holders of our Shares from their disposition of our Shares may be collected. If any such tax is collected, the value of our Shares may be materially and adversely affected. For more details, please see "*Appendix III — Taxation and Foreign Exchange — 1. Taxation in the PRC.*"

The enforcement of the PRC Labor Contract Law (中華人民共和國勞動合同法) and increases in labor costs in the PRC may adversely affect our business and our profitability.

The PRC Labor Contract Law and its implementation rules impose stringent requirements on employers with regard to entering into written employment contracts, hiring temporary employees and dismissing employees. The PRC Labor Contract Law and its implementation rules also provide for requirements relating to, among others, minimum wages, severance payments and non-fixed term employment contracts, time limits for probation periods as well as duration and the number of times that an employee can be placed on fixed term employment contracts. It also provides that social insurance is required to be paid on behalf of the employees and the employees are entitled to unilaterally terminate the labor contracts if this requirement is not satisfied.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which also came into effect on January 1, 2008, and its implementation measures, which were promulgated and became effective on September 18, 2008, employees who have served more than one year for an employer are entitled to paid annual leave ranging from five to 15 days, depending on their length of service. Employees who waive such annual leave at the request of employers shall be compensated at a rate of three times of their normal salaries for each waived annual leave day. Such

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new laws and regulations may increase our labor costs. In addition, certain companies operating in the PRC have experienced labor unrest since 2010 as a result of workers' dissatisfaction with working conditions and remuneration. We cannot assure you that these labor strikes will not affect general labor market conditions or result in changes to labor laws in the PRC, which in turn could adversely affect our business. Any significant increases in our labor costs and future disputes with our employees could nonetheless have a material and adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE GLOBAL OFFERING

There is no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to the Global Offering, there has been no public market for our Shares. We cannot assure you that an active trading market for our Shares will develop and be sustained following the Global Offering. In addition, the initial issue price range for our Shares was the result of negotiations between our Company and the Sole Global Coordinator, and the Offer Price may differ significantly from the market price of our Shares following the completion of the Global Offering. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. The Listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our Shares will not decline after the Global Offering.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price, some of which are beyond our control:

- variations in our revenues, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in China and Hong Kong and in the global economy;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in or being subject to material litigations or regulatory investigations.

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Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including by our Controlling Shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us, and our Shareholders may experience dilution in their holdings upon the issuance or sale of additional securities in the future.

The market price of our Shares when trading begins could be lower than the Offer Price.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on or about Friday, September 29, 2017 and in any event, not later than Monday, October 9, 2017. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may raise additional funds in the future to finance our future development plan, the expansion of our capacity, the enhancement of our technology development capabilities, the development of our operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to Existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that may take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

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Potential investors will experience immediate dilution as a result of the Global Offering.

Potential investors will pay a price per Share in the Global Offering that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities as of December 31, 2016. Therefore, purchasers of our Shares in the Global Offering will experience immediate dilution in pro forma net tangible assets of HK\$2.68 per Share based on our net tangible assets per Share as of April 30, 2017 (assuming the Offer Price of HK\$3.39, which is the high end of our indicative Offer Price range, and assuming the Over-Allotment Option is not exercised), and our existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares. For more details, please see “Appendix II — Unaudited Pro Forma Financial Information.” In addition, holders of our Shares may experience a further dilution of their interest if the Sole Global Coordinator (on behalf of the International Underwriters) exercises the Over-Allotment Option.

Any possible conversion of our Domestic Shares and Foreign Shares into H Shares in the future may increase the number of our H Shares in the market and may adversely and materially impact the market price of our H Shares.

Upon Listing, assuming the Over-allotment Option is not exercised, we will have two classes of ordinary shares, namely (i) 133,334,000 H Shares, which represent approximately 25.00% of our total share capital; and (ii) 238,000,000 Domestic Shares and 162,000,000 Foreign Shares, which represent approximately 75.00% of our total share capital and are not listed or traded on any stock exchange. Subject to the approval of the CSRC, all of our Domestic Shares and Unlisted Foreign Shares may be converted into H Shares in the future, and such converted Shares may be listed or traded on a stock exchange outside of the PRC, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval by the Shareholders in a general meeting and the approval from relevant PRC regulatory authorities shall have been obtained. However, the PRC Company Law provides that, in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon obtaining all requisite approvals, our Domestic Shares and Unlisted Foreign Shares may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year upon completion of the Global Offering, which at that time could further increase the number of our H Shares in the market and negatively impact the market price of our H Shares.

We cannot assure you that we will declare and distribute any amount of dividends in the future and dividends distributed in the past may not be indicative of our dividend policy in the future.

In 2014, 2015 and 2016, we declared dividends of nil, RMB48.0 million and nil, respectively. On March 17, 2017, we declared a special dividend in the amount of RMB100.0 million to our Shareholders. There can be no assurance that the amount of dividend declared by us in the future, if any, will be at the level declared and paid by us prior to the Global Offering. In addition, there can be no assurance that we will declare and pay dividends as other companies in our industry because the

RISK FACTORS

declaration, payment and amount of dividends are subject to the discretion of our Directors, depending on, among other considerations, our operations, earnings, cash flows and financial position, operating and capital expenditure requirements, our strategic plans and prospects for business development, our constitutional documents and applicable law. For more details on our dividend policy, please see “*Financial Information — Dividend.*”

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this prospectus.

Certain facts, statistics and data contained in this prospectus relating to China, Hong Kong, the coking industry, the refined chemical industry, the chemical, the coal gas and LNG industries, the coal industry and the iron and steel industry have been derived from various official government publications or other third-party reports we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this prospectus and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside China and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

There are risks associated with forward-looking statements contained in this prospectus.

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “anticipate,” “estimate,” “continue,” “believe” and other similar words. Since forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of our key personnel, changes relating to our industry and changes in general economic and business conditions. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed above in this section.

RISK FACTORS

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry or the Global Offering.

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business, our industries and the Global Offering. None of us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other person involved in the Global Offering has authorized the disclosure of information about the Global Offering in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed in any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

For the purpose of the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Members of our Group have entered into certain transactions which would constitute non-exempt continuing connected transactions of our Company under the Listing Rules after the Listing. Our Company has received from the Stock Exchange a waiver from strict compliance with the announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further details of such non-exempt continuing connected transactions and the waiver are set out in the section headed "*Continuing Connected Transactions*" in this prospectus.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Main Board of the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. However, Rule 19A.15 of the Listing Rules provides that the requirement under Rule 8.12 of the Listing Rules may be waived by the Stock Exchange at its discretion.

Since our principal business operations and production facilities are primarily located, managed and conducted in the PRC, our senior management members (save for Mr. Yiu Chiu Fai, who is an executive Director, and Mr. Wong Hok Leung, who is our company secretary) are and will therefore continue to be based in the PRC. At present, save for Mr. Yiu Chiu Fai and one of the three independent non-executive Directors (namely Mr. Wu Tak Lung who is a Hong Kong resident), all the other Directors are not Hong Kong residents or based in Hong Kong. We consider that the appointment of two executive Directors to reside in Hong Kong or the relocation of our executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules would not only increase our administrative expenses, but would also reduce the effectiveness and responsiveness of the decision making process of the Board, especially when business decisions are required to be made within a short period of time. Our Company does not and will not in the foreseeable future have two executive Directors residing in Hong Kong.

In light of the above, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirement of Rules 8.12 and 19A.15 of the Listing Rules, subject to the conditions that, among others, we put in place the following arrangements to maintain effective communication between us and the Stock Exchange:

- (a) we will appoint two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. We have appointed Mr. Yiu Chiu Fai (our executive Director) and Mr. Wong Hok Leung (our company secretary), who ordinarily reside in Hong Kong, as our two authorized representatives for such purpose. Each of the authorized representatives will be available

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or email. Each of the authorized representatives is authorized to communicate on our behalf with the Stock Exchange;

- (b) both of our authorized representatives will have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters;
- (c) we shall promptly inform the Stock Exchange of any changes to our authorized representatives;
- (d) we have appointed a compliance advisor pursuant to Rule 3A.19 and Rule 19A.05 of the Listing Rules who will also act as an additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules;
- (e) all Directors (including the independent non-executive Directors) who are not ordinarily resident in Hong Kong have confirmed that they will apply for valid travel documents to visit Hong Kong prior to the Listing and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required; and
- (f) all Directors will provide their respective mobile phone numbers, office phone numbers, e-mail addresses and fax numbers to the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 prospectus misleading.

CSRC APPROVAL

We have obtained the approval dated August 25, 2017 from the CSRC for the Global Offering and the making of the application to list our H Shares on the Hong Kong Stock Exchange. In granting such consent, the CSRC accepts no responsibility for our financial soundness or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of such information.

For applications under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

UNDERWRITING

The Listing is sponsored by the Sole Sponsor. The Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement and the Offer Price to be agreed between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date. Further information about the Underwriters and the underwriting arrangements is set forth in "*Underwriting*."

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us on or before Monday, October 9, 2017, the Global Offering will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her/its acquisition of Hong Kong Offer Shares to, confirm that he/she/it is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus and the Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and related Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by us or any of the Relevant Persons. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for the Hong Kong Offer Shares, please see “*Structure of the Global Offering*” and “*How to Apply for Hong Kong Offer Shares.*”

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option). Except for our application to the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares, no part of our share or loan capital is listed on or dealt in on the Hong Kong Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Dealings in our H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, October 10, 2017.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for our H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our H Shares or exercising any rights attached to them, you should consult an expert. It is emphasized that neither us nor any of the Relevant Persons accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of or dealing in our H Shares or exercising any rights attached to them.

REGISTER OF MEMBERS AND STAMP DUTY

All of our H Shares issued pursuant to applications made in Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in our H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty. For more details, please see "*Appendix III — Taxation and Foreign Exchange.*"

Unless determined otherwise by us, dividends payable in Hong Kong dollars in respect of H Shares will be paid to the Shareholders listed on our H Share register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (WUMP) Ordinance, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by our H Shares holders thereof; and

(iv) authorizes us to enter into a contract on his/her/its behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

OVER-ALLOTMENT OPTION AND STABILIZATION

In connection with the Global Offering, the Stabilizing Manager or its affiliates or any person acting for them may over-allocate H Shares or effect any other transactions with a view to stabilizing and maintaining the market price of the Offer Shares at a level higher than which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or its affiliates or any person acting for them to conduct any such stabilizing action.

In connection with the Global Offering, our Company is expected to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Underwriters) no later than 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue at the Offer Price up to an aggregate of additional 6,666,000 H Shares, representing approximately 5% of the total number of H Shares initially available under the Global Offering.

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed “*Structure of the Global Offering*” in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for application for the Hong Kong Offer Shares is set out in the section headed “*How to Apply for Hong Kong Offer Shares*” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “*Structure of the Global Offering*” in this prospectus.

BOARD LOTS AND STOCK CODE

Our H Shares will be traded in board lots of 1,000 H Shares each and the stock code of our H Shares will be 6885.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB and U.S. dollars have been translated, for the purpose of illustration only, into U.S. dollars or Hong Kong dollars in this prospectus at the following rates:

HK\$1.00 : RMB0.8368 (set by the PBOC for foreign exchange transactions prevailing on September 18, 2017)

US\$1.00 : RMB6.5419 (set by the PBOC for foreign exchange transactions prevailing on September 18, 2017)

No representation is made that any amounts in RMB, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Provided, however, that translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of such inconsistency, the Chinese name prevails.

ROUNDING

Numerical figures have, in certain cases, been rounded. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Yiu Chiu Fai (饒朝暉)	Flat C, 58/F Block 6 Island Resort 28 Siu Sai Wan Road Siu Sai Wan Hong Kong	Chinese
Mr. Wang Mingzhong (王明忠)	No. 401, Block 21 Xiangyuan Community Binhe South Street Shuang Qiao Ban Jiyuan City Henan Province PRC	Chinese
Mr. Li Tianxi (李天喜)	No. 3, 22 Lane, Xi Guan Min Kang West Street Jiyuan City Henan Province PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Lu Kecong (陸克從)	No. 505, Block 27, Jiashan Second Village Huashan District, Maanshan City Anhui Province PRC	Chinese
Mr. Hu Xiayu (胡夏雨)	No. 502, Block 34, Gang Cheng Garden First Village Yu Shan District, Maanshan City Anhui Province PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Mr. Wang Zhiming (王志明)	No. 5, Block 16, Ping Gang He Ping Village Xiashankou Street, Xiangdong District Pingxiang City Jiangxi Province PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Zheng Wenhua (鄭文華)	No. 40, 5th Floor, Unit 1 Building 37, Dongshan Street Tiedong District, Anshan City Liaoning Province PRC	Chinese
Mr. Liu Yuhui (劉煜輝)	No. 221, Building No. 8 Section 25, Huangsi Avenue Xicheng District, Beijing City PRC	Chinese
Mr. Wu Tak Lung (吳德龍)	Flat C, 11/F Tower 11 Pacific Palisades 1 Braemar Hill Road North Point, Hong Kong	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

SUPERVISORS

Name	Address	Nationality
Mr. Wong Tsz Leung (黃梓良)	Flat F, 8/F, Block 1 Chatham Gate 388 Chatham Road North Hung Hom Kowloon, Hong Kong	Chinese
Mr. Zhang Qiangxian (張強弦)	No. 502, Building No. 3, Zhenzhu Garden Fifth Village Huashan District, Maanshan City Anhui Province PRC	Chinese
Mr. Zhou Tao David (周韜)	Flat 21G, Hoi Wan Mansion Riviera Garden Tsuen Wan New Territories, Hong Kong	Chinese
Ms. Tian Fangyuan (田方遠)	Room 301, Unit 3, Building No. 1 Cui Yuan Estate, Jiyuan City Henan Province PRC	Chinese
Mr. Li Zhongge (李中華)	Room 301, Unit 2, Building No. 12 Section 59, Hehe North Road Jishui Office, Jiyuan City Henan Province PRC	Chinese
Ms. Hao Yali (郝亞莉)	No. 1, Lv Zu Temple Alley West Road, Jiyuan City Henan Province PRC	Chinese

For further information regarding our Directors and Supervisors, please see “*Directors, Supervisors and Senior Management.*”

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Party	Name and address
Sole Sponsor	Haitong International Capital Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Co-lead Managers	Alliance Capital Partners Limited Room 1502-1503A, Wing On House 71 Des Voeux Road Central Central Hong Kong Sinomax Securities Limited Room 2705-06, 27/F Tower One, Lippo Centre 89 Queensway Hong Kong
Legal advisors to our Company	<i>As to Hong Kong law:</i> Reed Smith Richards Butler 20/F, Alexandra House 18 Chater Road Central Hong Kong <i>As to PRC law:</i> EY Chen & Co. Law Firm 51st Floor, Shanghai World Financial Center 100 Century Avenue Pudong New District Shanghai 200120 PRC
Legal advisors to the Sole Sponsor and the Underwriters	<i>As to Hong Kong law:</i> Mayer Brown JSM 16th-19th Floors Prince's Building 10 Chater Road Central Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law:

Grandall Law Firm (Shanghai)

23-25/F, Garden Square

968 West Beijing Road

Shanghai 200041

PRC

Auditor and Reporting Accountant

Deloitte Touche Tohmatsu

Certified Public Accountants

35/F, One Pacific Place

88 Queensway

Hong Kong

Industry consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

1014-1018, Tower B

Greenland Hui Center

500 Yunjin Road

Shanghai, 200232

PRC

Compliance advisor

Haitong International Capital Limited

22/F, Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited

1 Garden Road

Central, Hong Kong

CORPORATE INFORMATION

Registered office and principal place of business in the PRC	West First Ring Road South Jiyuan Henan Province PRC
Place of business and principal office in Hong Kong	20/F, Alexandra House 18 Chater Road Central Hong Kong
Company website	www.hnjmny.com <i>(The contents of this website do not form part of this prospectus)</i>
Company secretary	Mr. Wong Hok Leung <i>CPA, FCCA</i> 9C, Breezy Court 2A Park Road Hong Kong
Authorized representatives	Mr. Yiu Chiu Fai Flat C, 58/F, Block 6, Island Resort 28 Siu Sai Wan Road, Siu Sai Wan Hong Kong Mr. Wong Hok Leung 9C, Breezy Court 2A Park Road Hong Kong
Compliance adviser	Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Audit committee	Mr. Wu Tak Lung (<i>Chairman</i>) Mr. Liu Yuhui Mr. Lu Kecong
Remuneration committee	Mr. Zheng Wenhua (<i>Chairman</i>) Mr. Wu Tak Lung Mr. Wang Mingzhong
Nomination committee	Mr. Yiu Chiu Fai (<i>Chairman</i>) Mr. Liu Yuhui Mr. Zheng Wenhua

CORPORATE INFORMATION

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal bankers

Agricultural Bank of China Limited Jiyuan Branch
No. 5 Central Road, Xin Garden
Jiyuan, Henan Province
PRC

Industrial and Commercial Bank of China Limited
No. 131 Xuanhua East Street
Jiyuan, Henan Province
PRC

Bank of China Limited Jiyuan Branch
No. 98 Central Road, Xin Garden
Jiyuan, Henan Province
PRC

Shanghai Pudong Development Bank Zhengzhou Branch
Zijingshan Road Operations Department
No. 72 Zijingshan Road
Zhengzhou, Henan Province
PRC

Bank of Luoyang Co., Ltd.
Zhongyuan Road, Jili District
Luoyang, Henan Province
PRC

China Citic Bank Zhengzhou Branch
No.1 Shangwu Inner Ring Road
Zhengdong New Area
Zhengzhou, Henan Province
PRC

INDUSTRY OVERVIEW

The information and statistics set out in this section have been extracted, in part, from various official government publications and a market research report prepared by Frost & Sullivan (the “Frost & Sullivan Report”) and commissioned by us. We believe that these sources are appropriate sources for such information and statistics and reasonable care has been exercised by us in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information false or misleading. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters and their respective directors, advisors and affiliates has independently verified such information and statistics. Accordingly, none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters and their respective directors, advisors and affiliates or any other party involved in the Global Offering makes any representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside the PRC. Accordingly, the information should not be unduly relied upon.

CHINA MACRO ECONOMY OVERVIEW

Nominal GDP Growth

Over the past few years, the Chinese economy has maintained a solid pace of growth after the world financial crisis. During the world financial crisis, the PRC government has taken effective stimulus policies to prevent huge economic decline. According to the National Bureau of Statistics of China, the Chinese economy has grown at a CAGR of approximately 9.0% from 2011 to 2016. Going forward, the Chinese economy is likely to evolve from an investment-driven model to a consumption-driven model with an increase in its GDP. According to the International Monetary Fund, the Chinese economy is forecasted to keep growing at a CAGR of approximately 7.9% from 2016 to 2021.

Total Fixed Asset Investments

The total fixed asset investments in China have enjoyed a significant growth in recent years and are expected to maintain such growth. From 2011 to 2016, the total fixed asset investments in China increased from approximately RMB31.1 trillion to RMB60.6 trillion, representing a CAGR of approximately 14.3%. The total fixed asset investments in China are likely to reach approximately RMB101.2 trillion by the end of 2021, with a CAGR of approximately 10.8% from 2016.

Value-Added Products Generated by the Construction Industry

The volume of the value-added products generated by the PRC construction industry, a pillar industry in China, has grown rapidly in recent years and is expected to maintain a rapid growth rate. From 2011 to 2016, the estimated value of the value-added products generated by the PRC construction industry increased from approximately RMB3.2 trillion to RMB5.0 trillion, with a CAGR of approximately 9.2%. The estimated value of the value-added products generated by the PRC construction industry is projected to amount to approximately RMB7.4 trillion by the end of 2021, with a CAGR of approximately 8.3% from 2016.

CHINA COKE MARKET ANALYSIS

Introduction

Coke is mainly used in blast furnaces for the production of pig iron and in the metal blast furnace smelting process of copper, lead, zinc and other non-ferrous metals. It is used as a reducing agent, heat agent and column skeleton. Coke is also used for casting, chemical gasification and calcium carbide. The quality requirements for coke are different for different uses. For example, coke used in blast furnaces for pig iron production generally require large particle size, low porosity, high fixed carbon and low sulfur content.

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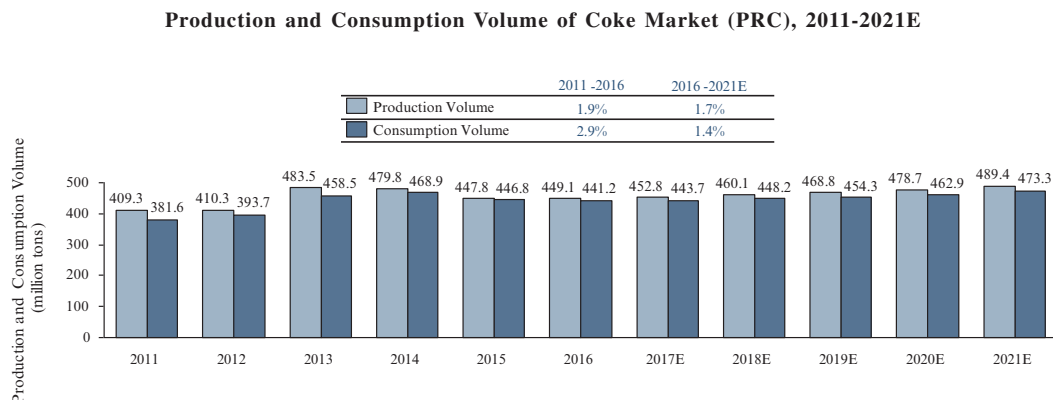
Value Chain Analysis

The value chain of the coking industry consists of three key segments, namely, upstream mining of coal; mid-stream coke production; and downstream utilization of coke and coking by-products in the iron and steel industry, chemical industry and energy industry. Coal is the basic raw material for the production of coke. The average price of main coking coal in China gradually decreased from approximately RMB1,262.6 per ton (net of VAT) in January 2011 to approximately RMB537.7 per ton (net of VAT) in December 2015 due to the decreased price of coke in China. Attributable to the rebound of coke price in China, the price of main coking coal has been rising since May 2016 to reach approximately RMB1,195.9 per ton (net of VAT) in December 2016, though it decreased to approximately RMB1,086.0 per ton (net of VAT) in August 2017. The overall price trend of 1/3 coking coal, fat coal and gas coal from January 2011 to August 2017 is similar to that of main coking coal. The average price of main coking coal for the period from September 1, 2017 to September 15, 2017 amounted to approximately RMB1,167.8 per ton (net of VAT).

Supply and Demand of Coke in China

The total coke production volume in China decreased by approximately 0.8% from 2013 to 2014 and approximately 6.7% from 2014 to 2015, due to the downturn of the steel market and the further elimination of coking enterprises with outdated technology, environmental protection measures or production facilities as supported by the PRC government. Due to further macro-economic development and gradual recovery of the steel market, the production volume of coke in China is expected to reach approximately 489.4 million tons in 2021.

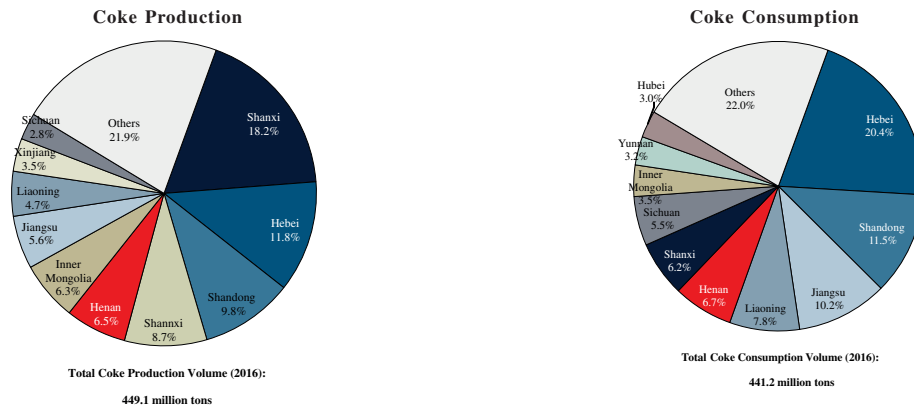
In general, the consumption volume of coke in China has grown moderately in recent years. From 2014 to 2015, the pig iron production in China declined by approximately 2.8% which represented the first decline in recent years and resulted in a decline in the growth rate of coke consumption by approximately 4.7%. The pig iron production in China further decreased by approximately 1.3% in 2016. With the recovery of the steel industry stimulated by further development of real estate market and the support of the PRC government policies such as the “Belt and Road Initiative” which encourage the investment in infrastructure, the coke consumption in China is likely to reach approximately 473.3 million tons in 2021. The following chart shows the production and consumption volume of coke in the PRC in the years indicated:



Source: Frost & Sullivan

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The following pie charts show the PRC coke production and consumption volume by province in 2016:



Source: Frost & Sullivan

Coke Consumption Breakdown by Downstream Applications

Coke is used in the iron and steel industry, chemical industry and other industries, representing about 85.8%, 7.7% and 6.5% of the total coke consumption in China in 2016, respectively. The iron and steel industrial production has been subject to fluctuations due to changes in market demand in recent years. The volume of pig iron and crude steel production grew from approximately 629.7 million tons and 683.3 million tons in 2011, respectively, to approximately 700.7 million tons and 808.4 million tons in 2016, respectively, representing a CAGR of approximately 2.2% and 3.4%, respectively. In 2015, the production volume of pig iron and crude steel experienced a downward trend. However, major investments in infrastructure and railway construction encouraged by the “Belt and Road Initiative” are likely to stimulate the recovery of the steel industry. The volume of pig iron and crude steel production is estimated to reach approximately 768.2 million tons and 878.8 million tons, respectively, in 2021. Meanwhile, the iron and steel industry is expected to experience industry consolidation along with an upgrade of manufacturing technology that would require higher quality coke. Independent coke manufacturers which are able to offer high quality coke products and have established long-term relationships with major iron and steel enterprises could benefit from the recovery of the iron and steel industry in China.

Supply and Demand of Coke in Henan and Nearby Provinces

Henan province is one of the main coke producing provinces in China. The production volume of coke in Henan province grew at a CAGR of approximately 3.9% from 2011 to 2016 which exceeds the growth rate of the total coke production in China of approximately 1.9%. Most coke manufacturers located in Henan province sell their coke to Anhui, Jiangxi, Jiangsu and Hubei provinces where major steel mills are located and have a relatively high demand for a relatively short local supply of coke. Coke manufacturers in Henan province which have established long-term relationships with steel enterprises in Anhui, Jiangxi, Jiangsu and Hubei provinces are expected to sustain stable sales in these provinces.

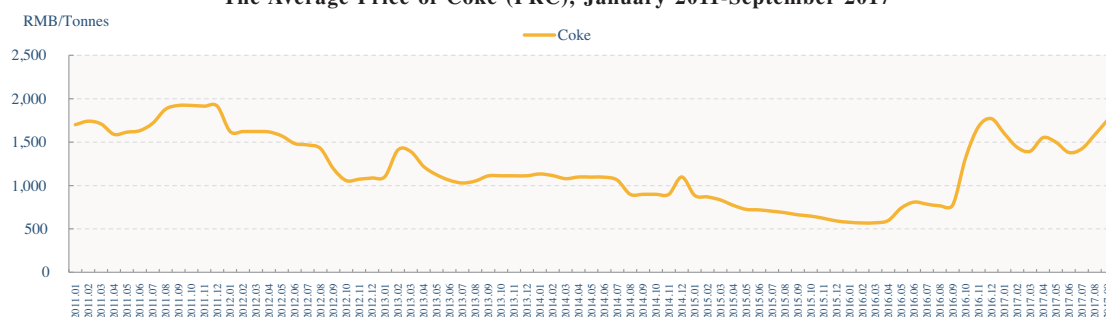
Price Analysis of Coke

Generally, the average price of coke declined gradually from 2011 to 2015, mainly due to downstream iron and steel industry slowdown. The average price of coke has rebounded since May 2016 to reach approximately RMB1,583.6 per ton (net of VAT) in August 2017. The average price of coke for the period from September 1, 2017 to September 15, 2017 amounted to approximately RMB1,755.3 per ton (net of VAT). In the future, with the elimination of coking enterprises with outdated technology, environmental protection measures or production facilities as encouraged by the PRC government, which in turn drives technological upgrade and innovation, and the gradual recovery

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of the steel industry, the average price of coke is likely to rise. The following graph shows the average prices (net of VAT) of coke in the PRC from January 2011 to September 2017:

The Average Price of Coke (PRC), January 2011-September 2017⁽¹⁾

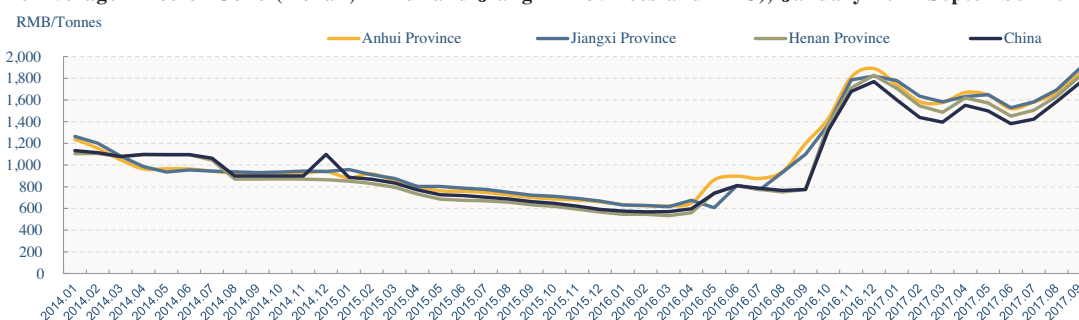


Source: Frost & Sullivan

⁽¹⁾ The September price shown is the average price of coke for the period from September 1, 2017 to September 15, 2017.

The following graph sets forth the average prices (net of VAT) of coke in Henan province, Anhui province, Jiangxi province and China from January 2014 to September 2017:

The Average Price of Coke (Henan, Anhui and Jiangxi Provinces and PRC), January 2014-September 2017⁽¹⁾



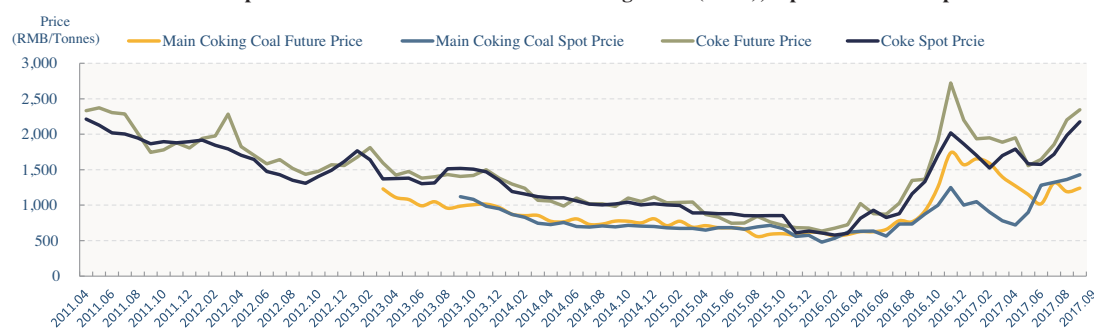
Source: Frost & Sullivan

⁽¹⁾ The September price shown is the average price of coke for the period from September 1, 2017 to September 15, 2017.

As indicated above, the changes in the average prices of coke in Henan province, Anhui province, Jiangxi province and the PRC from January 2014 to September 2017 were generally in line with each other.

The following graph sets forth the future price and spot price of coke and main coking coal in the PRC from April 2011 to September 2017:

The Future Price and Spot Price⁽¹⁾ of Coke and Main Coking Coal (PRC), April 2011 — September 2017⁽²⁾



Source: Dalian Commodity Exchange, Bohai Commodity Exchange

⁽¹⁾ The future prices of coke and main coking coal refer to the continuous future contract prices of coke and main coking coal, respectively, which refer to comprehensive indices of the price of future contracts that are mainly delivered in January, May and September, being the months that most coke and main coking coal future contracts take deliveries throughout the calendar year. The price of the continuous contract tracks the trend of the coke and coking coal market more closely and is widely adopted by industry participants. In the end of March 2011, Dalian Commodity Exchange launched the world's first coke future contract. In March 2013, Dalian Commodity Exchange launched the coking coal future contract. The spot price of main coking coal was launched by Bohai Commodity Exchange in September 2013.

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(2) The September prices shown are the average future price and spot price of coke and main coking coal for the period from September 1, 2017 to September 15, 2017.

The future prices of coke and main coking coal reflect of the investors' expectations as to the prices of coke and main coking coal. There is an interplay between the future price and spot price of coke, in that the spot price of coke is the foundation of its future price, and the future price of coke also affects the trend of its spot price. The spot price and the future price of main coking coal are similarly interrelated with each other as well.

In the second half of 2016, due to strict government regulations on limiting the production capacity of coal, the production of coal, including main coking coal, decreased significantly. The decrease resulted in the decline of main coking coal's inventory and supply and the increase in its market price. During this period, investors had high expectations for the price of main coking coal, and the future price and spot price of main coking coal increased to reach the highest point in November 2016. The price of coke responded quickly when the price of main coking coal increased, therefore investors' expectations for the spot price and future price of coke continued to increase. Since November 2016, with the seasonal decrease in iron and steel consumption, the demand for and hence the market prices of coke and main coking coal declined correspondingly, leading to investors' lower expectations for spot prices and future prices of coke and main coking coal. However, with increasing demand from the construction industry mainly driven by the local governments' announcements of major infrastructure and city construction projects in early 2017, the iron and steel industry has recovered, which again boosted investors' confidence in the spot price and future price of coke.

China Coke Market Competitive Landscape Analysis

Competitive Landscape Overview

There are two main types of coke enterprises in China, namely, independent coking enterprises and coking enterprises owned by iron and steel enterprises. The coking enterprises owned by iron and steel enterprises typically manufacture and offer coke to their parent or affiliated iron and steel companies. The independent coking enterprises do not belong to any steel enterprises. Most coking enterprises in China's coke market are independent coking enterprises, accounting for approximately 70.0% of the production volume of coke in China in 2016.

There are approximately 600 coking enterprises in China, with only about 50 enterprises producing more than 2.0 million tons of coke in 2016 and approximately 30 of them are independent coking enterprises. In Henan province, only three independent coking enterprises produced more than 2.0 million tons of coke in 2016. In general, the leading coking enterprises with large production capacity operate bigger coke ovens which are able to manufacture coke of a higher quality. Leading coking enterprises normally establish long-term relationships with major iron and steel groups to secure their sales. In addition, due to the large demand for coal and brand recognition, some large-scale independent coking enterprises in Henan province are able to purchase coal at a lower price compared to other buyers and engage in the coal trading business. Some large-scale independent coking enterprises are engaged in the coal mining equipment trading business due to their long-term relationships with suppliers which gives them a price advantage.

Competitive Landscape in Henan Province by Independent Coking Enterprises

The coke market of independent coking enterprises in Henan province is relatively concentrated. In 2016, the total sales revenue of independent coking enterprises in Henan province was about RMB28.1 billion. The tables below set out the market share of independent coking enterprises in Henan coking market in 2016:

Coke Production Volume			Total Sales Revenue		
Ranking	Company	Market Share (%)	Ranking	Company	Market Share (%)
1	Company B	10.9	1	Company A	13.0
2	Company A	9.9	2	Our Company	12.7
3	Our Company	7.9	3	Company B	12.5
4	Company C	6.0	4	Company C	8.6
5	Company E	4.7	5	Company E	7.7
Top five players in Henan province		39.4	Top five players in Henan province		54.5
Others		60.6	Others		45.5

Source: China Coking Industry Association; Frost & Sullivan

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Market Drivers

There are three major drivers of the coke market in China:

- *Government Support for Industry Consolidation.* The PRC government has issued a series of regulations and policies to accelerate the technological progress and innovation of coking enterprises, promote industry consolidation and to eliminate coking enterprises with outdated technology, environmental protection measures or production facilities.
- *Recovery of the Iron and Steel Industry.* The rebound of the residential housing price index of 100 cities, the improvement of real estate market since June 2015 and the PRC government policies such as the “Belt and Road Initiative” have increased the amount of investments in infrastructure construction. As a major downstream market of steel, when real estate investment increases, steel prices rise. In addition, the steel price may be driven by the price difference between domestic and foreign steel prices when the export of steel increases. Moreover, the trend of producing more customized iron and steel increases the demand for high quality coke of specific specifications. It is expected that the recovery of the iron and steel industry due to the above would drive the development of the coke market.
- *Advanced and Mature Technology.* Technological advancements have contributed to the healthy development of the coking industry in China, such as the production of high value energy products including LNG and the use of coke dry quenching technology.

Entry Barriers

There are five major entry barriers to the coke market in China:

- *Regulations.* The main entry barrier of the coking industry is the strict regulations and policies aimed at eliminating coking enterprises with outdated technology, environmental protection measures or production facilities.
- *Scale.* China’s coke market is undergoing a major upgrade and transformation during which small-sized manufacturers face great challenges. Strong market participants generally enjoy economies of scale and are more competitive in terms of costs, product quality and customer relationships.
- *Capital Investment.* The initial capital and operating investment required in the coke market are significant for new entrants because the coke production usually requires scale to effectively compete.
- *Sales Network and Customer Bases.* Sales network and customer relationships are key barriers for new entrants to China’s coke market. The production of coke in China has a long history and is very mature. Key players in the market are generally large in scale and have established a reliable and stable supply chain with large steel enterprises.
- *Transportation.* Transportation cost represents a great proportion of the cost. Key players in the coking industry who have production facilities that directly connect to public transportation railway network which in turn connects to both suppliers and customers enjoy significant transportation cost and time advantage.

Future Outlook

The future outlook of China’s coke market is as follows:

- *Environmental Policy.* Coke is a non-renewable resource and an important material for the advancement of a country’s industrial and energy sectors. Its production requires intensive energy consumption and emits pollution. At present, the PRC government plans to strengthen adjustment of industrial structure and environmental protection in order to regulate the healthy development of the coke market and improve market efficiency.

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- *Industry Consolidation.* The coke market is currently subject to government policy to eliminate outdated technology, environmental protection measures or production facilities. The coke market is also affected by government policies directed at the iron and steel industry. For instance, the PRC government has promulgated a series of policies to reduce excessive steel production, such as the Guidelines on Eliminating Excessive Capacity of Steel Industry and Realizing Development (關於鋼鐵行業化解過剩產能實現脫困發展的意見). In response, Henan province has also issued similar policies, such as the Plan on Eliminating Excessive Capacity of Steel Industry and Realizing Development in Henan (河南省鋼鐵行業化解過剩產能實現脫困發展總體方案). Such policies have resulted in shutdown of outdated steel mills in China and industry consolidation along with an upgrade of manufacturing technology that would require higher quality coke. Coking enterprises are likely to accelerate technological upgrade for efficient and clean production, and to consolidate with other industry players to benefit from scale. Independent coking enterprises are likely to form business partnerships with upstream or downstream industry players to relieve the pricing pressure that results from being in the middle of the value chain.
- *Product Diversification.* The development of new value-added coking products is expected to facilitate an upgrade in the coking industry and its sustainable development. According to the National Energy Board, coking enterprises are encouraged to develop coking and chemical processing technology for the further processing of coal tar, crude benzene, crude oven gas and other coking by-products to increase their utilization of resources, strengthen their competitiveness and obtain higher profits.
- *Utilization of Coal Gas.* A large amount of capital is expected to be injected into the utilization of coal gas, including the coal gas refined hydrogen or LNG markets with the increasing awareness of the sizeable profits which these high value-added and clean gases can generate.

CHINA COKING CHEMICAL MARKET ANALYSIS

Coal Chemical Industry

The coal chemical industry refers to the industry which produces chemical products with coal as the main raw material. Depending on the nature and types of the products produced, the coal chemical industry can be further categorized into three major sub categories: coking chemical, coal gasification and coal liquefaction industries.

Coking Chemical Industry

The main products of the coking chemical industry include coke, coking by-products, including crude benzene, coal tar and crude oven gas, and refined chemicals. Crude benzene and coal tar can be further processed into benzene based chemicals and coal tar based chemicals. Coal gas obtained from crude oven gas can be further processed to energy products such as hydrogen and LNG. Some refined chemical products, such as asphalt, industrial naphthalene, pure benzene can also be produced from petroleum. The coking chemical industry has the advantages of having access to rich raw coal resources at relatively lower price. As such, the coking chemical industry has become an important supplement of the petrochemical industry. Although oil prices have fallen in recent years and the coking chemical industry has lost certain cost advantages, the coking chemical products still have large growth potential because of the relatively large supply of coal in China and the upgrading of coking technology which improves product quality. Coking chemicals are base chemicals that are widely used in the chemical, textile, construction and energy industries.

Coking By-Products

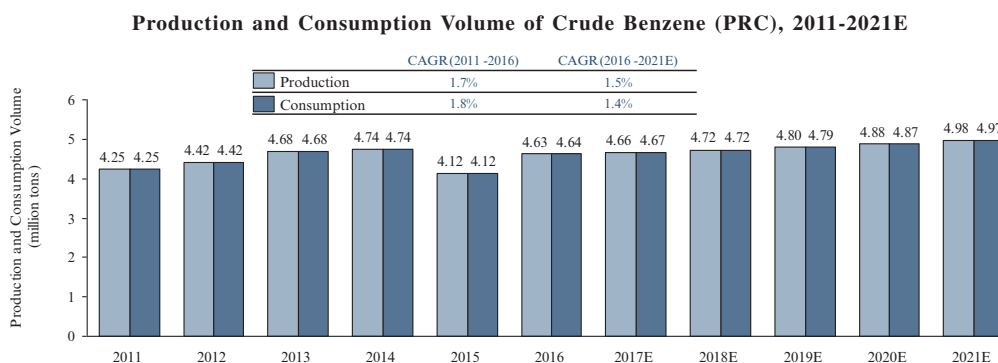
Supply and Demand of Crude Benzene in China⁽¹⁾

Owing to the increasing emphasis on the processing technology of crude benzene including the introduction of the advanced crude benzene hydrogenation process, the production and consumption

⁽¹⁾ The consumption figures of coking by-products and refined chemicals below refer to “apparent consumption” which equals to the annual output plus net import volume (i.e. import volume minus export volume).

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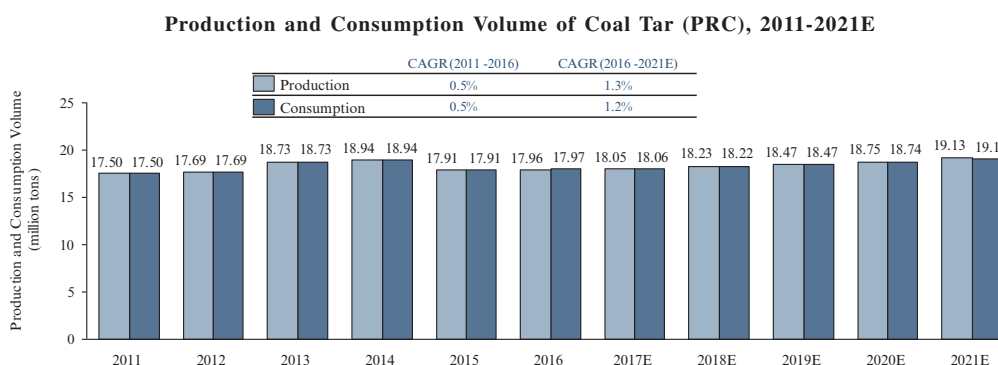
volume of crude benzene are expected to increase steadily. The following chart shows the production and consumption volume of crude benzene in the PRC in the years indicated:



Source: Frost & Sullivan

Supply and Demand of Coal Tar in China

Owing to the development of deep processing technology of coal tar to extract high value-added products like industrial naphthalene, the coal tar market is expected to continue to grow in the future. The following chart shows the production and consumption volume of coal tar in the PRC in the years indicated:

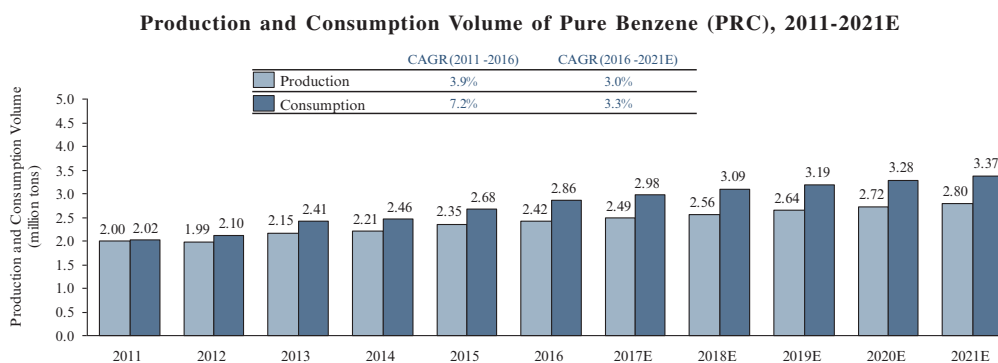


Source: Frost & Sullivan

Refined Chemicals

Supply and Demand of Benzene Based Chemicals in China — Pure Benzene and Toluene

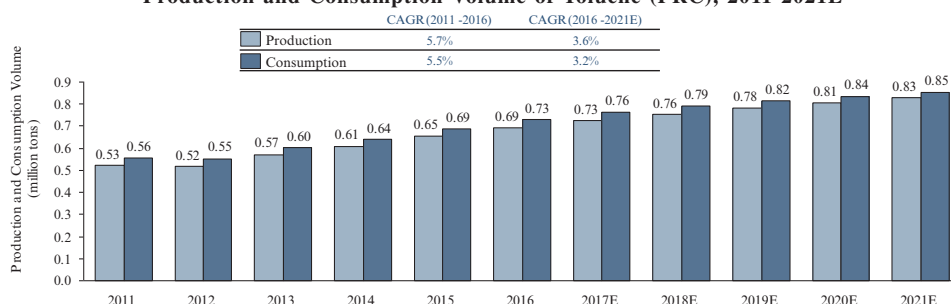
Pure benzene and toluene can be obtained from crude benzene, which is a by-product of the coking process. The following charts show the production and consumption volume of pure benzene and toluene in the PRC in the years indicated:



Source: Frost & Sullivan

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Production and Consumption Volume of Toluene (PRC), 2011-2021E

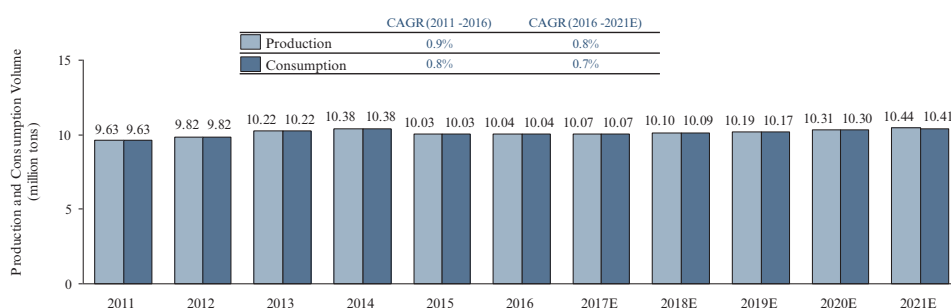


Source: Frost & Sullivan

Supply and Demand of Coal Tar based Chemicals in China — Coal Asphalt, Industrial Naphthalene and Anthracene Oil

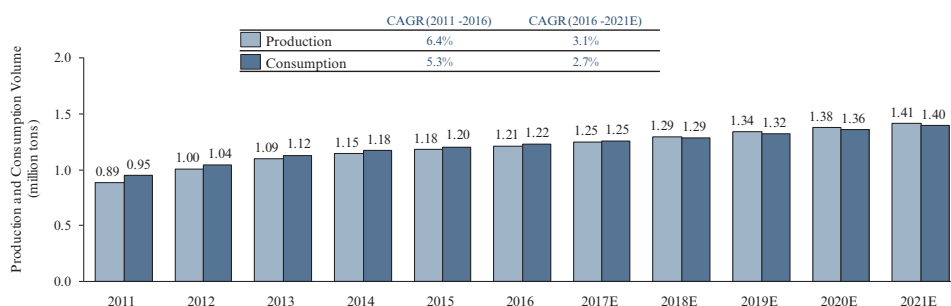
Coal asphalt, industrial naphthalene and anthracene oil can be obtained from coal tar, which is a by-product of the coking process. The following charts show the production and consumption volume of coal asphalt, industrial naphthalene and anthracene oil in the PRC in the years indicated:

Production and Consumption Volume of Coal Asphalt (PRC), 2011-2021E



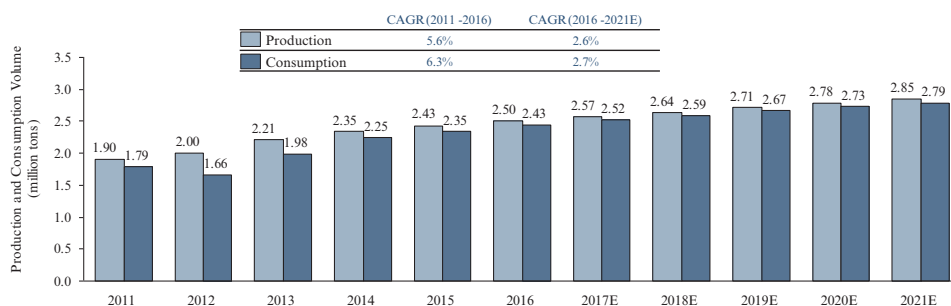
Source: Frost & Sullivan

Production and Consumption Volume of Industrial Naphthalene (PRC), 2011-2021E



Source: Frost & Sullivan

Production and Consumption Volume of Anthracene Oil (PRC), 2011-2021E



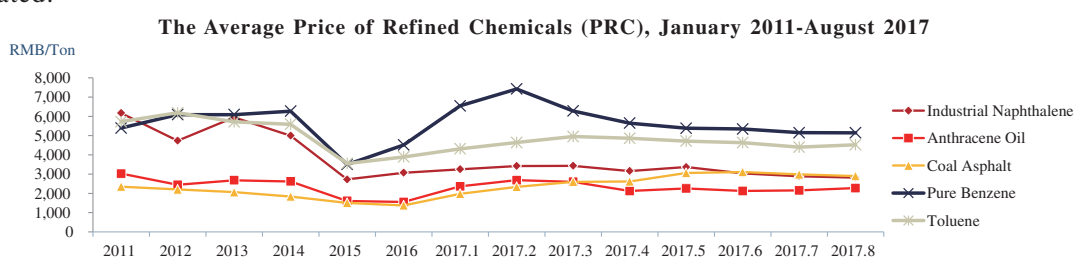
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Price Analysis of Refined Chemicals

- *Benzene Based Chemicals.* Generally, there was moderate fluctuation from 2011 to 2016 in the average price of benzene based chemicals. This is mainly because the downstream production plants were not fully utilized and the import volume of benzene was significantly higher than export volume, which in turn suppressed the domestic prices of benzene.
- *Coal Tar Based Chemicals.* Generally, the average price of industrial naphthalene fluctuated significantly over the past five years, while the average prices of other coal tar based chemicals remained relatively stable. This is mainly due to the weak downstream demand. In addition, a substantial decline in oil prices had led to the decline of the cost of petrochemical products, which in turn reduced the profits of coking chemical industry and prices of products.

The following chart shows the average price of certain refined chemicals in the PRC in the years indicated:



Source: Frost & Sullivan

Competitive Landscape Overview

Coking chemical products, including coking by-products and refined chemicals, are the derivatives of the coking industry so the competitive landscape of these products corresponds to that of the coke market in China. By the end of 2016, the coal tar and crude benzene markets in China were relatively fragmented and the top 10 players of coal tar and crude benzene only took a market share of approximately 14.5% and approximately 14.8%, respectively. In the coking chemical market of China, most leading coking enterprises are involved in the processing of coking by-products into refined chemicals. In 2016, the market concentration of these refined chemicals was relatively low. As of December 31, 2016, there were over 30 coking enterprises in the Henan coking market. Out of the approximately 10 coking enterprises in Henan province involved in the processing of coal tar and crude benzene, only one of them is a coking enterprise owned by an iron and steel enterprise, with the rest all independent coking enterprises.

Competitive Landscape in Henan Province by Independent Coking Enterprises

Competitive Landscape of Coking By-Products in Henan Province

In 2016, the total production volume of crude benzene and coal tar by independent coking enterprises in Henan province was about 0.2 million tons and 0.9 million tons, respectively. The tables below set out the market share of independent coking enterprises in Henan coking by-products market in 2016:

Crude Benzene			Coal Tar		
Ranking	Company	Market share in Henan province by production volume (%)	Ranking	Company	Market share in Henan province by production volume (%)
1	Company B	18.8	1	Company B	13.2
2	Our Company	13.1	2	Company A	9.6
3	Company A	12.0	3	Our Company	9.2
4	Company C	9.5	4	Company C	6.6
5	Company E	7.5	5	Company E	5.4
Top five players in Henan province		60.9	Top five players in Henan province		44.0
Others		39.1	Others		56.0

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Competitive Landscape of Refined Chemicals in Henan Province

In 2016, the total production volume of pure benzene, toluene, coal asphalt, anthracene oil and industrial naphthalene by independent coking enterprises in Henan province was about 368.0 thousand tons, 52.5 thousand tons, 543.0 thousand tons, 118.6 thousand tons and 60.6 thousand tons, respectively. The tables below set out the market share of independent coking enterprises in Henan province refined chemicals market by production volume in 2016:

Pure Benzene			Toluene			Coal Asphalt			Anthracene Oil			Industrial Naphthalene		
Ranking	Company	Market Share (%)	Ranking	Company	Market Share (%)	Ranking	Company	Market Share (%)	Ranking	Company	Market Share (%)	Ranking	Company	Market Share (%)
1	Our Company	25.9	1	Our Company	28.1	1	Company B	16.2	1	Our Company	35.7	1	Our Company	33.0
2	Company A	20.4	2	Company A	21.9	2	Our Company	15.8	2	Company A	24.3	2	Company A	20.1
3	Company C	10.3	3	Company C	16.7	3	Company A	13.3	3	Company C	16.8	3	Company C	16.7
Top three players in Henan province		56.6	Top three players in Henan province		66.7	Top three players in Henan province		45.3	Top three players in Henan province		76.8	Top three players in Henan province		69.8
Others		43.4	Others		33.3	Others		54.7	Others		23.2	Others		30.2

Source: Frost & Sullivan

Market Drivers

There are four major market drivers of the coking chemical market in China:

- *Rich in Coal and Lack of Oil and Gas.* In China, coal represents over approximately 60.0% of the total energy consumption. The rich supply of coal and the lack of oil and gas in China drives the development of the coal chemical industry, which includes the coking chemical industry. As such, coal related manufacturing enterprises have been encouraged to venture into the business of coking chemicals to enhance their core competitiveness.
- *Advanced Technology.* The coking chemical industry is capital and technology-intensive. The use of advanced technology helps to reduce the environmental impact and the amount of investments required for a project.
- *Government Support.* The PRC government has issued a series of industrial policies in recent years to support the development of the coking chemical industry, to raise the thresholds for access to high energy-consuming industries to curb their excessive growth and to encourage the technological transformation of the core technology in the coking chemical industry.
- *Stable Demand from Downstream Industries.* The downstream industries of the coking chemical industry mainly include the chemical, pharmaceutical, textile, building materials and the transportation industries, which are fundamental industries in China and have promising prospects for development.

Entry Barriers

There are three major entry barriers to the coking chemical market in China:

- *Government's Control.* The government has raised industry access threshold by requiring lower emission to alleviate environmental impact of coking chemical plants.
- *Scale and Capital investment.* Established market participants generally enjoy economy of scale, which allows them to be more competitive in terms of costs. Therefore, it is crucial for new entrants to have sufficient funding for equipment procurement, staff hiring, plant rental or construction and continuous raw materials procurement.

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- *Customer Relationships.* The coking chemical industry chain is based on the specific relationship with upstream and downstream enterprises within the industry chain, which form a technologically related and interdependent group of enterprises. Key players in the market have generally established a reliable and stable supply chain with selected qualified customer bases.

Future Outlook

The future outlook of China's coking chemical market is as follows:

- *Limited Water Resource.* The distribution of water resources in China is uneven. The water consumption of large-scale coking chemical projects is usually up to tens of millions of cubic meters. As such, coking chemical enterprises with advanced water-saving technology will be able to gain a competitive advantage compared to their competitors.
- *Development of Large-Scale Coking Chemical Enterprises.* To satisfy the market demand for diversified products and comply with strict guidelines of the PRC government for environmental protection, the construction of large-scale coking chemical plants will become a trend. Large-scale coking chemical plants also focus more on applying advanced technologies and equipment such as stamp-charging technology and benzene hydrogenation to improve their production efficiency, saving resources such as water as well as reducing emission of air pollutants.
- *Extension of Industrial Value Chain.* The progress of technology, development of market and changes of business operating model of enterprises are key drivers for the application of coking chemical technology in the extension of the industrial value chain. The coking chemical enterprises in China are likely to seek opportunities to produce downstream energy products such as alternative gas fuels with more added value.

CHINA COAL GAS MARKET ANALYSIS

Introduction

The coke making process involves carbonization of coal at high temperatures (1,000 °C) in an oxygen deficient environment. Crude benzene, coal tar and crude oven gas are the major by-products generated in the coking process. Coal gas is extracted from crude oven gas after going through a purification process to recover crude benzene, coal tar, sulfur and ammonia. Approximately 450 m³ of coal gas can be obtained in producing one ton of coke. Coal gas is mainly composed of approximately 57.0% of hydrogen, 26.0% of methane, 8.0% of carbon monoxide and 2.0% of carbon dioxide.

Value Chain Analysis

With the rapid development of coking industry, coal gas has become one of the most important secondary energy sources in the 21st century. Traditionally, coal gas is used as household gas or in power generation. The industry value chain of the coal gas market consists of three key segments, namely, upstream mining of coal; mid-stream coal gas production; and downstream the utilization of coal gas to extract hydrogen, produce LNG, generate electricity and produce methanol.

Hydrogen is regarded as one of the most effective solutions to the increasingly serious problems of environmental pollution and the depletion of energy sources in the 21st century. Currently, hydrogen is mainly produced from fossil and chemical by-products. Coal gas, which contains approximately 57.0% of hydrogen that can be further purified to high purity hydrogen has attracted much interest as a high quality source of hydrogen. Currently, there are over 70 enterprises in China that process coal gas to hydrogen. Hydrogen can be used in the processing of crude benzene, to smelt precious metals, synthesize ammonia and manufacture environmentally friendly batteries.

LNG is the abbreviation for liquefied natural gas which is methane gas stored as a super-cooled (cryogenic) liquid. Due to the low carbon content of methane, LNG is a clean-burning fuel that can be easily stored and transported, thus LNG has been promoted heavily by the PRC government in recent years. There is considerable profit in the industry of converting low cost coal to higher priced LNG as LNG is a much cleaner solution than using coal gas as a fuel. The core technology used for

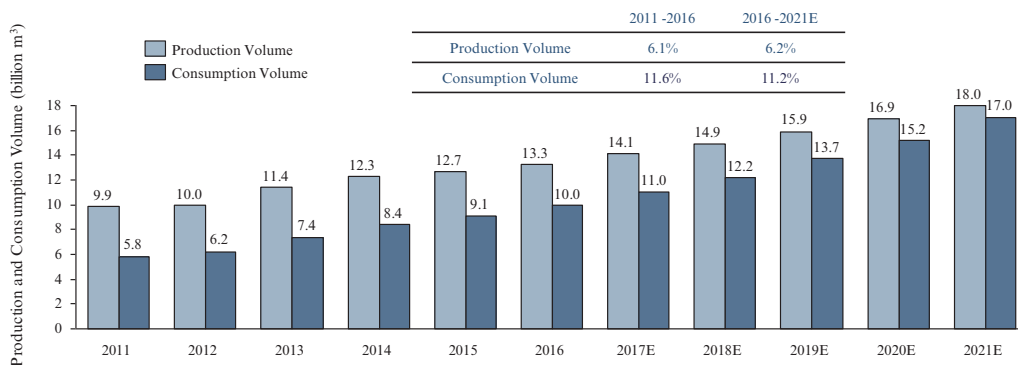
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the production of LNG from coal gas is methanization which enriches the methane content of the gas from between approximately 21.0% and 26.0% to approximately 98.0% by chemically combining its components of carbon monoxide, carbon dioxide and hydrogen into methane. LNG can be used by LNG vehicles, as industrial fuel and household gas and to generate electricity.

Supply and Demand of Coal Gas in Henan Province

In Henan province, some coal gas producers are coking plants associated with steel mills which can fully utilize the coal gas during the smelting process of steel-making. The rest of the coal gas producers are independent coking plants. Coal gas is a by-product of coking process and part of the coal gas could be discharged into the atmosphere if not fully utilized. In recent years, an increasing number of coking plants have begun to prioritize energy saving and environmental protection and to explore new ways of utilizing coal gas, such as utilizing coal gas to produce hydrogen and LNG. The following chart shows the production and consumption volume of coal gas in Henan province in the years indicated:

Production and Consumption Volume of Coal Gas Market (Henan Province), 2011-2021E

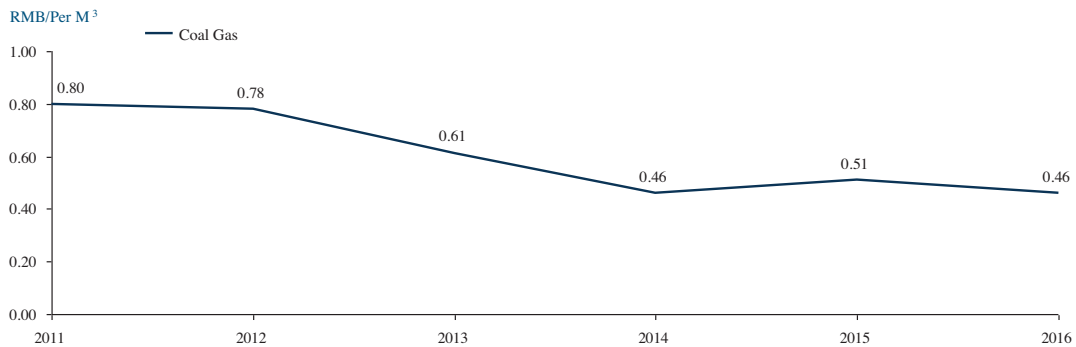


Source: Frost & Sullivan

Price Analysis of Coal Gas

Generally, the average price of coal gas in the PRC has decreased in the past years due to a decrease in coal price and relatively low demand and utilization of coal gas. However, due to the increasingly strict emission standards and the increasing use of coal gas, such as for LNG and hydrogen production, the demand and the price of coal gas are expected to increase. The following chart shows the average price of coal gas in the PRC in the years indicated:

The Average Price of Coal Gas (PRC), 2011-2016



Source: Frost & Sullivan

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Competitive Landscape of Coal Gas in Henan Province

In 2016, the total production volume of coal gas by independent coking enterprises in Henan province was approximately 10.7 billion m³. The table below sets out the market share of independent coking enterprises in Henan coal gas market in terms of coal gas production volume in 2016:

Ranking	Company	Market Share (%)
1	Company B	11.1
2	Our Company	8.7
3	Company C	5.9
4	Company E	4.3
5	Company K	3.1
Top five players in Henan province		33.1
Others		66.9

Source: Frost & Sullivan

Market Drivers of the Coal Gas Market

There are three major market drivers of the coal gas market:

- *Growth of Chinese Economy.* The Chinese macro economy has been steadily growing in recent years, which in turn drives the development of the chemical industry.
- *Comprehensive Utilization of Coal Gas.* Demand for energy-saving and environmentally friendly measures in China has enhanced the utilization level of resources in China, including coal gas.
- *Supportive Government Policies.* The PRC government has promulgated several policies and regulations to accelerate the development of the coal gas market in China.

Entry Barriers of the Coal Gas Market

There are three major entry barriers of the coal gas market:

- *Capital.* The coal gas industry requires higher capital than other industries, especially in the initial stage, due to the relatively long construction period and procurement cost of plants and equipment.
- *Technology.* Coal gas production requires a series of technologies and production processes which may be difficult for new entrants to master within a short period of time.
- *Emission Control.* New entrants may fail to meet the PRC government's emission control standards and therefore may not receive governmental approvals.

Future Outlook of the Coal Gas Market

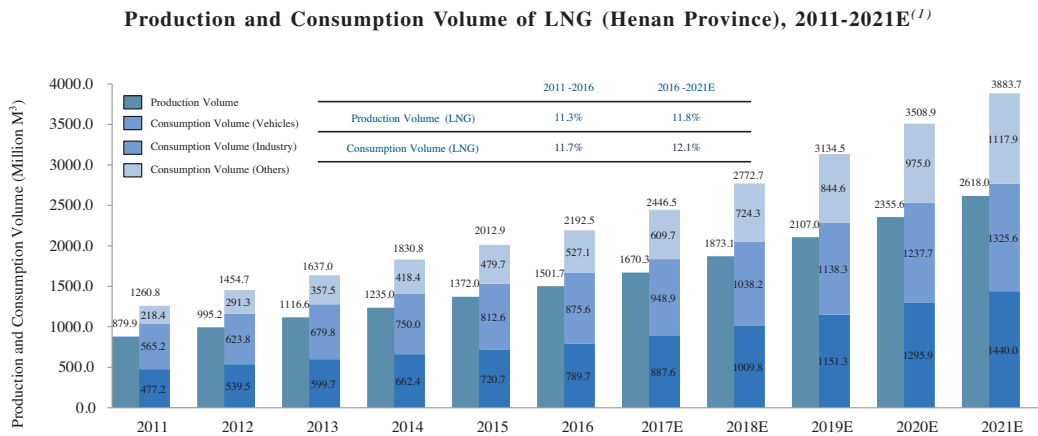
The future outlook of the coal gas market is as follows:

- *Increased Utilization Efficiency.* The utilization efficiency of coal gas will likely become a key area of development as coking enterprises are required by industrial policies to focus on energy saving and alternative coal gas utilization.
- *Clean Energy and Environmental Protection.* As a result of the increasingly stringent policies on environmental protection, energy-saving and resource utilization, the coking industry will likely attach more importance in converting coal gas to clean energy.
- *Inconvenience in Transportation and Storage.* Coal gas is difficult to store and transport over long distance and is often discharged as waste gas when there is insufficient coal gas demand near its production base, which pollutes the environment. Improvement in the inconvenience in transportation and storage will likely be a focus of the coal gas market.

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Supply and Demand of LNG in Henan Province

As Henan province is a populous province, its demand for natural gas has continued to grow with the improvement in living standards. The increase in the number of gas-fueled vehicles in Henan province has driven the development of LNG. Henan province is one of the main coking production provinces in China and generates a large amount of coal gas, which in turn is one of the raw materials for LNG production. The consumption volume of LNG has witnessed a rapid growth as a result of the industrial development and the promotion of alternative fuel vehicles, including LNG, in Henan province. The following chart shows the production and consumption volume of LNG in Henan province in the years indicated:

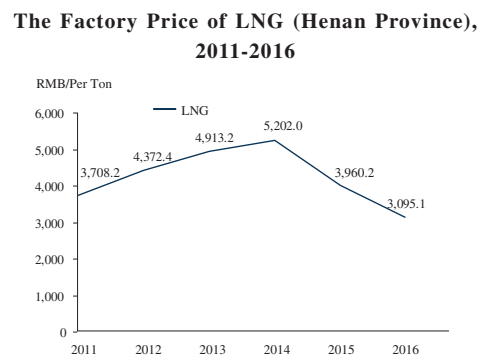
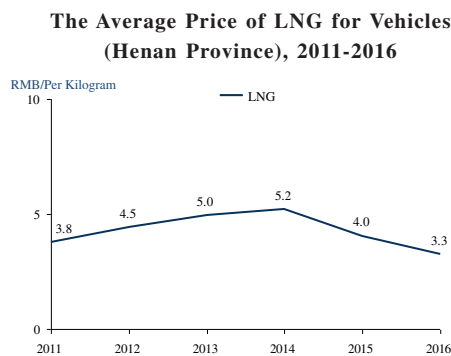


Source: Frost & Sullivan

(1) Data includes LNG produced from petroleum and coal gas.

Price Analysis of LNG

However, the price of LNG witnessed an upward trend during 2011 to 2014, the decrease of international oil price in 2015 and 2016 has weakened demand for LNG as an alternative fuel. As a result, both the average price of LNG for vehicles and the factory price of LNG dropped. The average price of LNG for vehicles and the factory price of LNG are both expected to rebound as oil price recovers and demand for LNG increases. Specifically, in the first half of 2017, LNG was in short supply due to the low operating rate of LNG manufacturers, which in turn increased the factory price of LNG in China. Going forward, with the increasing demand for alternative energy vehicles as well as growing environmental concerns, the demand for LNG is expected to drive the increase in the factory price of LNG. Furthermore, with the expected increase in the factory price of LNG, the average price of LNG for vehicles is anticipated to rebound as well, reaching approximately RMB4.0 per kilogram by 2019. The following charts show the average price of LNG for vehicles (net of VAT) and the factory price of LNG (net of VAT) in Henan province in the years indicated:



Source: Frost & Sullivan

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Competitive Landscape of LNG in Henan Province

The Henan LNG market is relatively concentrated and its major participants include coking plants and city natural gas suppliers. Local coking plants have cost advantages over city gas suppliers that import LNG from outside of Henan province. In 2016, the total consumption of LNG in Henan province was approximately 2,192.5 million m³, which includes LNG that is produced within Henan province and imported from outside of Henan province. The table below sets out the market share of suppliers in the Henan LNG market in terms of LNG supply volume in 2016:

Ranking	Company	Market Share (%)
1	Company F	27.3
2	Company G	19.4
3	Company H	14.0
4	Company I	10.0
5	Company J	5.6
Top five players in Henan province		76.2
Others		23.8

Source: Frost & Sullivan

Market Drivers of the LNG Market in Henan Province

There are three major market drivers of the LNG market in Henan province:

- *Widespread Calls for the Energy-Saving and Emission Reduction Vehicles.* Emission from the increasing number of vehicles has become a major source of air pollution. LNG powered vehicles, also known as green and environmentally-friendly vehicles, are more effective at reducing harmful substances in automobile exhaust gas and eliminating harmful substances such as lead and hydrocarbon than oil-fueled vehicles.
- *Long Lasting Fuel Efficiency.* LNG vehicles can achieve higher engine thermal efficiency and have longer engine service life than oil-fueled vehicles, which can effectively reduce engine carbon decomposition.
- *Government Support for Developing LNG.* The government in Henan province has issued a series of policies and regulations to support the development and utilization of LNG. The 12th Five-year Plan of Natural Gas for Vehicles in Henan (《河南省車用天然氣“十二五”發展規劃》) states that further construction and development of LNG refueling stations and natural gas vehicles shall be one of the future key works of the government.

Entry Barriers of the LNG Market in Henan Province

There are three major entry barriers of the LNG market in Henan province:

- *Certification and Qualification.* Most LNG distributors have their own natural gas refueling stations. New entrants who wish to construct and operate a vehicle gas refueling station will have to obtain requisite certificates, credential and qualifications when they plan to enter the vehicle gas refueling station market and sell LNG.
- *Safe Operation Experience.* Due to the flammable and explosive chemical characteristics of LNG, all gas refueling stations are equipped with high-pressure gas containers, which require a highly strict code of management and maintenance to prevent explosion and fire accidents. Accordingly, LNG operators need to allocate specific and technical staff to ensure the safe operation of LNG.
- *Gas Supply.* LNG operators should acquire stable gas source, maintain stable business relationships with upstream gas manufacturers and downstream customers and be equipped with LNG transportation facilities such as LNG tanks to guarantee a safe and secure storage of LNG. It is not easy for new market entrants to establish integrated gas supply systems in a short period of time.

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Future Outlook of the LNG Market in Henan Province

The future outlook of the LNG market in Henan province is as follows:

- *Increasing Number of LNG Vehicles.* Currently in Henan province, LNG is mostly used by city buses and heavy trucks due to high cost of fuel switching modification and relatively inadequate number of vehicle natural gas refueling stations. As a result of the PRC government's call for an eco-friendly society and greater energy conservation, the fuel efficiency of LNG has been gradually recognized by the public. The public's acceptance of natural gas vehicles is expected to increase which will fuel the demand for LNG.
- *Further Expansion of Private Enterprises.* Private capital has been injected into the LNG market due to the increased demand. Henan's LNG refueling station market is at an initial stage and has great potential for growth. In addition to the three national state-owned traditional oil and gas companies in China, some private or local natural gas companies have planned to seize market share in this promising market, which is expected to boost the LNG market in Henan province but at the same time intensify the competition.
- *Increased Industrial Consumption of LNG.* In Henan province, coal remains to be the main energy source for the industry. The government has proactively promoted the substitution of coal with natural gas, especially for industrial enterprises. While the current price of LNG is relatively high for industrial users, suppliers and producers of LNG are expected to balance their own profits with the customers' gas cost so as to stimulate the industrial consumption of LNG.

SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan, an independent global consulting firm, to conduct a detailed analysis of, and report on, the macro economy, coal market, coke market, coking chemical markets, coal gas market, and LNG market of China, and the competitive landscape of these markets. We have included certain information from the Frost & Sullivan Report in this section. In connection with the market research services provided, we have paid a fee of approximately RMB580,000 to Frost & Sullivan. Frost & Sullivan has prepared the Frost & Sullivan Report based on detailed primary research which involved discussing the status of the industry with leading industry participants and industry experts as well as secondary research which involved reviewing company reports, independent research reports and data where available based on Frost & Sullivan's own research database. Frost & Sullivan has also adopted the following assumptions when some information is not available or falls outside the scope of its expertise: (1) China's economy is likely to maintain steady growth in the next decade; (2) China's social, economic and political environment is likely to remain stable in the forecast period; and (3) market drivers like the increasing urbanization rate, policy support from governments and the growing economy. While Frost & Sullivan has adopted assumptions based upon careful consideration of known factors, Frost & Sullivan cannot rule out the risk that any of the assumptions may be incorrect. The Frost & Sullivan Report also contains a significant volume of information which is directly derived from secondary sources or based on other third-party information; Frost & Sullivan does not represent and warrant as to the accuracy or completeness of such information. In preparing the Frost & Sullivan Report, Frost & Sullivan has confirmed that it has carried out research as per Frost & Sullivan standard market research methodology to enhance the credibility and accuracy of the forecasts. The steps used in the research process include (1) the collection of information and data from various sources to form the basis for forecast, (2) analysis of data for the understanding and hindsight on market trends and development, (3) identification of market growth drivers and market constraints, (4) integration of opinion through industry participants' and experts' interviews and discussions, and (5) verification of data and forecast by cross-checking against other available data and information before finalization of the report.

NO ADVERSE CHANGE

The Directors confirm that, to the best of their knowledge and belief, there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have any material impact on the information in this section.

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OVERVIEW

Chinese coking chemical enterprises are subject to a large number of PRC laws and regulations and extensive government supervision. Such laws and regulations encompass the areas of investment, production, sale and trade as well as environmental protection and labor with respect to coke and coking chemical products.

We are mainly supervised and regulated by the following PRC government bodies:

- The State Council, as the highest administrative body, which is responsible for formulating and reforming the Chinese government's investment system, approval system and investment project catalog for governmental approval;
- The NDRC, which is responsible for (i) formulating and implementing main policies on China's economic and social development; (ii) planning the major construction projects and distribution of productive forces; and (iii) examining and approving investment projects with expenditure exceeding certain amount or in special industrial sectors. The competent investment departments of all levels of local governments are responsible for (i) implementing the specific policies formulated by the NDRC; (ii) examining and approving investment projects that are not examined and approved by the NDRC; and (iii) the filing of other enterprise investment projects that do not require examination and approval;
- The Ministry of Industry and Information Technology (the "MIIT"), which is responsible for (i) formulating the planning, industrial policies and standards of industry and information and other sectors (including coal chemical industry); (ii) setting the access conditions of industry and information and other sectors (including coal chemical industry); and (iii) organizing and implementing the access conditions of such industries (including coal chemical industry). The competent departments of industry and information of all levels of local governments are responsible for the production and supervision of the enterprises of industry and information (including coal chemical industry) within their administrative divisions;
- The Ministry of Environmental Protection, which is responsible for (i) formulating guidelines, policies and regulations of national environmental protection; and (ii) conducting environmental impact assessment of the major economic and technological policies, development plans and major economic development plans. The competent environmental protection departments of all levels of local governments are responsible for the supervision and inspection of the "Three Simultaneities" of the construction projects within their administrative divisions, as well as the permit and supervision of the sewage of the industrial and mining enterprises;

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- The State Administration of Work Safety (the “SAWS”), which is responsible for the national supervision and administration of work safety to ensure the implementation of relevant national laws and regulations on work safety. The competent work safety supervision and administration departments of all levels of local governments are responsible for the supervision and administration of work safety of industrial and mining enterprises within their administrative divisions, and the supervision and inspection of work safety of the construction projects in terms of the “Three Simultaneities”;
- Quality Supervision, Inspection Quarantine of PRC (the “QSIQ”), which is responsible for leading national product quality administration, product technology supervision, standardization and other items. The competent quality supervision and administration departments of all levels of local governments are responsible for the supervision and administration of product quality of the industrial and mining enterprises within their administrative divisions; and
- The Ministry of Land and Resources, which is authorized (i) to grant the land use right certificate and the mining right permit; (ii) to approve the transfer and lease of mining rights; and (iii) to review the mining right fees and reserves assessment. The competent departments of land and resources of all levels of local governments are responsible for the land and mining administration within their administrative divisions.

LAWS AND REGULATIONS RELATING TO PRODUCTION AND OPERATION OF COKE

Coke production was initially regulated by the NDRC and is now regulated by the MIIT. On December 16, 2004, NDRC promulgated the Entry Conditions of Coking Industry (NDRC Notice No. 76 of 2004), formally effective January 1, 2005. On December 19, 2008, MIIT promulgated the Entry Conditions of Coking Industry (Industry [2008] No. 15) and abolished the No. 76 document issued by NDRC in 2004. On March 3, 2014, MIIT again abolished the Entry Conditions of Coking Industry (Industry [2008] No. 15) and promulgated the Entry Conditions of Coking Industry (amended 2014) (焦化行業准入條件(2014年修訂) (MIIT Notice 2014 No. 14, which came into effect on April 1, 2014). It sets out the entry requirements for the coking industry including operational layout, technology and equipment, the quality of major products, resources, energy consumption, environmental protection, operational safety and occupational health, technical progress. In the case of technology, equipment and environmental protection, the Entry Conditions stipulates that coke production enterprises shall be equipped with production equipment that meet the statutory technical standards and achieve the minimum coke production capacity, and shall also comply with relevant emission requirements to ensure that the emission of pollutant does not exceed the statutory limit. In conclusion, enterprises engaged in coke production and operation, whether they are in the process of new construction, expansion or renovation, shall meet all the access conditions of the Entry Conditions.

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LAWS AND REGULATIONS RELATING TO PRODUCTION AND OPERATION OF COKING BY-PRODUCTS AND REFINED CHEMICALS

Coking by-products and refined chemicals are jointly supervised by the State Council and different State organs which include the State Council, the General Administration of QSIQ and the SAWS as the main regulatory bodies. The legal restrictions on the production and operation of such products are mainly reflected in the pertinent laws and regulations promulgated by such regulatory bodies with respect to the production, operation, storage, transportation and handling of hazardous chemical products.

According to the Administrative Measures on the Safety of the Hazardous Chemicals (危險化學品安全管理條例) promulgated by the State Council on January 26, 2002 and amended on February 16, 2011 and December 7, 2013 respectively, the chemicals listed in the catalog of hazardous chemical (“**Hazardous Chemicals**”) shall be regulated by the catalog. The entities that produce, store, use and operate Hazardous Chemicals shall meet the safety conditions required by the law and administrative regulations as well as national standards and industrial standards, and obtain relevant licenses. For instance, a production enterprise shall obtain the hazardous chemical safety production license to produce Hazardous Chemicals. Construction projects newly built, reconstructed, expanded for the production of hazardous chemicals and for the storage of Hazardous Chemicals, shall be inspected for their safety conditions by the safety production supervision and administration departments.

According to the Administrative Measures on the Hazardous Chemical Licenses (危險化學品經營許可證管理辦法) promulgated by the Safety Supervision Bureau on July 17, 2012 and amended on May 27, 2015, the operational activities (including warehouse operation) of Hazardous Chemicals in China shall be carried out under a hazardous chemical license issued by the safety supervision departments. However, a hazardous chemical manufacturer that has obtained a hazardous chemical safety production license and sells its own products within its factory area, does not have to acquire a separate hazardous chemical operation license. Prior to obtaining a license, the hazardous chemical operation enterprises shall meet all the statutory requirements in respect of their business premises, personnel training, regulatory system, rescue equipment and so forth.

According to the Administrative Measures for the Registration of Hazardous Chemicals (危險化學品登記管理辦法) promulgated by the Safety Supervision Bureau on October 8, 2002 and amended on July 1, 2012, the PRC government adopts a registration system for Hazardous Chemicals. Enterprises which produce or import Hazardous Chemicals shall conduct a general investigation of its Hazardous Chemicals and establish Hazardous Chemicals management files. Moreover, the registrant shall go through formalities for registration of Hazardous Chemicals with the competent registration authorities in accordance with relevant provisions, truthfully fill in registration and submit relevant materials, and accept the supervision and inspection by work safety supervision and administration departments according to the law.

According to the People’s Republic of China Administrative Measures on the Production Licenses of Industrial Products (工業產品生產許可證管理條例) promulgated by the State Council on July 9, 2005, the PRC government implements a production licensing system on the industrial products listed in the *Product Catalog for the Implementation of Production License System* (實行生產許可證制度管理的產品目錄) (the “**Catalog**”) and the enterprises producing Hazardous Chemicals

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listed in the Catalog shall obtain the production licenses for industrial products in compliance with such measures. For an enterprise to obtain a production license, it shall meet the statutory conditions such as staffing, production conditions, inspection methods, technical process, technological documentation, effective systems for quality management and accountability system, conform to relevant national standards and trade standards, conformity with provisions of the industrial policies of the State. There shall not be backward technology and process explicitly abandoned and prohibited from investment and construction by the PRC government, high energy consumption, environmental pollution or waste of resources.

The Administrative Regulations on Precursor Chemicals (易制毒化學品管理條例) came into effect on November 1, 2005 and amended respectively on July 29, 2014, and February 6, 2016. Pursuant to this law, the PRC government applies the classified administration and licensing or filing system to the production, distribution, purchase, transportation and import and export of precursor chemicals. The precursor chemicals are classified into three categories which are specific in the Catalog of Classification and Types of Precursor Chemicals. Category I includes the major materials that can be used for producing drugs. Categories II and III include the chemical agents that can be used for producing drugs. The detailed classification and types of precursor chemicals are shown in the annex of the present Regulation.

LAWS AND REGULATIONS RELATING TO PRODUCTION AND OPERATION OF ENERGY PRODUCTS

Fuel Gas

Fuel gas mainly includes natural gas (including coalbed gas), liquefied petroleum gas and manufactured gas (including coal gas and LNG). According to the Regulations for the Administration of Fuel Gas in Towns and Cities (城鎮燃氣管理條例) (the “**Fuel Gas Regulation**”) adopted at the 129th Executive Meeting of the State Council on October 19, 2010 and amended by the Decision of the State Council on Revising Certain Administrative Regulations promulgated on February 6, 2016, the PRC government implements the permit system for fuel gas operation. Individuals are prohibited from engaging in business activities of piped fuel gas. An enterprise that meets the conditions of Fuel Gas Regulation shall be issued a fuel gas operation permit by the fuel gas administrative department of the local people’s government at or above the country level. The fuel gas operator shall provide fuel gas within the ratified area, and ensure that the fuel gas is qualified under the national standards and provided sustainably, safely, and stably. No enterprise shall refuse to provide the fuel gas without justifiable reasons. The selling price of fuel gas shall be determined in a reasonable manner and adjusted in a timely manner based on the purchasing cost of the fuel gas, the operating cost and the local economic and social development. Production, transmission and distribution, storage, filling, supply, and other facilities of fuel gas should be in compliance with the relevant national standards and fire safety requirements; fuel gas administrative departments, the safety supervision departments, quality supervision departments, the fire service departments of the public security organs, and other departments and units shall, based on their respective duties, conduct a safety supervision of fuel gas business activities.

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With regard to fuel gas used as raw material in industrial manufacturing, it should be considered as a hazardous chemical under catalog of hazardous chemicals. Pursuant to the Administrative Measures on the Safety of the Hazardous Chemicals, Administrative Measures on the Hazardous Chemical Licenses, and Administrative Measures for the Registration of Hazardous Chemicals, the enterprise that engages in the production, storage, utilization, operation, or transportation of Hazardous Chemicals shall meet the safety conditions required by law, administrative regulations, national and industrial standards, and it shall also obtain a permit for the safe production of Hazardous Chemicals from the safety production supervision departments and go through registration formalities of Hazardous Chemicals.

LAWS AND REGULATIONS RELATING TO TRADING

The NDRC is the national supervision body for coal operation. Pursuant to the Measures on the Supervision and Administration of Coal Business (煤炭經營監管辦法) (the “**Measures**”) promulgated by the NDRC on July 30, 2014 and came into effect on September 1, 2014, activities in China such as engagement in raw coal, coal blending and washing and briquetting product distribution shall abide by the provisions of the Measures. The coal operation enterprise shall make a record filing with the supervision and administration department of coal operation where it is located, and shall report relevant operational information of the preceding year to the supervision and administration department of coal operation in the first quarter of every year, mainly including implementation of the regulations or standards of coal metering, quality, environmental protection and so forth.

OTHERS — POLICIES RELATING TO MACRO-CONTROL IN THE COAL INDUSTRY

Coal, as a state-owned resource, is the main energy product and a vital industrial raw material in China. In recent years, affected by the factors such as the slowdown of the economic growth rate and the adjustment of energy structure, there has been great decrease in the coal demand, constant surplus in supply capacity. In order to enhance control over the total yield of coal, and solve the imbalance between supply and demand in coal, the State Council issued the Opinions of the State Council on Resolving Excess Production Capacity and Realizing Turnaround Development of Coal Industry (關於煤炭行業化解過剩產能實現脫困發展的意見) (Guo Fa [2016] No.7, the “Coal Industry Opinions”) on February 1, 2016, which came into effect on the issuance day.

Pursuant to the Coal Industry Opinions, within three to five years from 2016, the production capacity of about 500 million tons shall be eliminated, and the production capacity of about 500 million tons shall be reduced or reorganized; the approval of new coal mine projects, technical transformation projects of newly increased production capacity and production capacity increase projects shall be ceased in principle within three years. If the establishment of a new coal mine is truly necessary, replacement with reduced capacity shall be implemented without exception; efforts shall be made to enable the production scale of a single coal enterprise to reach three million tons or more per year in three years. The Coal Industry Opinions also requires 13 categories of outdated small coal mines, as determined by the State Administration of Work Safety and other relevant departments, and coal mines with mining scope within areas such as natural reserve areas, scenic spots and drinking water source protection areas to close down. Starting from 2016, coal mine production capacity shall be renewed based on the requirements that the annual operation time shall not exceed 276 working days and no production shall be arranged on statutory holidays and Sundays in principle. Coal mines

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that fail to go through all formalities for capital construction shall be ordered to cease operation and production or shall be closed down in accordance with the law if they refused to do so. Coal mines that fail to meet the requirements prescribed by the PRC government shall be ordered to cease production and make rectification within a specified time limit and shall be ordered to exit within a specified time limit if they still failed to meet the requirements after the rectification.

GENERAL

As a coking chemical manufacturing enterprise, we are also subject to regulation of the following PRC laws:

National Industry Policy

According to the People's Republic of China Coal Law (Amended) (中華人民共和國煤炭法) adopted at the 24th Session of the Standing Committee of the Twelfth National People's Congress on November 7, 2016, the PRC government advocates and supports coal enterprises and other enterprises to develop co-generation of coal and electricity, coking, coking chemical, coal construction materials and so forth and to engage in the deep processing and fine finishing of coal.

Pursuant to the Resolution on the Implementation of the Plan for National Economic and Social Development Plan in 2016 and the National Economic and Social Development Plan in 2017 (關於2016年國民經濟和社會發展計劃執行情況與2017年國民經濟和社會發展計劃的決議) adopted at the Fifth Session of the Twelfth National People's Congress on March 15, 2017, the PRC government will continue to promote the healthy development of the newly development industries, and to play the key role of the enterprises in the frontier strategic filed such as new material, new energy and artificial intelligence.

Foreign Investment

The NDRC and Ministry of Commerce jointly promulgated the amended Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) on April 10, 2015 which sets out categories of industries for foreign investment relating to coke and coking chemicals which encouraged: (i) phenol oil processing; (ii) washing oil processing; and (iii) high-end utilization of coal asphalt (excluding modified asphalt).

In addition, the updated version of Catalogue of Industries for Guiding Foreign Investment has been jointly issued by NDRC and Ministry of Commerce on June 28, 2017 and will be implemented on July 28, 2017, and the aforementioned industries relating to coke and coking chemicals remain in the encouraged category.

Project Investment

The State Council promulgated the Decision on Investment System Reform (關於投資體制改革的決定) (the "**Investment Reform Decision**") on July 16, 2004 which came into effect on the same day. The purpose of this legislation is (i) to reduce the direct intervention of the PRC government towards the business activities; (ii) to improve the investment efficiency and allow the market to

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allocate resources; and (iii) to promote the sustained, coordinated and healthy development of the Chinese economy. With the promulgation of the Investment Reform Decision, the PRC government has streamlined the approval process of investment projects. There are three types of management of the investment projects: ratification, approval and filing. The ratification system is not application to projects that do not use government investment for construction. The approval system shall apply for major projects and restricted projects for safeguarding the social and public interest. The filing system is applicable for other projects regardless of their investment amounts.

The Notice of the State Council on Issuing the Catalog of Investment Projects for the Approval of the Government (2016 version) (國務院關於發佈<政府核准的投資項目目錄(2016年本)>的通知) stipulates that, (i) enterprises that invest in construction of investment projects of fixed assets set out in the *Catalog of Investment Projects for the Approval of the Government (2016 version)* shall submit relevant projects to the approval authorities for approval according to the regulations; and (ii) enterprises that invest in construction of investment projects of fixed assets outside of the *Catalog of Investment Projects for the Approval of the Government (2016 version)* shall file with the competent investment supervision authorities. Herein, the coal-to-natural gas project with an annual output of more than 2 billion cubic meters shall be approved by the competent investment department under the State Council.

PRC Laws on Environmental Protection

Coking chemical production and operation in China shall comply with relevant environmental laws and regulations. Before a construction project starts, the project manager shall submit an Environmental Impact Assessment Report to the environmental protection department for its approval. The measures to prevent and control pollution in a construction project shall be taken in conjunction with the main project at the same time as its design, construction and commission. The acceptance of qualification by the competent environmental protection department shall be obtained before the completed project is put into operation. Manufacturing enterprises that produce toxic and hazardous substance must comply with the national emission standards and report to, and register with, the competent environmental protection department. The valid and effective emission standard for coking chemical enterprise is the Emission Standards of Pollutants for Coking Chemical Industry (煉焦化學工業污染物排放標準). In the event of failure to comply, such manufacturer may be subject to a warning from the environmental protection department, an enforcement order or a fine and other administrative penalties.

Coking chemical enterprises that produce solid waste shall, on the basis of their economic and technical conditions, recycle industrial solid waste generated during its business operation; with regard to industrial solid waste that is not to be recycled immediately or that cannot be recycled, they shall, in accordance with the regulations of the administrative department for environmental protection under the State Council, build facilities and grounds for its storage, classify it in different types for safe storage or adopt measures to make it innocuous through treatment. With regard to the waste water and sewage, no enterprise is allowed to discharge it into water bodies without the requisite pollutant discharge permit or in violation of the provisions set forth on the pollutant discharge permit. With regard to the atmospheric pollution, the enterprise shall obtain a pollutant discharge permit. The standards for emissions of atmospheric pollutants and the total emission control requirements for key atmospheric pollutants shall be complied with if atmospheric pollutants will be discharged from the

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proposed projects. Moreover, local people's governments at or above the county level shall, according to the alert levels, activate in a timely manner the contingency plans, and based on the emergency needs, take emergency measures including ordering the relevant enterprises to reduce or suspend production, restricting certain motor vehicles from driving on roads, prohibiting the use of fireworks and firecrackers, suspending the construction work or demolition work, prohibiting outdoor barbecues, ordering schools and kindergartens to stop outdoor activities, and organizing and carrying out weather modification.

In addition, the emission of coking chemical manufacturing enterprises shall be within the discharge concentration limits and the total discharge volume control indicators permitted by environmental protection departments before discharging pollutants. According to the Law of the People's Republic of China on Environmental Protection Tax (中華人民共和國環境保護稅法) (the "EPTL") issued by the Standing Committee of the National People's Congress on December 25, 2016, which will be implemented on January 1, 2018, enterprises which emit taxable air and water pollutants, solid waste and noise pollutants shall declare and pay environmental protection tax to the tax authority on a quarterly basis from January 1, 2018. Regarding air pollutants emitted by enterprises, in each emission outlet or without an emission outlet, the top three pollutants as ranked by pollution equivalent number shall be subject to environmental protection tax. The collection of environmental protection tax shall be administered by the tax authority in accordance with the Law of the People's Republic of China on the Administration of Tax Collection (中華人民共和國稅收徵收管理法) and the EPTL. After the EPTL takes effect, the environmental protection tax shall be collected instead of the pollutant drainage fee.

PRC Laws on Safety Production

The production and operation of coking chemical in China shall comply with relevant safety laws and regulations. Before a production enterprise starts to manufacture, it shall meet the statutory requirements in terms of rules and regulations, operational procedures, production management, personnel training, facilities and equipment and so forth, and shall obtain a safety production license issued by the supervision and administration department of safety production. The production enterprise, as the responsible party of safety production, shall comply with laws, regulations and industrial standards and procedures regarding safety production in its production process. Enterprises that fail to meet safety production requirements shall not engage in production and operation activities. The safety facilities of a construction project newly built, innovated and expanded for production enterprises shall be in conjunction with the main project at the same time as its design, construction, commissioning and use. In the event that a production safety accident occurs to a production enterprise and is determined to be a negligent accident through investigation, the supervision and administration department of safety production shall examine the legal liability of the entity for such accident and pursue legal liability according to law.

PRC Laws on Land, Planning, Construction of Projects

Land

China's land is state-owned or collectively-owned. Except for land that is state-owned or has been expropriated to the State according to law, all the land shall be owned by the collective. The

REGULATORY OVERVIEW

state-owned land use right may be exercised by a third party by virtue of transfer, allocation, lease, and capital contribution and so forth. A third party which acquires a state-owned land use right may use, profit from, or dispose of, the state-owned land use right according to law within the statutory use period and the planned purpose. In the event that a construction project needs to make temporary use of state-owned or collectively-owned land, it shall be approved by competent land administrative authorities. The land user shall enter into a temporary land contract with the land administrative authority, the rural collective economic organization, or the villagers' committee based on the land ownership, and shall pay land compensation pursuant to the provisions of such contract. Permanent buildings are prohibited from being built on the land for temporary use and the land use period generally shall not exceed two years.

Planning

For a construction project for which the right to use of state-owned land is extended through transfer, the developing unit shall apply to the department in charge of urban and rural planning under the people's government of the city or county concerned for a permit for planned use of land for construction. For the construction of projects in an area covered by the plan of a city or town, the developing unit shall apply for a permit for a planned construction project to the department in charge of urban and rural planning under the people's government of the city or county concerned or to the township people's government designated by the people's government of the province, autonomous region, or municipality directly under the Central Government. A developing unit shall also carry out construction in compliance with the conditions for planning, the developing unit shall, within six months after the acceptance check conducted upon completion of a project, submit the relevant materials thereof to the department in charge of urban and rural planning.

Construction of Projects

Before a construction project starts, the project owner shall, in accordance with relevant PRC regulations, apply for construction permit to the competent administrative department for construction of the people's government at or above the county level in the place where the project is located, with the exception of the below-norm small projects specified by the competent administrative department for construction under the State Council. A completed construction project delivered for acceptance inspection shall conform to the quality standards specified for the project. There shall be available a whole series of technical and economic data and the project shall meet other requirements of the State for completion of a construction project. Construction projects shall be delivered for use only after passing the acceptance inspection.

PRC Laws on Electricity (Utilizing Coal Gas to Generate Electricity)

Based on the revised People's Republic of China Electricity Law (中華人民共和國電力法) adopted at the 14th Session of the Standing Committee of the Twelfth National People's Congress on April 24, 2015, the PRC government encourages and leads the domestic and overseas economic organizations and individuals to legally invest in the power development and power industry, and implements the principle of "whoever invests gains." The PRC government encourages the electric power plants to operate under grid-connected system.

REGULATORY OVERVIEW

The regulatory responsibilities of the former electricity regulatory department of the State Council, namely the State Electricity Regulatory Commission (now revoked), are now implemented by the National Energy Administration. According to the provisions of the Administrative Measures on Licenses for Electricity Business (電力業務許可証管理規定) promulgated by the State Electricity Regulatory Commission on October 13, 2005 and came into effect on December 1, 2005, a license for electricity business shall be obtained according to the regulations relating to the engagement in electricity business in the PRC. The licensees who were granted the license for electricity business shall be entitled to the rights and assume the obligations based on the regulations and shall be subject to the supervision and administration of the electricity administration departments of the State Council. The electricity business legally carried out by such licensees shall be protected by the law.

According to the Administrative Measures on Power Grid Dispatch (電網調度管理條例) promulgated by the State Council on June 29, 1993 and amended on January 8, 2011, the principles of unified dispatch and classified management shall apply to the operation of power grids and all power plants. Power grids shall follow the unified command of the electric network dispatch organs, which is responsible for the management and dispatch of power plants to supply electricity to power grids as well as the preparation of plans to order power generation and dispatch power supply.

PRC Laws on Water

China's water resources are owned by the State. The ownership of water resources shall be exercised by the State Council on behalf of the State. The water in the pond of the rural collective economic collective and in the reservoir built and managed by the rural collective economic collective shall be organized for use by such rural collective economic collective. The State enforces a water abstraction permit system as well as compensated use system according to law. Entities and individuals that abstract water shall obtain a water abstraction permit and pay a fee for water resource unless there is statutory exception. Production enterprises shall utilize advanced technology, process and equipment for their use of industrial water to increase the number of cycles of water and to improve the recycling rate of water.

PRC Laws on Labor

In China, for an employer to establish labor relationship with an employee, they shall enter into a written labor contract. The employee shall enjoy the right to equal employment and selection of profession, the right to labor remuneration, the right to rest and vacations, the right to occupational safety and health protection, the right to technical training, the right to social security and welfare, and the right to apply for labor dispute resolution. The employer shall ensure that the employee enjoys labor rights and fulfills labor obligations. Further, the employer shall register with the local social insurance agency, and the employer and the employee shall jointly register with the social insurance agency and pay the pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. The employer shall register with the administrative center of the housing provident fund and set up an account for the housing provident fund for its employee. The employer shall also make full contribution to the housing provident fund for its employee in a timely manner.

HISTORY, DEVELOPMENT AND REORGANIZATION

OUR GROUP'S BUSINESS DEVELOPMENT

Our history can be traced back to 2003 when our Predecessor was established as a limited liability company in the PRC by Yugang Coking, Maanshan Steel and Jiangxi PXSteel. Over the years, we have developed a strategic business relationship with Maanshan Steel and Jiangxi PXSteel, being two major steel product manufacturers in China, based on which we have been able to secure a stable demand for coke from, and sell our coke to, these two companies and they have been able to secure a reliable supply of quality coke from us.

As disclosed in the “*Business*” section of this prospectus, we obtain coking by-products, mainly crude benzene, coal tar and crude oven gas, from our coking process. We began to explore the possibility of commercializing the coking by-products by co-founding (through minority investment) Bohigh Chemical in 2005, which allowed us to further evaluate the commercial benefits that could be brought about by being involved in the downstream coking chemical value chain. Having attained a stable production of coke following the construction of our coking furnaces 3 and 4 in 2008 and 2011, respectively, we reached a critical scale of production that enabled us to implement a vertically integrated business model along the coking chemical value chain. Such integration has been implemented since 2015 through the acquisition of the majority equity interests in companies engaged in the downstream processing of coking by-products and sale of refined chemicals or coal gas, mainly Jinyuan Chemicals, Bohigh Chemical and Jinning Energy, and whose production facilities were located in the same industrial park within the proximity of and connected by a network of pipelines with us. The establishment of such vertically integrated business model underpinned by an interconnected network of pipelines allows us to efficiently extend and diversify our product portfolio and revenue streams and reduce our exposure to market volatilities and price fluctuations with respect to any single product. Please see “— *Our Subsidiaries, Associated Company and Joint Venture Company*” and “— *Certain Acquisitions and Disposals during the Track Record Period*” for details of the acquisitions.

In preparation for the Listing, we underwent the Reorganization. In August 2016, our Company was incorporated as a joint stock limited company through conversion of our Predecessor from a limited liability company. In May 2016, we established a 71.0%-owned subsidiary Jinrui Energy to engage in the production and sale of LNG. For more details, please see “— *The Reorganization*.”

HISTORY, DEVELOPMENT AND REORGANIZATION

BUSINESS MILESTONES

The table below sets out the key milestones in the development of our business:

Date	Event
February 2003	Jiyuan Jinma Coking Co., Ltd., the predecessor of our Company, was established to engage in the production and processing of coke.
June 2005	Our coking furnace 1 and 2 (4.3 meters in height) commenced operation officially, our annual coke production capacity was approximately 1.0 million tons.
December 2008	Our coking furnace 3 (5.5 meters in height) commenced operation officially, further increasing our annual coking production capacity to approximately 1.5 million tons.
December 2011	Our coking furnace 4 (5.5 meters in height) commenced operation officially, further increasing our aggregated annual coke production capacity to approximately 2.1 million tons (on a moist-free basis).
May 2014	<p>We acquired the majority equity interest in and consolidated the operations of Shanghai Jinma, a trading company located within the China (Shanghai) Pilot Free Trade Zone.</p> <p>In addition, Shanghai Jinma was then the owner of 49% of the equity interest in Jinjiang Refinery, a company principally engaged in the production and sale of hydrogen.</p>
May 2015	We acquired the entire equity interest in and consolidated the operations of Jinyuan Chemicals, a company principally engaged in the processing of crude benzene and the production and sale of benzene based chemicals.
October 2016	We acquired the remaining equity interest in and consolidated the operations of Bohigh Chemical, a company principally engaged in the processing of coal tar and the production and sale of coal tar based chemicals.
December 2016	We acquired the majority equity interest in and consolidated the operations of Jinning Energy, a company principally engaged in the storage and sale of coal gas.

HISTORY, DEVELOPMENT AND REORGANIZATION

CORPORATE HISTORY

Our Predecessor and Our Company

Our Predecessor was established as a limited liability company in the PRC on February 13, 2003 with an initial registered capital of RMB200 million and was owned as to 45% by Yugang Coking (a company then controlled by an Independent Third Party), 40% by Maanshan Steel and 15% by Jiangxi PXSteel. As disclosed in the section headed “*Industry Overview*” of this prospectus, the iron and steel industry requires coke as a raw material, and, there was a relatively short supply of coke in provinces such as Jiangsu, Anhui and Jiangxi provinces where major steel mills were located. Maanshan Steel and Jiangxi PXSteel, being manufacturers of steel products located in Anhui and Jiangxi provinces had therefore, together with Yugang Coking, a company established in Jiyuan, founded our Predecessor. Over the years, we have developed a strategic business relationship with Maanshan Steel and Jiangxi PXSteel, being two major steel product manufacturers in China, based on which we have been able to secure a stable demand for coke from, and sell our coke to, these two companies and they have been able to secure a reliable supply of quality coke from us. Later in 2003 and in 2005, Mr. Yiu Chiu Fai (our chairman and executive Director) acquired 15% and 85% interest, respectively, of the then holding company of Yugang Coking from the abovementioned Independent Third Party, and, thus, thereafter, Mr. Yiu Chiu Fai became our Controlling Shareholder. Our Company was formed through the conversion of our Predecessor into a joint stock company with limited liability in August 2016.

In March 2008, we increased our registered capital by RMB22.22 million, which was paid up by Jinma Xingye, a company then held by members of our management. The introduction of Jinma Xingye as our shareholder provided an opportunity to incentivize such then members of our management to improve our performance. Pursuant to the arrangement, our registered capital was increased to RMB222.22 million and was owned as to 40.5% by Yugang Coking, 36% by Maanshan Steel, 13.5% by Jiangxi PXSteel and 10% by Jinma Xingye.

Following certain internal transfers between companies then wholly owned by Mr. Yiu Chiu Fai in 2010 and 2012, Mr. Yiu Chiu Fai held the said 40.5% of our equity interest through Jinma HK, and, thus, we were owned as to 40.5% by Jinma HK, 36% by Maanshan Steel, 13.5% by Jiangxi PXSteel and 10% by Jinma Xingye. In April 2012, Mr. Yiu Chiu Fai disposed of all his shares in the holding company of Yugang Coking and since then, Mr. Yiu ceased to have any interest in Yugang Coking.

On May 18, 2015, Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye entered into an equity transfer agreement with us for the sale of the entire registered capital of Jinyuan Chemicals at RMB104.51 million to us, and, as consideration therefor, we increased our registered capital by RMB104.51 million (the “**Jinyuan Chemicals Equity Transfer Agreement**”) and issued such capital pro-rata to the sale under the Jinyuan Chemicals Equity Transfer Agreement as to 40.5% to Jinma HK, 36% to Maanshan Steel, 13.5% to Jiangxi PXSteel and 10% to Jinma Xingye. Following the completion of the said transaction on May 29, 2015, our registered capital was increased to RMB326.73 million. For details of the Jinyuan Chemicals Equity Transfer Agreement, please see “— *Certain Acquisitions and Disposal during the Track Record Period — Acquisition of 100% Interest in Jinyuan Chemicals.*”

HISTORY, DEVELOPMENT AND REORGANIZATION

On August 3, 2016, our Company was converted from a limited liability company into a joint stock company. With reference to the net asset value of our Predecessor as of December 31, 2015 determined based on an independent valuation, our share capital was increased from RMB326.73 million to RMB400 million, divided into 400,000,000 shares at a par value of RMB1.00. Immediately after the conversion and as of the Latest Practicable Date, our Company was owned as to 40.5% by Jinma HK, 36% by Maanshan Steel, 13.5% by Jiangxi PXSteel and 10% by Jinma Xingye, which was the same as that prior to the conversion.

Our Group is principally engaged in the production and sale of coke and processing of coking by-products, as more particularly detailed in the section headed “*Business.*”

Our Subsidiaries, Associated Company and Joint Venture Company

Our Subsidiaries

Jinyuan Chemicals

Jinyuan Chemicals was established on November 23, 2012 in the PRC with an initial registered capital of RMB100 million, which was held by our Shareholders, Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye as to 40.5%, 36%, 13.5% and 10%, respectively.

Upon completion of the acquisition contemplated under the Jinyuan Chemicals Equity Transfer Agreement on May 26, 2015, we became the sole shareholder of Jinyuan Chemicals. For details of the transaction under the Jinyuan Chemicals Equity Transfer Agreement, please see “— *Certain Acquisitions and Disposal during the Track Record Period — Acquisition of 100% Interest in Jinyuan Chemicals.*”

Jinyuan Chemicals is principally engaged in the processing of crude benzene and the production and sale of benzene based chemicals. Jinyuan Chemicals continues to be our wholly owned subsidiary following the Reorganization.

Bohigh Chemical

Bohigh Chemical was established on January 29, 2004 in the PRC with an initial registered capital of RMB63.74 million, which was held by 上海華誼能源化工有限公司 (Shanghai Huayi Energy Chemicals Co., Ltd.*) (“**Huayi Energy**”, previously known as 上海焦化有限公司 (Shanghai Coking Company Limited*), an Independent Third Party), us and 卡博特 (中國) 投資有限公司 (Cabot (China) Limited*) (“**Cabot China**”, an Independent Third Party), as to 45%, 29% and 26%, respectively.

On September 28, 2016, we entered into an equity transfer agreement with Cabot China and Bohigh Chemical for the acquisition of a 26% interest in Bohigh Chemical. Further, on September 30, 2016, we entered into an equity transfer agreement with Huayi Energy for the acquisition of a 45% interest in Bohigh Chemical. Following the completion of the said acquisitions on October 20, 2016, we became the sole shareholder of Bohigh Chemical. For details of such acquisitions, please see “— *Certain Acquisitions and Disposal during the Track Record Period — Acquisition of a 71% Interest in Bohigh Chemical.*”

HISTORY, DEVELOPMENT AND REORGANIZATION

Bohigh Chemical is principally engaged in the processing of coal tar and the production and sale of coal tar based chemicals. Bohigh Chemical continues to be our wholly owned subsidiary of our Company following the Reorganization.

Jinboyuan Technology

Jinboyuan Technology was established on August 9, 2016 in the PRC with an initial registered capital of RMB10 million, and was wholly owned by Bohigh Chemical. Jinboyuan Technology had not commenced business. On January 20, 2017, Jinboyuan Technology was deregistered.

Shanghai Jinma

Shanghai Jinma was established on November 27, 2013 in the PRC with an initial registered capital of RMB20 million, which was held by Jinma Xingye and 上海谷泰企業發展(集團)有限公司 (Shanghai Gutai Enterprise Development (Group) Co., Ltd.*) (“**Shanghai Gutai**”, an Independent Third Party) as to 75% and 25%, respectively.

On May 6, 2014, we entered into an equity transfer agreement with Jinma Xingye for the acquisition of a 75% interest in Shanghai Jinma. Following the completion of the said acquisition on May 13, 2014, Shanghai Jinma became our non-wholly owned subsidiary and was owned as to 75% by our Predecessor and 25% by Shanghai Gutai, an Independent Third Party. For details of such acquisition, please see “— *Certain Acquisitions and Disposal during the Track Record Period — Acquisition of a 75% Interest in Shanghai Jinma.*”

Shanghai Jinma is principally engaged in the trading of coal and coal mining equipment. Shanghai Jinma continues to be our 75% non-wholly owned subsidiary following the Reorganization.

Jinning Energy

Jinning Energy was established on July 2, 2007 in the PRC, with an initial registered capital of RMB10 million, which was held by 南京和安商貿有限公司 (Nanjing He’an Trading Co., Ltd.*), 鐘達春 (Zhong Dachun) and 段鐘 (Duan Zhong), all being Independent Third Parties, as to 60%, 30% and 10%, respectively.

After the establishment of Jinning Energy, there were various changes in its equity holders, and on December 22, 2016, we entered into an equity transfer agreement with the then 10 individual equity holders of Jinning Energy (details of such equity holders are set out in the section headed “— *Certain Acquisitions and Disposal during the Track Record Period — Acquisition of a 51% Interest in Jinning Energy*”) for the acquisition of a 51% interest in Jinning Energy. Following the completion of such acquisition on December 29, 2016, Jinning Energy became our non-wholly owned subsidiary and was owned as to 51% by us and 49% by 河南金塑實業有限公司 (Henan Jinsu Shiye Co., Ltd.*), an Independent Third Party (other than being a holder of certain interest of Jinning Energy). For details of such acquisition, please see “— *Certain Acquisitions and Disposal during the Track Record Period — Acquisition of a 51% Interest in Jinning Energy.*”

HISTORY, DEVELOPMENT AND REORGANIZATION

Jinning Energy is principally engaged in the storage and sale of coal gas. Jinning Energy continues to be our 51% non-wholly owned subsidiary following the abovementioned acquisition.

Jinrui Energy

Jinrui Energy was established on May 24, 2016 in the PRC, with an initial registered capital of RMB51 million and we were its sole equity holder.

On December 12, 2016, we entered into a capital increase agreement with Sichuan Kongfen and Zhengzhou Fuxiang for the increase of capital of Jinrui Energy. Following the completion on December 29, 2016, Jinrui Energy became our non-wholly owned subsidiary and was owned as to 71% by us, 19% by Sichuan Kongfen and 10% by Zhengzhou Fuxiang, being Independent Third Parties (other than being holders of certain interest in Jinrui Energy). For details of such disposal, please see “— *Certain Acquisitions and Disposal during the Track Record Period — Capital Increase and Deemed Disposal of a 29% Interest in Jinrui Energy.*”

As disclosed in “*Business — Our Strategies,*” we formed Jinrui Energy for the development and production of LNG. Jinrui Energy will therefore be principally engaged in the production and distribution of LNG refined from coal gas supplied by us. Jinrui Energy continues to be our 71%-owned subsidiary following the abovementioned disposal.

Jinrui Gas

Jinrui Gas was established on May 24, 2016 in the PRC with an initial registered capital of RMB25,500,000 and we were its sole equity holder.

On August 9, 2016, we entered into an equity transfer agreement with Jinrui Energy (which was then a wholly owned subsidiary of the Company) pursuant to which we transferred 100% interest in Jinrui Gas to Jinrui Energy at nil consideration. The relevant transfer was an internal transfer within our Group made at nil consideration as both Jinrui Energy and Jinrui Gas were then our wholly owned subsidiaries. Pursuant to the equity transfer agreement, Jinrui Gas became a wholly owned subsidiary of Jinrui Energy.

As disclosed in “*Business — Our Strategies,*” we plan to operate in the retail business of LNG products through gas stations. Jinrui Gas continues to be a wholly owned subsidiary of Jinrui Energy following the Reorganization.

HISTORY, DEVELOPMENT AND REORGANIZATION

Our Associated Company

Yilong Coal

Yilong Coal was established on January 28, 2015 in the PRC with an initial registered capital of RMB80 million, which was held by 霍州煤電集團有限責任公司 (Huozhou Coal Power Group LLC*) (“**Huozhou Coal**”, an Independent Third Party and a subsidiary of a PRC state-owned enterprise), us and 山西億隆礦山用品有限公司 (Shanxi Yilong Mine Products Co., Ltd.*) (“**Shanxi Yilong**”, an Independent Third Party) as to 51%, 33% and 16%, respectively.

Yilong Coal holds a mining permit in respect of a mine, details of which are as follows:

Name of mine	Location	Area size (km ²)	Mining right owner	Maximum annual production volume per mining license	Term	Estimated coal reserve (in thousand tons)	Reserve report issuer
Yilong Coal	Hanhou Village East of Wan An Town and Liang Village of Liujiayuan Town East, Hong Dong County, Linfen City, Shanxi Province, the PRC	6.0834	Yilong Coal	600,000 tons	December 10, 2014 to September 10, 2017	62,770	臨汾晉安地測勘 查有限公司 (Linfen Pu An Geodetic Survey Co., Ltd.*)

As advised by our PRC Legal Advisors, upon compliance of the applicable PRC laws, regulations and coal industry policies, including but not limited to certain filing requirements and timely payment of the relevant license fees, there is no legal impediment on the renewal of the mining permit in respect of the Yilong Coal. The mining permit had expired on September 10, 2017, we are in the process of applying for renewal. Our Directors believe there is no foreseeable obstacles in obtaining the renewal. Our Directors consider that our investment in Yilong Coal will, upon the commencement of the commercial mining of coal in abovementioned coal mine, secure a stable supply of coal to us for the production of coke and coking refined chemicals and energy products. Yilong Coal continues to be owned as to 33% by us following the Reorganization.

HISTORY, DEVELOPMENT AND REORGANIZATION

Our Joint Venture Company

Jinjiang Refinery

Jinjiang Refinery was established on May 14, 2014 in the PRC with an initial registered capital of RMB100 million, which was held by Shanghai Jinma and 洛陽煉化有限責任公司 (Luoyang Refinery Co., Ltd.*) (“**Luoyang Refinery**”, an Independent Third Party) as to 49% and 51%, respectively.

On March 16, 2015, we entered into an equity transfer agreement with Shanghai Jinma for the acquisition of a 49% interest in Jinjiang Refinery. Following the completion of such acquisition on April 8, 2015, Jinjiang Refinery became owned as to 49% by us and 51% by Luoyang Refinery. For details of such acquisition, please see “— *Certain Acquisitions and Disposal during the Track Record Period — Acquisition of a 49% Interest in Jinjiang Refinery.*”

Jinjiang Refinery is principally engaged in the production and sale of hydrogen. Jinjiang Refinery continues to be owned as to 49% by us following the Reorganization.

CERTAIN ACQUISITIONS AND DISPOSAL DURING THE TRACK RECORD PERIOD

Acquisition of a 75% Interest in Shanghai Jinma

On May 6, 2014, we entered into an equity transfer agreement with Jinma Xingye, pursuant to which we acquired a 75% interest in Shanghai Jinma from Jinma Xingye for a consideration of RMB15 million. The consideration was determined based on the relevant registered capital of Shanghai Jinma, which was also Jinma Xingye’s initial investment in respect thereof, and such consideration was fully settled on May 6, 2014.

As a result of the above acquisition, Shanghai Jinma became our 75% non-wholly owned subsidiary.

As disclosed in “*Business*,” Shanghai Jinma is located within the China (Shanghai) Pilot Free Trade Zone. The acquisition of Shanghai Jinma allows us to trade coal and coal mining equipment while taking advantage of various incentives provided by the government through, for example, government grant, which are available to the enterprises located in the free trade zone.

The aforesaid transfer of equity interest was approved on May 13, 2014 by the Pilot Free Trade Zone Branch of the Shanghai Administration for Industry and Commerce, being the relevant PRC governmental authority. As confirmed by our PRC Legal Advisors, the above acquisition was properly and legally settled and completed, and all permits, authorizations, approvals and consents necessary for the above transactions have been obtained from the relevant PRC authorities.

HISTORY, DEVELOPMENT AND REORGANIZATION

Acquisition of a 49% Interest in Jinjiang Refinery

On March 16, 2015, we entered into an equity transfer agreement with Shanghai Jinma for the acquisition of a 49% interest in Jinjiang Refinery for a consideration of RMB49 million. The consideration was determined based on the relevant registered capital of Jinjiang Refinery, which was also Shanghai Jinma's initial investment in respect thereof, and such consideration was fully settled on April 10, 2015. Following the completion of such acquisition, Jinjiang Refinery continued to be a joint venture company between us and Luoyang Refinery with each holding a 49% and 51% interest, respectively.

The acquisition of a 49% interest in Jinjiang Refinery was aligned with our strategy to operate a vertically integrated business model to commercialize coking by-products along the coking chemical value chain. Jinjiang Refinery also supplies hydrogen gas to Luoyang Refinery for its distribution.

The aforesaid transfer of equity interest was approved on April 8, 2015 by the Jiyuan Administration for Industry and Commerce, being the relevant PRC governmental authority. As confirmed by our PRC Legal Advisors, the above acquisition was properly and legally settled and completed, and all permits, authorizations, approvals and consents necessary for the above transactions have been obtained from the relevant PRC authorities.

Acquisition of 100% Interest in Jinyuan Chemicals

On May 18, 2015, we entered into the Jinyuan Chemicals Equity Transfer Agreement with our Shareholders, Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye to purchase 40.5%, 36%, 13.5% and 10% of the registered capital of Jinyuan Chemicals from Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye, respectively.

The aggregate consideration for the above acquisition of equity interest of Jinyuan Chemicals of RMB104,510,000 was determined with reference to an independent valuation, and such consideration was settled by us increasing our registered capital by RMB104,510,000 in aggregate, and issuing such capital to Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye as to approximately RMB42,326,000, approximately RMB37,624,000, approximately RMB14,109,000 and RMB10,451,000, respectively on May 26, 2015. Immediately following such increase in our registered capital, we were held by Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye as to 40.5%, 36%, 13.5% and 10%, respectively and Jinyuan Chemicals became our wholly owned subsidiary.

As disclosed in "*Business*," crude benzene is one of the by-products generated in our coking process and it can be refined into benzene based chemicals including pure benzene and toluene. Since Jinyuan Chemicals was (and still is) principally engaged in the processing of crude benzene and the production and sale of benzene based chemicals, the acquisition of Jinyuan Chemicals was in line with our strategy of operating a vertically integrated business model to commercialize coking by-products along the coking chemical value chain.

HISTORY, DEVELOPMENT AND REORGANIZATION

The aforesaid transfer of equity interest was approved on May 26, 2015 by the Jiyuan Administration for Industry and Commerce, being the relevant PRC governmental authority. As confirmed by our PRC Legal Advisors, the above acquisition of Jinyuan Chemicals was properly and legally settled and completed, and all permits, authorizations, approvals and consents necessary for the above transfer have been obtained from the relevant PRC authorities.

Acquisition of a 71% Interest in Bohigh Chemical

On September 28, 2016, we entered into an equity transfer agreement with Cabot China (an Independent Third Party) and Bohigh Chemical, pursuant to which we acquired a 26% interest in Bohigh Chemical from Cabot China for a consideration of RMB15.6 million, which was fully settled on November 18, 2016.

On September 30, 2016, we entered into an equity transfer agreement with Huayi Energy (an Independent Third Party), pursuant to which we acquired a 45% interest in Bohigh Chemical from Huayi Energy for a consideration of RMB27 million, which was fully settled on November 7, 2016.

The consideration for the above transfers of equity interest in Bohigh Chemical were determined with reference to an independent valuation. As a result of the above acquisitions, Bohigh Chemical became our wholly owned subsidiary.

As disclosed in “*Business*,” coal tar is one of the by-products generated in our coking process. Since Bohigh Chemical was (and still is) principally engaged in the processing of coal tar and the production and sale of coal tar based chemicals, the acquisition of Bohigh Chemical was in line with our strategy to further expand our business through our vertically integrated business model to commercialize coking by-products along the coking chemical value chain, and also allowed us to consolidate our control in Bohigh Chemical.

The aforesaid transfer of equity interest was approved on October 20, 2016 by the Jiyuan Administration for Industry and Commerce, being the relevant PRC governmental authority. As confirmed by our PRC Legal Advisors, the above transactions were properly and legally settled and completed, and all permits, authorizations, approvals and consents necessary for the above transactions have been obtained from the relevant PRC authorities.

Acquisition of a 51% Interest in Jinning Energy

On December 22, 2016, we entered into an equity transfer agreement with the following individual equity holders of Jinning Energy, pursuant to which we acquired a 51% interest in Jinning Energy. Under the equity transfer agreement, the individual equity vendors listed in the chart below have jointly and severally guaranteed that Jinning Energy will record a net profit of not less than RMB40,666,700 for each of the three years ending December 31, 2017, 2018 and 2019 (the “**Guaranteed Net Profit**”). The total consideration of RMB62,220,000 for the acquisition was determined with reference to an independent valuation and is payable by us in four instalments, the first of which in the amount of approximately RMB28,621,000 was settled on March 7, 2017 and the balance of the consideration shall be payable, subject to certain adjustments, in three equal instalments and is expected to be fully settled in 2020. In the event that the actual audited net profit for the

HISTORY, DEVELOPMENT AND REORGANIZATION

relevant year falls below the Guaranteed Net Profit (such shortfall shall be referred to as the “**Shortfall**”), the relevant instalment amount to be paid by us for the relevant instalment shall be adjusted downward by the proportion of the Shortfall against the Guaranteed Net Profit. Details of the individual equity vendors are set out below:

Name of equity vendor	Relationship with our Group	Percentage of equity interest in Jinning Energy
Mr. Wang Lijie (王利杰)	Owner of 33.44% of Jinma Xingye, director of Shanghai Jinma and Jinning Energy, and the son of Mr. Wang Mingzhong	16.4%
Mr. Wang Mingzhong (王明忠)	Executive Director and CEO of our Group, director of Jinyuan Chemicals and Jinrui Energy, director and general manager of Jinrui Gas, and the father of Mr. Wang Lijie	11.4%
Mr. Li Tianxi (李天喜)	Owner of 10.80% of Jinma Xingye, executive Director and executive deputy general manager of our Company, director of Bohigh Chemical	5.8%
Mr. Li Yan (李研)	Former director of Jinning Energy	5.8%
Mr. Fan Jianguo (范建國)	Owner of 7.88% of Jinma Xingye, deputy general manager of our Company and general manager of Jinyuan Chemicals	3.6%
Mr. Li Haitao (李海濤)	Owner of 7.88% of Jinma Xingye, former member of the senior management of our Company	3.6%
Mr. Shi Jiahai (史家海)	Owner of approximately 2.46% of Jinma Xingye, employee of our Company	1.1%
Mr. Kong Deming (孔德明)	Owner of approximately 2.46% of Jinma Xingye, member of the senior management of our Company, a director of Jinning Energy and a deputy general manager of Bohigh Chemical	1.1%
Mr. Ju Lixing (琚理興)	Owner of approximately 2.46% of Jinma Xingye, chairman of the board of directors of Shanghai Jinma, deputy general manager of our Company	1.1%
Mr. Li Guoxin (李國新)	Former member of the senior management of our Company	1.1%

Following the completion of the above acquisition, Jinning Energy became our 51% non-wholly owned subsidiary.

Jinning Energy is principally engaged in the storage and sale of coal gas. The acquisition of Jinning Energy allows us to better control the storage and sale of the coal gas produced by us and is beneficial to our business.

HISTORY, DEVELOPMENT AND REORGANIZATION

The aforesaid transfer of equity interest was approved on December 29, 2016 by the Jiyuan Administration for Industry and Commerce, being the relevant PRC governmental authority. As confirmed by our PRC Legal Advisors, the above acquisition was properly and legally settled and completed, and all permits, authorizations, approvals and consents necessary for the above transactions have been obtained from the relevant PRC authorities.

Capital Increase and Deemed Disposal of a 29% Interest in Jinrui Energy

On December 12, 2016, we and Jinrui Energy entered into a capital increase agreement with Sichuan Kongfen, Zhengzhou Fuxiang, both then being Independent Third Parties, pursuant to which, we, Sichuan Kongfen and Zhengzhou Fuxiang agreed to inject RMB20,000,000, RMB19,000,000 and RMB10,000,000, respectively, into the capital of Jinrui Energy and thereby increasing Jinrui Energy's registered capital from RMB51,000,000 to RMB100,000,000. The capital contribution was determined based on the registered capital of Jinrui Energy. We, Sichuan Kongfen and Zhengzhou Fuxiang paid up their respective contribution amount into Jinrui Energy by March 6, 2017, January 24, 2017 and March 7, 2017, respectively. Following the completion of such disposal, Jinrui Energy was owned as to 71% by us and as to 19% by Sichuan Kongfen and 10% by Zhengzhou Fuxiang.

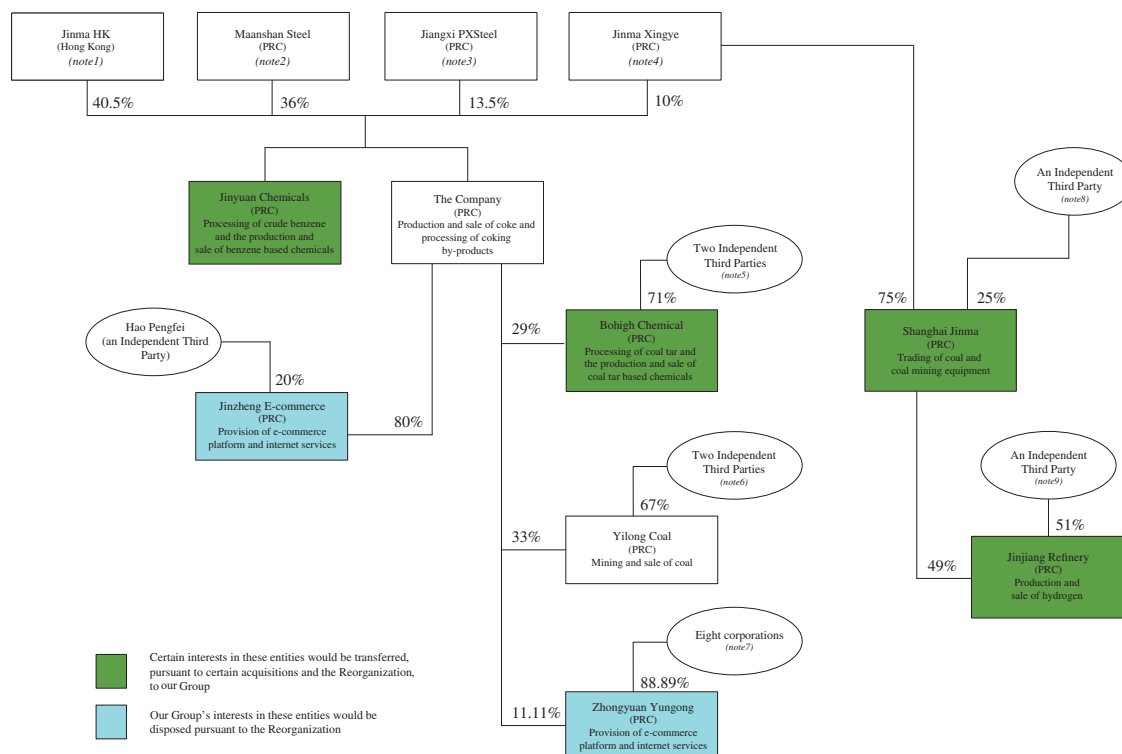
Sichuan Kongfen is principally engaged in the design and manufacturing of gas separation equipment. Through the cooperation with Sichuan Kongfen, Jinrui Energy is expected to be able to leverage on the LNG technological expertise and skills of Sichuan Kongfen which will be advantageous to the development of our LNG production and distribution business. Zhengzhou Fuxiang is principally engaged in the sale of vehicles. Through the cooperation with Zhengzhou Fuxiang, Jinrui Energy is expected to gain access to Zhengzhou Fuxiang's LNG vehicle customers, which may constitute Jinrui Energy's potential customer base.

The aforesaid capital increase was approved on December 29, 2016 by the Jiyuan Administration for Industry and Commerce, being the relevant PRC governmental authority. As confirmed by our PRC Legal Advisors, the above acquisition was properly and legally settled and completed, and all permits, authorizations, approvals and consents necessary for the above transactions have been obtained from the relevant PRC authorities.

HISTORY, DEVELOPMENT AND REORGANIZATION

THE REORGANIZATION

The following chart illustrates our corporate and ownership structure immediately prior to the acquisitions and disposals mentioned in “— *Certain Acquisitions and Disposal during the Track Record Period,*” the Reorganization and the incorporation of Jinrui Energy and Jinrui Gas:



Notes:

As of the Latest Practicable Date (unless otherwise specified):

1. Jinma HK was wholly owned by Jinma Coking, which was in turn held by Golden Star as to 96.3% and an Independent Third Party as to 3.7%. Golden Star was in turn wholly owned by Mr. Yiu Chiu Fai.
2. Maanshan Steel, a company whose A and H shares were listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange, respectively. 馬鋼(集團)控股有限公司 (Magang (Group) Holdings Co., Ltd.*), a state-owned enterprise, was the holding company of Maanshan Steel and held approximately 45.53% of the shares of Maanshan Steel.
3. As per their confirmations, while 遼寧方大集團實業有限公司 (Liaoning Fangda Group Industrial Co., Ltd.*) (“**Liaoning Fangda**”) was directly and indirectly interested in approximately 29.91% of Jiangxi PXSteel, Liaoning Fangda was the holding company of Jiangxi PXSteel. Liaoning Fangda Group Industrial Co., Ltd. was in turn 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.*), which was in turn wholly owned by Mr. Fang Wei (方威).

HISTORY, DEVELOPMENT AND REORGANIZATION

4. Jinma Xingye was owned by 43 individuals, comprising: (i) 34 current and former employees of our Group and its associated companies who were Independent Third Parties and, in aggregate, held approximately 47.85% of the equity interest in Jinma Xingye, and (ii) the following nine individuals:

Name of equity holder	Relationship with our Group	Approximate percentage of equity interest in Jinma Xingye
Mr. Wang Lijie (王利杰)	Director of Shanghai Jinma and Jinning Energy	33.44%
Mr. Li Tianxi (李天喜)	Executive Director and executive deputy general manager of our Company and director of Bohigh Chemical	10.80%
Mr. Ju Lixing (琚理興)	Member of the senior management of our Company and the chairman of the board of directors of Shanghai Jinma	2.46%
Mr. Kong Deming (孔德明)	Member of the senior management of our Company, a director of Jinning Energy and the deputy general manager of Bohigh Chemical	2.46%
Mr. Wang Yongxin (王永新)	Chairman of the board of directors of Jinning Energy	2.46%
Mr. Li Zhongge (李中革)	Supervisor of our Company, Jinrui Energy and Jinrui Gas	0.88%
Mr. Zhao Zhengju (趙正軍)	Director of Jinning Energy	0.88%
Ms. Hao Yali (郝亞莉)	Supervisor of our Company	0.70%
Mr. Pang Liyi (龐史義)	Supervisor of Shanghai Jinma	0.53%

5. Huayi Energy, an Independent Third Party, was the holder of a 45% interest of Bohigh Chemical since its incorporation. Cabot China, an Independent Third Party, was the holder of a 26% interest of Bohigh Chemical since its incorporation.
6. Huozhou Coal, an Independent Third Party, was the holder of a 51% interest of Yilong Coal since its incorporation. Shanxi Yilong, an Independent Third Party, was the holder of a 16% interest of Yilong Coal since its incorporation.
7. Each of Yugang Coking and Fangsheng Chemicals held an approximately 11.11% interest of Zhongyuan Yungong. The other approximately 66.67% interest of Zhongyuan Yungong was held by six Independent Third Parties.
8. Shanghai Gutai, an Independent Third Party, was the holder of a 25% interest of Shanghai Jinma since its incorporation. Such 25% interest was transferred to 南京嘉佰潤貿易有限公司 (Nanjing Jiabairun Trading Co., Ltd.*), another Independent Third Party, on January 16, 2015.
9. Luoyang Refinery, an Independent Third Party, was the holder of a 51% interest of Jinjiang Refinery since its incorporation.

HISTORY, DEVELOPMENT AND REORGANIZATION

The companies comprising our Group underwent a reorganization to rationalize our corporate structure in preparation for the Listing. The Reorganization involved the following steps:

1. Disposal of an 11.11% interest in Zhongyuan Yungong by our Company

Zhongyuan Yungong was established on January 20, 2016 and was held as to approximately 11.11% by us, whereas the remaining approximately 88.89% interest was held by eight other corporations, comprising Fangsheng Chemicals (a subsidiary of Jinma Xingye), Yugang Coking (an associate of Mr. Wang Xuezhong (王學中), a substantial Shareholder of Jinning Energy) and six Independent Third Parties. Zhongyuan Yungong is principally engaged in the provision of e-commerce platform and internet services. In order to focus on our core business of the production of coke and processing of coking by-products, we decided to dispose of our interest in Zhongyuan Yungong.

On November 29, 2016, we entered into an equity transfer agreement to dispose of approximately 11.11% interest in Zhongyuan Yungong to Fangsheng Chemicals, a subsidiary of Jinma Xingye, for a consideration of RMB557,188.108. Such consideration was determined based on an independent valuation. We consider that the disposal of Zhongyuan Yungong has not and will not have any material impact on our operation and financial position.

The aforesaid disposal of equity interest was approved on December 7, 2016 by the Jiyuan Administration for Industry and Commerce, being the relevant PRC governmental authority, and the relevant consideration payable by Fangsheng Chemicals to us was settled on December 12, 2016. As confirmed by our PRC Legal Advisors, the above disposal has been properly and legally settled and completed, and all permits, authorizations, approvals and consents necessary for the above disposal has been obtained from the relevant PRC authorities.

Following the abovementioned disposal, we ceased to have any interest in Zhongyuan Yungong.

2. Disposal of an 80% interest in Jinzheng E-commerce by our Company

Jinzheng E-commerce was established on August 4, 2014 and, prior to the Reorganization, it was held as to 80% by us and 20% by Mr. Hao Pengfei (郝鵬飛), an Independent Third Party. Jinzheng E-commerce was principally engaged in the provision of e-commerce platform and internet services. In order to focus on our core business on the production of coke and processing of coking by-products, we decided not to include Jinzheng E-commerce as a member of our Group.

HISTORY, DEVELOPMENT AND REORGANIZATION

On August 12, 2016, we entered into three equity transfer agreements (as supplemented by a confirmation letter dated August 16, 2016) to dispose of:

- (a) a 51% interest in Jinzheng E-commerce to Jinma Xingye, for nil consideration;
- (b) a 19% interest in Jinzheng E-commerce to 濟源市金潤實業有限公司 (Jiyuan Jinrun Enterprise Co., Ltd.*), a company owned as to approximately 32% by Mr. Li Yan (a former director of a Jinning Energy, a non-wholly owned subsidiary of our Company), for nil consideration; and
- (c) a 10% interest in Jinzheng E-commerce to Mr. Hao Pengfei, an Independent Third Party, for nil consideration.

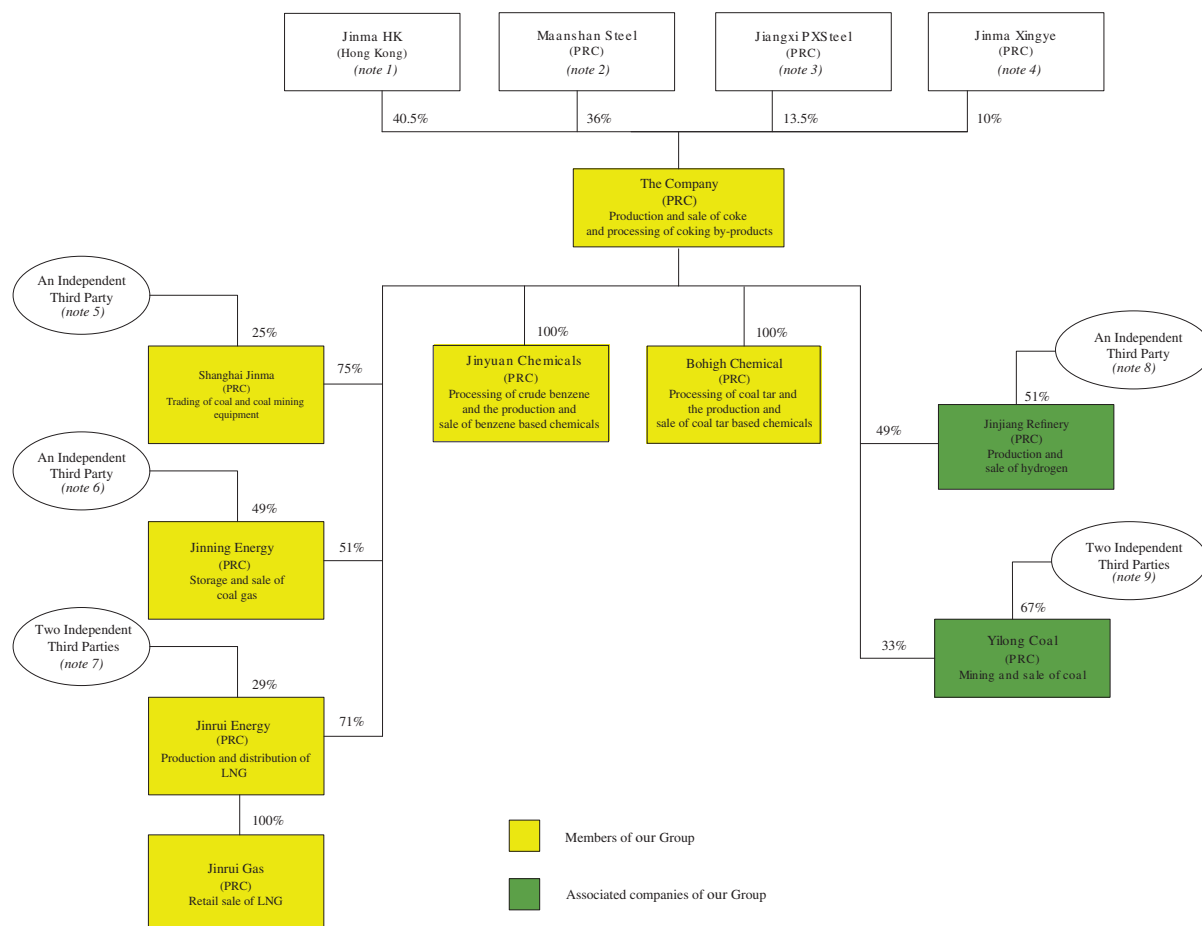
The above transfers were all made at nil consideration due to the fact that, prior to the transfers, no capital contribution had been made by us into Jinzheng E-commerce, and no profit had yet been generated by Jinzheng E-commerce. We consider that the disposal of Jinzheng E-commerce has not and will not have any material impact on our operation and financial position.

The aforesaid disposal of equity interest was approved on August 22, 2016 by the Jiyuan Administration for Industry and Commerce, being the relevant PRC governmental authority. As confirmed by our PRC Legal Advisors, the above disposal has been properly and legally settled and completed, and all permits, authorizations, approvals and consents necessary for the above disposal has been obtained from the relevant PRC authorities.

Following the abovementioned disposal, we ceased to have any interest in Jinzheng E-commerce.

HISTORY, DEVELOPMENT AND REORGANIZATION

The following chart summarizes our structure after the acquisitions and disposals mentioned in “*Certain Acquisitions and Disposal during the Track Record Period,*” the Reorganization and the incorporation of Jinrui Energy and Jinrui Gas, but immediately before the Global Offering:



Notes:

As of the Latest Practicable Date:

- Jinma HK was wholly owned by Jinma Coking, which was in turn held by Golden Star as to 96.3% and an Independent Third Party as to 3.7%. Golden Star was in turn wholly owned by Mr. Yiu Chiu Fai.
- Maanshan Steel, a company whose A and H shares were listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively. 馬鋼(集團)控股有限公司 (Magang (Group) Holdings Co., Ltd.*), a state-owned enterprise, was the holding company of Maanshan Steel and held approximately 45.53% of the shares of Maanshan Steel.
- As per their confirmations, while Liaoning Fangda was directly and indirectly interested in approximately 29.91% of Jiangxi PXSteel, Liaoning Fangda was the holding company of Jiangxi PXSteel. Liaoning Fangda Group Industrial Co., Ltd. was in turn 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.*), which was in turn wholly owned by Mr. Fang Wei (方威).

HISTORY, DEVELOPMENT AND REORGANIZATION

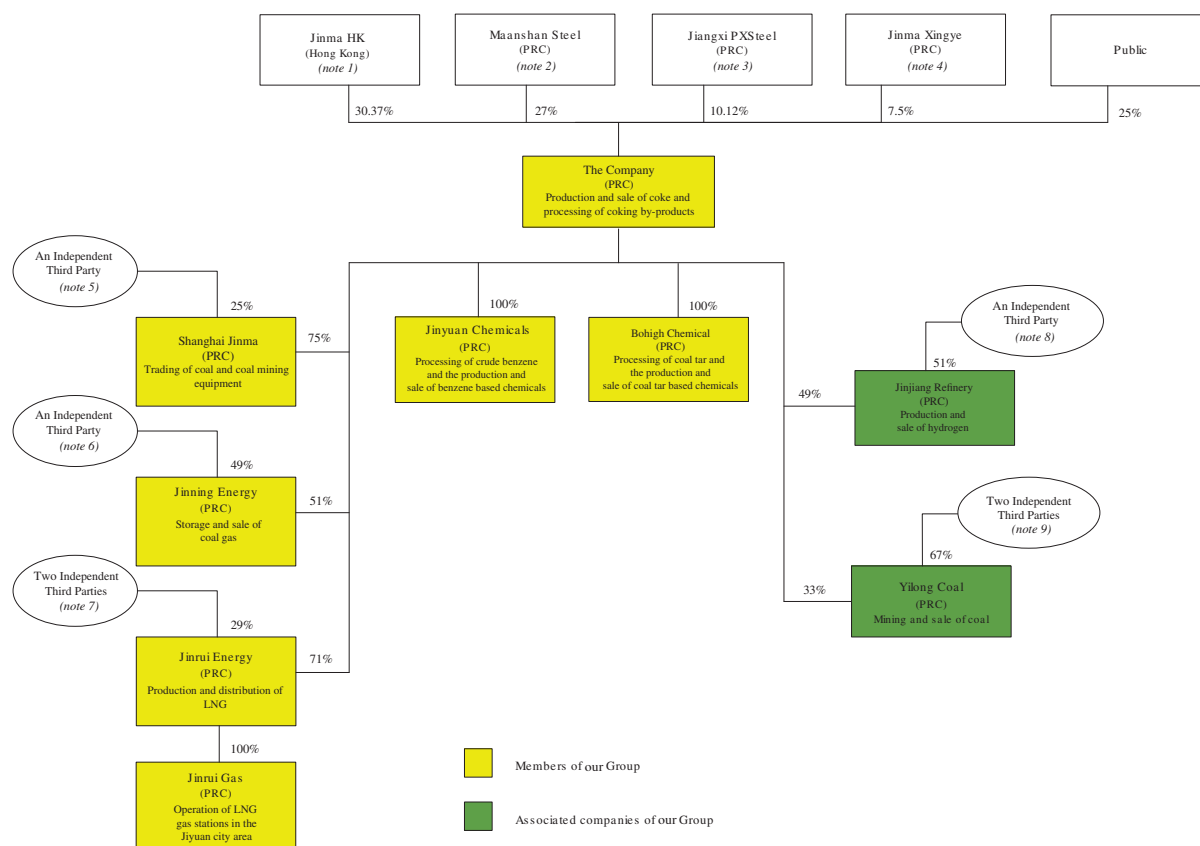
4. Jinma Xingye was owned by 43 individuals, comprising: (i) 34 current and former employees of our Group and its associated companies who were Independent Third Parties and, in aggregate, held approximately 47.85% of the equity interest in Jinma Xingye, and (ii) the following nine individuals:

Name of equity holder	Relationship with our Group	Approximate percentage of equity interest in Jinma Xingye
Mr. Wang Lijie (王利杰)	Director of Shanghai Jinma and Jinning Energy	33.44%
Mr. Li Tianxi (李天喜)	Executive Director and executive deputy general manager of our Company and director of Bohigh Chemical	10.80%
Mr. Ju Lixing (琚理興)	Member of the senior management of our Company and the Chairman of the board of directors of Shanghai Jinma	2.46%
Mr. Kong Deming (孔德明)	Member of the senior management of our Company, a director of Jinning Energy and the deputy general manager of Bohigh Chemical	2.46%
Mr. Wang Yongxin (王永新)	Chairman of the board of directors of Jinning Energy	2.46%
Mr. Li Zhongge (李中革)	Supervisor of our Company, Jinrui Energy and Jinrui Gas	0.88%
Mr. Zhao Zhengju (趙正軍)	Director of Jinning Energy	0.88%
Ms. Hao Yali (郝亞莉)	Supervisor of our Company	0.70%
Mr. Pang Liyi (龐史義)	Supervisor of Shanghai Jinma	0.53%

5. Nanjing Jiabairun Trading Co., Ltd., an Independent Third Party (other than being a holder of certain interest in Shanghai Jinma, a subsidiary of our Company), was the holder of a 25% interest in Shanghai Jinma.
6. Henan Jinsu Shiye Co., Ltd., an Independent Third Party (other than being a holder of certain interest in Jinning Energy, a subsidiary of our Company), was the holder of a 49% interest in Jinning Energy.
7. Sichuan Kongfen and Zhengzhou Fuxiang, being Independent Third Parties (other than being holders of certain interest in Jinrui Energy), were the holders of 19% and 10% interest in Jinrui Energy, respectively.
8. Luoyang Refinery, an Independent Third Party, was the holder of a 51% interest of Jinjiang Refinery.
9. Huozhou Coal and Shanxi Yilong, being Independent Third Parties, were the holders of 51% and 16% interest of Yilong Coal, respectively.

HISTORY, DEVELOPMENT AND REORGANIZATION

The following chart summarizes our structure immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

Please see the corresponding notes in the second chart in “— *The Reorganization*” above.

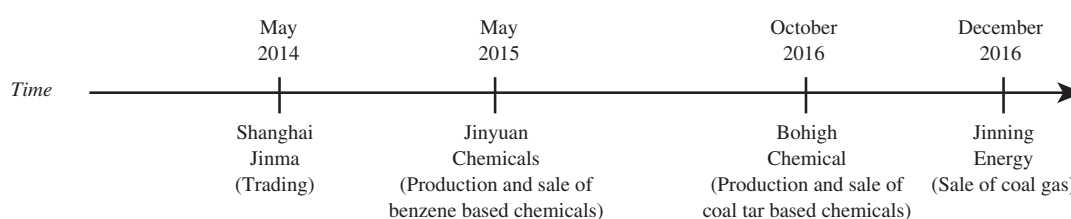
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OVERVIEW

We are a leading coke producer and processor of coking by-products in the coking chemical industry in Henan province. We operate 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. According to Frost & Sullivan, we are 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, we are 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. As of December 31, 2016, there were approximately 550 independent coking enterprises in China, accounting for nearly 70% of the total production of coke in China.

Our Vertically Integrated Business Model

Leveraging on our scale and strength in coking operations, we have established a vertically integrated business model along the coking chemical value chain mainly through acquisition of companies engaging in downstream production. The following diagram shows the acquisitions that we completed during the Track Record Period:



We recover valuable by-products generated from our coking process, mainly crude benzene, coal tar and crude oven gas, and process them into a series of refined chemicals and energy products. For more details, please see “— *Our Products.*” On the one hand, our vertically integrated business model enables us to maximize the value of our coking by-products, thereby allowing us to achieve a high recovery and re-utilization business model; on the other hand, this business model allows us to tap the market for downstream products, including the LNG business that we are currently developing, which is clean energy actively promoted by the PRC government.

Our Business Segments

We currently operate our businesses in five major business segments, namely the manufacturing and sale of coke, coking by-products, refined chemicals and energy products segments and our trading segment.

Coke is the key raw material used in the production of iron and steel in blast furnace and we mainly sell our coke to iron and steel manufacturers. We produce coke with the specifications required by our customers. Coal is the key raw material used in our production process. We source coal from a wide sourcing network comprising state-owned mine bureaus and local coal plants. We typically enter into annual supply contracts with our coal suppliers with indicative quantities we plan to purchase.

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Crude benzene and coal tar are generated as by-products in our coking process. We process such by-products to derive refined chemicals. Our refined chemicals consist of two principal categories: (i) benzene based chemicals derived from crude benzene, mainly pure benzene and toluene; and (ii) coal tar based chemicals derived from coal tar, mainly coal asphalt, anthracene oil and industrial naphthalene. We primarily sell our refined chemicals to chemical companies and trading companies. We also process the crude oven gas generated as another by-product from our coking process into coal gas and use it to heat our coking furnaces, sell it to customers or use it to generate steam and electricity.

In addition, capitalizing on our years of operations in the coking chemical industry and our long-term relationships with coal suppliers, we engage in coal and coal mining equipment trading mainly through our trading company located in China (Shanghai) Pilot Free-Trade Zone. We believe the trading of coal and coal mining equipment allows us to enhance our cost advantage from bulk purchase, explore new revenue streams and expand our procurement network. The following table sets forth a breakdown of our revenue by business segment during the Track Record Period:

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Coke	1,919,231	74.9	1,522,290	67.8	2,058,932	62.4	402,470	57.5	1,146,733	65.1
Coking										
By-Products	332,045	13.0	170,071	7.6	102,504	3.1	36,319	5.2	3,775	0.2
Refined Chemicals										
Benzene based chemicals	—	—	236,730	10.5	537,374	16.3	142,266	20.4	263,890	15.0
Coal tar based chemicals	—	—	—	—	61,833	1.9	—	—	149,509	8.5
Energy Products	133,126	5.2	126,872	5.7	176,690	5.4	58,806	8.4	92,189	5.2
Trading	173,897	6.8	179,937	8.0	353,155	10.7	55,297	7.9	100,223	5.7
Others	5,375	0.1	8,831	0.4	8,146	0.2	4,192	0.6	4,484	0.3
Total	<u>2,563,674</u>	<u>100.0</u>	<u>2,244,731</u>	<u>100.0</u>	<u>3,298,634</u>	<u>100.0</u>	<u>699,550</u>	<u>100.0</u>	<u>1,760,803</u>	<u>100.0</u>

Our strength in coking operations enables us to extend our product portfolio further downstream in the coking chemical value chain and tap into new segments in the energy market. Our joint venture company, Jinjiang Refinery, sources coal gas from us and produces high value-added hydrogen. As a continuing effort in extending our vertical integration business model and expanding our product portfolio along the coking chemical value chain, we intend to engage in the production and sale of LNG. We are currently constructing our LNG facilities and we expect to commence the commercial production of LNG in the first quarter of 2018. For more details, please see “— *Future Plan.*”

We market and sell our coke, refined chemicals and energy products primarily through direct marketing by our sales and marketing department and, with respect to our refined chemicals, also through online trading platforms. Our key coke customers, Maanshan Steel Group and Jiangxi

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PXSteel, are also our Shareholders. For more details, please see “— Sales And Marketing — Customers” and “Continuing Connected Transactions — Continuing Connected Transactions — B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders’ approval requirements.”

Our Production

As of April 30, 2017, we were capable of producing approximately 2.1 million tons of coke (on a moist-free basis), processing approximately 120,000 tons and 180,000 tons of crude benzene and coal tar, respectively, and generating approximately 1,000 million m³ of coal gas per annum. Our production facilities are located at Jiyuan in Henan province, where we occupy a total site area of approximately 907,586.4 square meters. We have developed all our production and processing facilities for coke, coking by-products, refined chemicals and energy products in Huling Industrial Chemical Park. Our facilities are strategically designed to interconnect through pipelines, allowing direct and efficient delivery of raw materials and products through pipelines among our different production and processing facilities. The direct transmission allows us to save transportation cost and reduce inventory to achieve operational efficiency. We are able to, for example, deliver the crude benzene and coal tar generated from our coking process to our subsidiaries through direct pipelines for their further processing. In addition, our production base is located in close proximity to transportation infrastructure, such as national railway networks and major highways. We own a designated private railway that directly connects our production facilities to the Jiaozhi railway, which allows us to transport and handle the loading and unloading of our products and raw materials in an efficient manner without incurring time and costs in double handling.

We are highly committed to optimal resource utilization and environmental protection throughout our production cycle. We have adopted a number of environmentally responsible measures to alleviate the impact of our operations on the environment. During our coking process, we are able to recover and re-utilize valuable coking by-products produced which can be further processed to produce refined chemical products or coal gas. Our coal gas is then re-utilized by us to heat our coking furnaces, sell to customers or generate steam and electricity. Upon completion of development of our LNG production facilities, we expect to use part of the coal gas generated from our coking process to produce LNG to further optimize our resource utilization. We are also able to recover and utilize the heat dissipated in our production processes and recover wastewater for re-use after appropriate treatment. We endeavor to develop and deploy new technologies and know-how to improve the energy and resource utilization efficiency and minimize the environmental impact of our production processes.

Our Performance

We experienced certain fluctuations in our revenue, gross profit and gross profit margin during the Track Record Period, for more details, please see “Financial Information.” For the years ended December 31, 2014, 2015 and 2016, our revenue was approximately RMB2,563.7 million, RMB2,244.7 million and RMB3,298.6 million, respectively, representing a CAGR of approximately 13.4% from 2014 to 2016. Our revenue increased from approximately RMB699.6 million for the four months ended April 30, 2016 to approximately RMB1,760.8 million for the four months ended April 30, 2017. Our gross profit for the years ended December 31, 2014, 2015 and 2016 was approximately

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RMB177.8 million, RMB125.4 million and RMB435.2 million, respectively, representing a CAGR of approximately 56.5% from 2014 to 2016. Our gross profit increased from approximately RMB32.7 million for the four months ended April 30, 2016 to approximately RMB282.3 million for the four months ended April 30, 2017. Our gross profit margin for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017 was approximately 6.9%, 5.6%, 13.2%, 4.7% and 16.0%, respectively. Our net profit margin for the same periods was approximately 4.1%, 1.1%, 8.1%, 0.5% and 9.8%, respectively. For the years ended December 31, 2014, 2015 and 2016, our adjusted net profit was approximately RMB45.7 million, RMB17.6 million and RMB228.3 million, respectively, and our adjusted EBITDA was approximately RMB197.8 million, RMB147.1 million and RMB429.6 million, respectively. We recorded an adjusted net loss of approximately RMB0.8 million for the four months ended April 30, 2016, and an adjusted net profit of approximately RMB168.7 million for the four months ended April 30, 2017. Our adjusted EBITDA for the four months ended April 30, 2016 and 2017 was approximately RMB37.1 million and RMB276.8 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths that will enable us to maintain our leading position in the coking chemical value chain in the PRC:

We are the second and third largest independent coking enterprise in terms of sales revenue and production volume of coke, respectively, in Henan province focusing on quality production.

According to Frost & Sullivan, we are the second and third largest independent coking enterprise in terms of sales revenue and production volume of coke, respectively, in Henan province in 2016. We are also 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 our production volume among independent coking enterprises in Henan province in 2016. With our large manufacturing scale and consistent quality of our products, we have established a reputable brand in Henan province and nearby regions where our products are sold. We believe that our brand name has become synonymous with reliable products which consistently meet the quality and delivery requirements of our customers. With an increasing demand for coke, refined chemicals and coal gas in iron and steel and other downstream industries attributable to robust construction activities and economy recovery, we believe we are well-positioned to capitalize on the rising demand for our products in the PRC.

We operate a vertically integrated business model where we produce coke and process coking by-products recovered from our coking process into refined chemicals and energy products. The business model enables us to diversify our revenue streams. We were one of the first batch of enterprises in the PRC and the first enterprise from Henan province to meet the standards of the Entry Conditions in 2005. According to China Coking Industry Association, as of the end of 2015, we were one of the 363 out of more than 600 coking enterprises in China that were admitted under the 2014 revised version of the Entry Conditions. In recognition of our product quality, production capability and management competence, we were accredited as “Henan Top 100 Private Enterprises” and “The National Iron and Steel Industry Advanced Group” by Henan Federation of Industry and Commerce and China Iron and Steel Industry Association in 2016 and 2015, respectively. We were also awarded

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the “Certificate of Scientific and Technological Achievement” in recognition of our development and application of coking furnace with height of 5.5 meters by the Henan Science and Technology Department in 2009. As a significant player in the industry, we are an executive member of China Coking Industry Association and the vice chairman of Henan Metals Society.

In addition, we were accredited as one of the “National Environmental and Greenery Exemplary Units” by National Greenery Committee in 2013 and “National Ecological and Cultural Exemplary Enterprises (The First Batch)” by China Eco-Culture Association in 2010, and we obtained the “Energy Saving, Emission Reduction, Technology Innovation Enterprises Awards in Henan” jointly awarded by several governmental authorities in Henan province in 2010. For details of the awards, please see “— *Awards and Recognition.*”

We have established a vertically integrated business model along the coking chemical value chain and all our production facilities are pipeline-interconnected and located in the same industrial park.

Leveraging on our strength in coking operations, we have established a vertically integrated business model in the production and processing of coke, coking by-products, refined chemicals and energy products. We are a leading coke producer in Henan province and the sales of coke have constituted and will continue to constitute a significant portion of our revenue. Through the installation of chemical recovery equipment in our coking facilities, we are able to recover and process valuable by-products generated from our coking process into a wide range of higher value benzene based and coal tar based refined chemicals and coal gas and sell them to generate revenue. During the four months ended April 30, 2017, the revenues generated from the sales of coke, coking by-products, refined chemicals and energy products were approximately RMB1,146.7 million, RMB3.8 million, RMB413.4 million and RMB92.2 million, respectively, representing approximately 65.1%, 0.2%, 23.5% and 5.2% of our total revenue during the same period.

Our production facilities are all located in the same industrial park. Our production facilities are interconnected by a pipeline network, allowing direct and efficient delivery of raw materials and products through pipelines among these facilities. We believe the direct transmission enables us to save transportation cost to achieve operational efficiency. We are able to, for example, deliver the crude benzene and coal tar generated in our coking facilities to our subsidiaries, Jinyuan Chemicals and Bohigh Chemical, respectively, through direct pipelines for their further processing. In addition, we process the crude oven gas generated as another by-product from our coking process into coal gas and use it to heat our coking furnaces, sell it to customers or use it to generate steam and electricity. We provide coal gas through our pipeline network to our customers and our joint venture company, Jinjiang Refinery, for its generation of hydrogen.

We believe our vertically integrated business model underpinned by a pipeline network enables us to efficiently extend and diversify our product portfolio, increases our sales and profitability and reduce our exposure to market volatilities and price fluctuations with respect to any single product. Moreover, we believe this integrated and interconnected platform provides a solid base for us to extend our business further along the coking chemical value chain and tap into new downstream market, including the LNG market.

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We possess advanced technologies and industry know-how and have facilities to facilitate environmentally responsible production and compliance with increasingly stringent emission standards.

We are highly committed to optimal resource utilization and environmental protection throughout our production cycle. We have adopted a number of environmentally responsible measures, such as desulfurization and denitrification of exhaust gas and treatment of used water, to alleviate the impact of our operations on the environment. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, we incurred approximately RMB2.1 million, RMB5.8 million, RMB25.2 million and RMB6.6 million, respectively, of capital expenditure in relation to our investment in environmental protection facilities. We are eligible for the preferential tax treatment in relation to comprehensive resource utilization, pursuant to which part of our sales of ammonium sulfate, which is produced by refining crude oven gas, constitutes non-taxable income. We believe the optimal utilization of resource differentiates us from our competitors, enabling us to achieve higher profitability, reinforce our leading position and sustain our long-term development in the PRC coking chemical industry.

Through the facilities operated by a third party based on a build, operate and transfer arrangement, we currently use dry quenching technology in two of our four coking furnaces to cool coke by circulating inert gas instead of spraying water. The dry quenching process results in lower carbon dioxide and sulfur dioxide emission and thermal energy loss and it helps to improve the quality of coke which leads to less coke consumption in the blast furnace in the production of pig iron. In addition, the process allows recovery of thermal energy in the quenching gas that can then be sold by us. We plan to fully implement the dry quenching technology for all our coking furnaces. According to Frost & Sullivan, as of the end of 2016, only about 8.0% of the independent coking enterprises in China have implemented the dry quenching technology in its coke production. For more details, please see “*Future Plans and Use of Proceeds.*”

As a large-scale coke producer and coking by-products processor, we are well-positioned to benefit from future industry consolidation.

We have established ourselves as a large-scale coke producer and coking by-products processor in Henan province. As of April 30, 2017, we were capable of producing approximately 2.1 million tons of coke (on a moist-free basis), processing approximately 120,000 tons and 180,000 tons of crude benzene and coal tar, respectively, and generating approximately 1,000 million m³ of coal gas per annum. According to Frost & Sullivan, we are the second and third largest independent coking enterprise in Henan province in terms of sales revenue and production volume of coke, respectively, in 2016 and were one of the three independent coking enterprises in Henan province that had a production volume of over 2.0 million tons of coke in the same year.

We believe that the scale of our production operations enables us to achieve economies of scale which allows us to produce quality products at a competitive cost and ensures optimal operations of our integrated business. The PRC government has been elevating the entry barrier of coal chemical industry by raising the industry entry conditions, aiming at phasing out small-scale and technologically primitive operations with a view to ensuring efficient and environmentally responsible production. Furthermore, we believe China’s increasingly tight environmental laws and regulations

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will continue to promote consolidation within the industry. Pursuant to the 13th Five-Year Planning Guidelines for the Coking Industry issued by China Coking Industry Association in 2016, the industry plans to eliminate as much as 50 million tons of production capacity of outdated coking enterprises. The Ministry of Industry and Information Technology of the PRC raised the level of requirements which coke production enterprises should meet by amending the Entry Conditions in 2014 to upgrade the coking industry and promote market order. According to China Coking Industry Association and Ministry of Industry and Information Technology of the PRC, as of the end of 2015, the number of coking enterprises which were admitted under the 2014 revised Entry Conditions only represented approximately 60.3% of all coking enterprises in China. We believe that, as a large-scale producer operating a vertically integrated business model optimizing the resource recovery and re-utilization, we are able to compete effectively against our competitors and are well-positioned to benefit from the forthcoming industry consolidation.

We are in close proximity to quality coal supply and markets with strong coke demands as well as convenient transportation network.

Coal is the key raw material used in our production of coke. Our production base is in close proximity to Shanxi province, a province that is rich in quality coal reserves. According to Frost & Sullivan, Shanxi province is the largest coal production province in China, which produced approximately 168.0 million tons of coal in 2016, representing approximately 38.6% of the total coal production in China during the same year. The close proximity of our production bases to these coal reserves has ensured us with a cost-efficient access to major coal suppliers in Shanxi province.

Coke is a key raw material and is used as an irreplaceable reducing agent, heat agent and column skeleton in the blast furnace production of iron and steel. Our production base is near Anhui, Jiangxi, Jiangsu and Hubei provinces which are the main iron and steel production provinces. According to Frost & Sullivan, in 2016, the demand for coke in each of Anhui, Jiangxi, Jiangsu and Hubei provinces exceeded the supply in the same province by approximately 2.6 million tons, 4.0 million tons, 14.2 million tons and 3.9 million tons, respectively. Since we are situated in close proximity to markets with strong coke demands, we believe we are well-positioned to capture demands in such market.

In addition, we produce and sell coal gas to industrial users located in Huling Industrial Chemical Park through our coal gas transmission systems. Given the inherent technical difficulties in the storage and transportation of coal gas, we believe our transmission system which consists of pipelines directly connecting our facilities with our customers' gives us competitive edge over suppliers without such pipeline system in securing customers located nearby.

Our production base is also close to the national railway network, major highways and expressways in Northern China, which ensures timely and efficient transportation for our products and raw materials. We believe railway transportation is an integral part of our transportation arrangements for our coal and coke as it offers high capacity service at relatively low cost. We own a designated private railway that directly connects our production facilities to the Jiaozhi railway, which allows us to transport and load and unload our products and raw materials in an efficient manner without incurring time and costs in double handling. In addition, we take advantage of major highways and

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expressways in Henan province for short-haul transportation needs, such as product delivery to our customers with no access to railroads. Our convenient location and direct connection with the public railway network allow us to secure stable, efficient and cost effective transport for our products and raw materials and respond to our customers' requirements in a timely manner.

We have a diversified base of Shareholders, ranging from large state-owned enterprises to private companies and some of them are our long-term customers, as well as an experienced and dedicated management team.

Our Shareholders comprise both state-owned and private enterprises. We have been operating under a unique corporate structure befitting from both the corporate governance system adopted by state-owned enterprises and responsive management style of well-established private enterprises. Maanshan Steel and Jiangxi PXSteel were the Shareholders which initially established our Predecessor in 2003 and have since then been our Shareholders. According to Frost & Sullivan, in 2016, Maanshan Steel Group and Jiangxi PXSteel Group ranked 7th and 20th, respectively, in the Chinese pig iron market, with a market share of approximately 2.5% and 1.3%, respectively. Maanshan Steel Group and Jiangxi PXSteel Group were the largest and second largest, respectively, iron and steel enterprise in Anhui province and Jiangxi province, respectively, in terms of pig iron production volume in 2016. We have been supplying coke to Maanshan Steel and Jiangxi PXSteel Group since 2004. Pursuant to the Maanshan Steel Framework Agreement and Jiangxi PXSteel Framework Agreement, Maanshan Steel Group and Jiangxi PXSteel Group shall purchase at least 800,000 and 400,000 tons of coke, respectively, from us annually for each of 2017, 2018 and 2019. We expect the sales to them will continue to constitute a significant portion of our revenue. For more details, please see “— *Sales and Marketing*” and “*Continuing Connected Transactions — Continuing Connected Transactions — B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders' approval requirements.*” We believe the business partnership established on the basis of the ownership in our Company and their requirement for quality and stable supply of coke, which we have been delivering, allows us to secure base demand for our products thus mitigating our risk in market volatilities.

Our executive Directors and senior management team have extensive experience and an in-depth understanding of the coal chemical industry. Mr. Yiu Chiu Fai, the executive Director and chairman of our Board, has over 20 years of experience in investing in coal chemical industry. Mr. Wang Mingzhong, an executive Director, has over 20 years of experience in the operation and management in the coke, coal gas and chemicals industries. Our management team works closely together to formulate and execute our business and growth strategies. In particular, our management team's in-depth understanding of our operations and the specific requirements of our customers enables us to maintain close relationships with our customers and suppliers, optimize our facilities and logistics design to achieve operational efficiency and ensure our product quality meets our customers' expectations. They have fostered a dedicated, close and cohesive corporate culture which we believe is instrumental to our continued success. We believe the stability of our competent management team will enable us to continue to capture future market opportunities. For more details of our management team's experience, please see “*Directors, Supervisors and Senior Management.*”

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OUR STRATEGIES

We intend to continue to strengthen and grow our current leading market and industry position while maximizing shareholder value. To achieve our goals, we intend to pursue the following strategies:

We will continue to invest in production technologies and enhance the efficiency of our coke production facilities.

We intend to continue to deploy advanced production technologies and upgrade our production facilities to maintain our leading position in the industry. In particular, we plan to invest in production technologies designed to maintain continuous compliance with tightening environmental regulations and boost production efficiency.

For example, through the facilities operated by a third party based on a build, operate and transfer arrangement, we use dry quenching technology in two of our four coking furnaces to cool our coke by using inert gas instead of spraying water. We believe the dry quenching technology enhances the quality of our products to better meet our customers' needs. For instance, we are able to produce coke with higher mechanical strength, which is required for large iron-making blast furnaces. The dry quenching process also enables recovery of thermal energy in the quenching gas that is then used for the production of steam and electricity, and results in lower carbon dioxide and sulfur dioxide emission, thereby reducing environmental pollution. In addition, the dry quenching process consumes approximately 115.0 to 125.0 kgce/t of energy, which is approximately 40.0 kgce/t less than what the wet quenching process consumes. We plan to implement this process to our two remaining coking furnaces and expect the implementation will commence by the second quarter of 2018 and the operation of such facilities will commence by the second quarter of 2019. The total estimated capital expenditure in relation to our dry quenching facilities is approximately RMB162.0 million. We expect our total annual coke production capacity will remain at approximately 2.1 million tons (on a moist-free basis) after the completion of our dry quenching facilities for coking furnaces 1 and 2. However, we expect our dry quenching facilities for coking furnaces 1 and 2, once completed, will achieve an annual production capacity of approximately 1.0 million tons of coke (on a moist-free basis) with higher mechanical strength, and the thermal energy recovered in the quenching gas will then produce approximately 244.8 thousand tons of steam and approximately 870.7 thousand kwh of electricity. We plan to use the proceeds from the Global Offering to fund the implementation of this process. For more details, please see "*Future Plans and Use of Proceeds.*"

Furthermore, our know-how on coal blending enables us to produce coke of desired properties, including ash, sulfur and water content, mechanical strength and size. We believe we are able to tailor our coke production to our customers' specifications, without having to adjust our production lines for coke at significant additional costs, by blending a wide variety of less expensive coal to reduce the use of more expensive coal. For more details on coal blending, please see "*— Production Process — Coke.*" We intend to continue research on coal blending solutions, in particular solutions targeting requirements for large blast furnace production, to ensure we are at the forefront of coal blending technology and application.

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We plan to capitalize on the market demand for clean energy driven by the PRC government's environmental policies and extend our value chain further downstream by producing LNG.

Leveraging our successful track record and past experience in vertically integrating our coking chemical value chain, we intend to extend further downstream to produce clean energy products, mainly LNG. According to Frost & Sullivan, the PRC government has in recent years implemented multiple policies to promote clean energy. One of these policies is to increase the share of natural gas in China's energy consumption mix to lower carbon dioxide emissions and reduce environmental pollution. Natural gas combustion generates less carbon dioxide emissions than fossil fuels and, therefore, will play an important role in the economy's transition to lower carbon dioxide emissions.

According to Frost & Sullivan, the PRC government has issued various policies and plans to encourage the development of alternative fuels, including the production of LNG, to meet the increasing demands of natural gas in China. The use of LNG is encouraged in a wide range of industries, such as the use of natural gas as a substitute for petrol in the automobile industry. The construction of more natural gas stations is thus encouraged to support such substitution. We believe we are well-positioned to capitalize on these opportunities in the expanding LNG market brought by the government's initiatives.

Our current large-scale production of coal gas from coking operation allows us to produce LNG at a lower cost. We believe the LNG production enables us to maximize our recovery and utilization of coking by-products and produce products that are more valuable and transportable than coal gas. We have commenced the construction of our LNG production facilities in the first quarter of 2017. We expect the commercial production of LNG to commence in the first quarter of 2018. The total investment in our LNG project is estimated to be approximately RMB641.5 million. We expect that our LNG production facilities, once completed, will achieve an annual production capacity of approximately 123.0 million m³ of LNG. In addition, in order to secure a sufficient amount of coal gas for the full production of LNG, we plan to invest approximately RMB174.5 million in building a new gasification furnace. With the new gasification furnace, we plan to produce coal gas by heating the smaller coke granules sieved from our coke production in an oxygen environment. This new facility is expected to produce approximately 500.0 million m³ of lower calorific value coal gas annually, replacing approximately 300.0 million m³ of higher calorific value coal gas generated from our coking process, which we primarily use to heat our coking furnaces. We plan to use the coal gas of higher calorific value to produce LNG.

We have entered into letters of intent with logistics and industrial customers and gas companies which are Independent Third Parties for the sale and distribution of our LNG. To support the distribution, we plan to deliver LNG with our LNG transportation trucks to targeted industrial users that require clean fuel for their production. In addition, we plan to invest approximately RMB125.0 million to build four gas stations located in Jiyuan with a total refilling capacity of approximately 80.0 million m³ of gas per year to target heavy trucks and buses.

We plan to use certain portion of the proceeds from the Global Offering, cash from our operations and bank loans to fund the construction of our LNG production facilities and coke granules coal gas facilities. For more details, please see "*— Future Plan*" and "*Future Plans And Use Of Proceeds.*"

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We will continue to develop and sustain our relationships with key customers and diversify our customer base.

We seek to sustain and further develop our long-term relationships and strategic alliances with leading players in the industries where our customers operate. We will continue to cultivate our relationships with Maanshan Steel and Jiangxi PXSteel, our Shareholders and major customers, through long-term sales arrangements that facilitate production planning for us and them. For more details, please see “— *Sales and Marketing*” and “*Continuing Connected Transactions.*” We mainly produce coke larger than approximately 25mm in diameter, which are provided to major iron and steel manufacturers that use large blast furnaces in their production and require larger-sized coke. We believe the PRC government will continue to phase out small-scale and technologically primitive iron and steel operations, which are generally considered less environmental friendly, by promoting industry consolidation. We believe our products will continue to give us a competitive edge in developing and sustaining our relationships with major iron and steel manufacturers that are expected to benefit from this industry trend.

With respect to the sales of our refined chemicals, we plan to attract larger chemical industry customers that have stricter quality and reliable supply requirements, but are less sensitive to price. We will strive to meet our customers’ requirements in quality, quantity and product variety by leveraging our scale of production, and by obtaining timely feedback on the quality of our products and services through close communication. We will also continuously evaluate opportunities to introduce new products into our production lines and adjust our product mix to include higher value products or products with stronger market demand.

Currently, we supply our coal gas to glass manufacturing plants and metal refineries. We also sell a portion of the coal gas to our joint venture company, Jinjiang Refinery, for hydrogen production. We intend to strengthen our relationships with existing coal gas customers while expanding our market reach by producing and selling LNG in 2018. We plan to explore the markets for these products in areas near Jiyuan and have targeted large-scale industrial users and logistics enterprises as our major customers. We will also tap into the growing LNG vehicle retail market through our four LNG gas stations to be built in Jiyuan. We have entered into letters of intent with logistics and industrial customers and gas companies which are Independent Third Parties for the sale and distribution of our LNG and we believe the introduction of LNG can further diversify our customer base.

We will continue to invest in our facilities for environmentally responsible production and implement measures to further reduce emissions to achieve long-term sustainable development.

We believe minimizing environmental impact of our production processes and implementing effective measures to reduce emissions are key to our long-term development in the coking chemical industry. We made significant investments in environment protection processes and equipment, such as the construction of desulfurization and denitrification system for our coking furnaces and sewage processing system, during the Track Record Period.

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Furthermore, certain of our major investments in facilities and technologies are aimed at enhancing our operational efficiency and reducing environmental pollution. Our planned investment in dry quenching technology, for example, aims to help us produce better quality coke while reducing our carbon footprint by recovering heat generated from the quenching process. Our planned investment in LNG project also exemplifies our efforts in refining coal gas production to cleaner energy. The residual gas from our LNG production, including hydrogen, can be reused in our production process as fuel for heating our coking furnaces, thereby reducing the environmental impact caused by gas emissions.

We are also dedicated to improving our manufacturing site management to minimize the impact of our operations on the environment. We plan to build an approximately 48,000.0 m² sheltered coal storage yard with a wind dust fence to prevent coal dust pollution. We intend to further invest in waste water treatment, focusing on enhancing our waste water recycling capabilities and developing water-saving measures. Our treated water can be reused in our production processes. We will continue to implement technologies and measures through research to increase the recycle or reuse of by-products generated from our coking process and continue to reduce emissions levels.

We will pursue opportunities to expand our business through selected acquisitions, joint ventures and partnerships.

We have historically expanded our business by acquiring companies engaged in the processing of downstream products. We successfully acquired and consolidated the management and operations of Jinyuan Chemicals and Bohigh Chemical, which is mainly engaged in the production and sale of benzene based and coal tar based chemicals in May 2015 and October 2016, respectively. We have also formed a joint venture company, Jinjiang Refinery, with Luoyang Refinery and a non-wholly owned company, Jinrui Energy, for the development and production of hydrogen and LNG, respectively. We intend to continue to pursue opportunities to grow our business and expand our product range. We will follow a disciplined approach in evaluating acquisitions to ensure there are clear synergies and solid value creation. We also intend to seek partnerships or joint ventures as a lower-cost alternative to acquisitions, with a particular focus on opportunities that will lead to successful expansion and long-term strengthening of our market position. We may also establish joint ventures and partnerships with reputable enterprises that can facilitate expansion into selected markets where appropriate. As of the Latest Practicable Date, we had not identified any acquisition or joint venture targets or entered into any legally binding agreement in respect of any potential acquisition.

OUR PRODUCTS

We are an integrated producer of coke, coking by-products, refined chemicals and energy products in Henan province. Our coking by-products mainly include crude benzene, coal tar and crude oven gas. We mainly sold our crude benzene and coal tar to Jinyuan Chemicals and Bohigh Chemical, respectively. After the acquisitions of these two companies, we continue to supply crude benzene and coal tar internally to them for their further processing and the purchases and sales have been eliminated as intra-group transactions upon consolidation of the Group's financials. We process the crude oven gas generated from our coking process to derive coal gas and utilize it to heat our coking furnaces, sell it to customers or to generate steam and electricity. Our refined chemicals consist of two principal categories, namely benzene based chemicals and coal tar based chemicals. We consolidated

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the sales of benzene based chemicals and coal tar based chemicals from June 2015 and November 2016, respectively, after we completed our acquisition of Jinyuan Chemicals and Bohigh Chemical. Our energy products mainly include coal gas. We are also engaged in the trading of mainly coal and coal mining equipment. Below are the photographs of some of our products:



Coke



Crude benzene



Coal tar



Pure benzene



Toluene



Coal asphalt



Anthracene oil



Industrial naphthalene

The table below sets out a breakdown of our revenue by our business segment and principal product for the Track Record Period. During the years ended December 31, 2014, 2015 and 2016, our total revenue was approximately RMB2,563.7 million, RMB2,244.7 million and RMB3,298.6 million, respectively, representing a CAGR of approximately 13.4% from 2014 to 2016. Our total revenue increased from approximately RMB699.6 million for the four months ended April 30, 2016 to approximately RMB1,760.8 million for the four months ended April 30, 2017.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
							<i>(Unaudited)</i>			
Coke	1,919,231	74.9	1,522,290	67.8	2,058,932	62.4	402,470	57.5	1,146,733	65.1
Coke	1,812,674	70.7	1,434,337	63.9	1,945,640	59.0	375,692	53.7	1,081,636	61.4
Coke breeze	106,557	4.2	87,953	3.9	113,292	3.4	26,778	3.8	65,097	3.7
Coking By-Products	332,045	13.0	170,071	7.6	102,504	3.1	36,319	5.2	3,775	0.2
Crude benzene	148,048	5.8	36,684	1.6	—	—	—	—	—	—
Coal tar	173,833	6.8	120,558	5.4	92,039	2.8	32,359	4.6	—	—
Other coking by-products ⁽¹⁾	10,164	0.4	12,829	0.6	10,465	0.3	3,960	0.6	3,775	0.2
Refined Chemicals	—	—	236,730	10.5	599,207	18.2	142,466	20.4	413,399	23.5
Benzene based chemicals										
Pure benzene	—	—	183,257	8.1	429,738	13.0	108,396	15.6	217,028	12.3
Toluene	—	—	30,975	1.4	62,522	1.9	19,736	2.8	26,573	1.5

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	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Other benzene based chemicals ⁽²⁾	—	—	22,498	1.0	45,114	1.4	14,334	2.0	20,289	1.2
Coal tar based chemicals										
Coal asphalt	—	—	—	—	30,871	0.9	—	—	78,431	4.5
Anthracene oil	—	—	—	—	13,674	0.4	—	—	33,596	1.9
Industrial naphthalene	—	—	—	—	10,356	0.3	—	—	20,928	1.2
Other coal tar based chemicals ⁽³⁾	—	—	—	—	6,932	0.3	—	—	16,554	0.9
Energy Products	133,126	5.2	126,872	5.7	176,690	5.4	58,806	8.4	92,189	5.2
Coal gas	131,780	5.1	119,544	5.3	153,387	4.7	51,577	7.4	85,189	4.8
Other energy products ⁽⁴⁾	1,346	0.1	7,328	0.4	23,303	0.7	7,229	1.0	7,000	0.4
Trading⁽⁵⁾	173,897	6.8	179,937	8.0	353,155	10.7	55,297	7.9	100,223	5.7
Others⁽⁶⁾	5,375	0.1	8,831	0.4	8,146	0.2	4,192	0.6	4,484	0.3
Total	<u>2,563,674</u>	<u>100.0</u>	<u>2,244,731</u>	<u>100.0</u>	<u>3,298,634</u>	<u>100.0</u>	<u>699,550</u>	<u>100.0</u>	<u>1,760,803</u>	<u>100.0</u>

(1) Other coking by-products mainly include ammonium sulfate.

(2) Other benzene based chemicals mainly include xylene, heavy benzene and non-aromatic hydrocarbons.

(3) Other coal tar based chemicals mainly include wash oil.

(4) Other energy products mainly include heat generated from coke production process.

(5) Trading mainly involves the trading of coal and coal mining equipment.

(6) We provide certain services such as fire prevention and management services to companies located in the Huling Industrial Chemical Park, such as Jinyuan Chemicals, Bohigh Chemical and Jinning Energy before we acquired them and to our joint venture company, Jinjiang Refinery. We recognized the fees in relation to these services as other revenue.

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The following table sets forth the average selling price (net of VAT) and sales volume of each of our principal products during the Track Record Period according to our internal records:

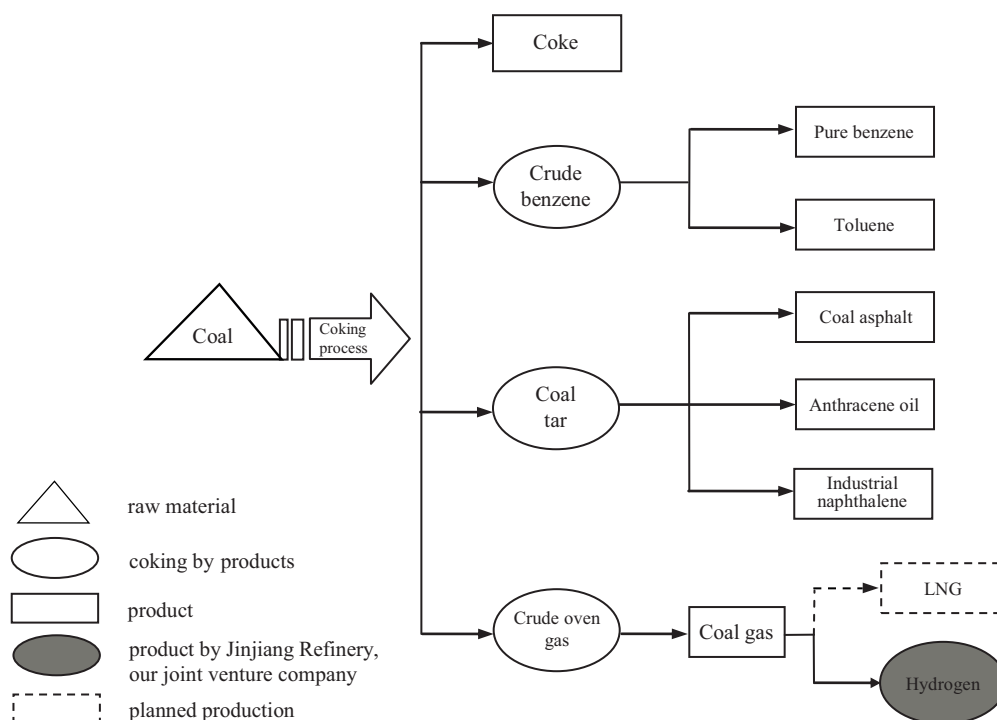
	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾	Sales volume
	<i>RMB/ton except coal gas in</i>	<i>'000 tons, except coal gas in</i>	<i>RMB/ton except coal gas in</i>	<i>'000 tons, except coal gas in</i>	<i>RMB/ton except coal gas in</i>	<i>'000 tons, except coal gas in</i>	<i>RMB/ton except coal gas in</i>	<i>'000 tons, except coal gas in</i>	<i>RMB/ton except coal gas in</i>	<i>'000 tons, except coal gas in</i>
	<i>RMB/m³</i>	<i>million m³</i>	<i>RMB/m³</i>	<i>million m³</i>	<i>RMB/m³</i>	<i>million m³</i>	<i>RMB/M³</i>	<i>million m³</i>	<i>RMB/M³</i>	<i>million m³</i>
Coke	882.6	2,174.6	665.4	2,287.8	917.1	2,245.1	535.8	751.1	1,509.4	759.7
Coke	901.0	2,011.8	679.9	2,109.8	958.6	2,029.8	554.2	677.9	1,573.5	687.4
Coke breeze	654.4	162.8	494.0	178.1	526.2	215.3	365.4	73.3	900.1	72.3
Coking										
By-Products										
Crude benzene	5,564.9	26.6	3,454.7	10.6	—	—	—	—	—	—
Coal tar	2,085.1	83.4	1,490.1	80.9	1,348.5	68.3	1,212.6	26.7	—	—
Refined Chemicals										
Benzene based chemicals	—	—	3,837.8	—	4,244.5	—	3,713.5	—	5,696.7	—
Pure benzene	—	—	3,935.3	46.6	4,502.2	95.5	3,902.1	27.8	6,253.6	34.7
Toluene	—	—	4,383.6	7.1	4,233.5	14.8	4,008.3	4.9	4,707.3	5.65
Coal tar based chemicals	—	—	—	—	1,911.0	—	—	—	2,661.5	—
Coal asphalt	—	—	—	—	1,831.2	16.9	—	—	2,669.2	29.4
Anthracene oil	—	—	—	—	1,477.2	9.3	—	—	2,315.1	14.5
Industrial naphthalene	—	—	—	—	3,095.7	3.3	—	—	3,329.8	6.3
Energy Products	0.44	—	0.48	—	0.42	—	0.40	—	0.63	—
Coal gas	0.44	301.5	0.48	251.3	0.42	362.5	0.40	127.6	0.63	135.7

(1) Calculated by dividing the revenue of each relevant product by the sales volume of such product (on a moist basis for coke) (except that the average selling prices of the coke segment, benzene based chemicals and coal tar based chemicals represent the weighted average of the prices of relevant products in the segment or category, respectively), after intra-group elimination.

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PRODUCTS

The following diagram depicts the main products that we produced or planned to produce as of the Latest Practicable Date. For more information about these products, please see “— *Our Products*” and “— *Future Plan*.”



The following table sets forth the production volume of our coke (on a moist-free basis), coking by-products, refined chemicals and energy products during the Track Record Period:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>(in '000 tons, except coal gas in million m³)</i>				
Coke	2,094.5	2,089.4	2,077.8	724.8	757.4
Coking By-Products					
Crude benzene	26.5	26.0	25.9	8.6	8.6
Coal tar	82.1	78.5	79.1	26.6	27.1
Refined Chemicals					
Benzene based chemicals					
Pure benzene	—	46.3	94.6	30	36
Toluene	—	7.1	14.8	5	6
Coal tar based chemicals					
Coal asphalt	—	—	16.9	—	29.5
Anthracene oil	—	—	7.7	—	15.1
Industrial naphthalene	—	—	3.3	—	6.3
Energy Products					
Coal gas	929.1	891.3	974.5	336.2	331.5

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The following sets forth further information on each of our coke, coking by-products, refined chemicals and energy products:

Coke

We mainly produce our coke through Jinma Energy. Coke is a hard and dry carbon substance produced by the distillation of a blend of different types of coal at a high temperature in the absence of air. According to Frost & Sullivan, in 2016, approximately 85.8% of coke produced in China was used by the iron and steel industry. Coke is used as the main and irreplaceable reducing agent, heat agent and column skeleton for the blast furnace. Pig iron is made by feeding iron ore, coke, heated air and limestone or other fluxes into a blast furnace. The principal customers for our coke are iron and steel manufacturers in Anhui, Jiangxi, Jiangsu and Hubei provinces.

We produce our coke by the distillation of a blend of different types of coal, including main coking coal, 1/3 coal, fat coal and lean coal. We have adopted stamp-charging technology which involves the blending of various types of coal to form coal cakes, allowing us to use less expensive coal that has higher volatilization and weaker adhesion to produce similar quality of coke that would otherwise require a higher portion of more expensive coal, such as main coking coal. As a result, we are able to reduce our reliance on expensive coal and produce quality coke at lower cost. During the Track Record Period, a substantial portion of our revenue was derived from our production and sale of coke. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, approximately 74.9%, 67.8%, 62.4%, 57.5% and 65.1%, respectively, of our total revenue were generated by the sales of coke.

We use coal sourced within approximately 300 kilometers radius from our production base in Jiyuan, primarily from Shanxi, Henan, Shaanxi and Jiangsu provinces. We produce coke with the specifications required by our customers and are able to vary the characteristics of coke, such as raising the thermal energy or enhancing mechanical strength to tailor to our customers' needs by adjusting the blend of different types of coal in our production, without having to adjust our production lines for coke at significant additional costs.

Coking By-Products

Our coking by-products mainly include crude benzene, coal tar and crude oven gas.

Crude benzene. Crude benzene is a light yellow-brown and highly flammable liquid that can be produced as a by-product in the coking process. It is a highly aromatic material primarily composed of benzene, toluene and xylene. We utilize our crude benzene to produce our benzene based chemicals which mainly comprise pure benzene and toluene. Before we acquired Jinyuan Chemicals in May 2015, we sold our crude benzene to it for the production of benzene based chemicals.

Coal tar. Coal tar is a brown or black liquid of high viscosity that can be produced as a by-product in the coking process. Carbon black oil, coal tar pitch, naphthalene, anthracene oil and other compounds can be derived through distillation process. These coal tar distillates are used in the synthesis of numerous products such as plastics, rubbers, fibers, pesticides, dyes, concrete super-plasticizers, carbon anodes and graphite electrodes. We utilize our coal tar to produce our coal

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tar based chemicals which mainly comprise coal asphalt, anthracene oil and industrial naphthalene. Before we acquired Bohigh Chemical in October 2016, we sold our coal tar to it through an Independent Third Party for the production of coal tar based chemicals. We have terminated the sales relationship with the said Independent Third Party after we acquired Bohigh Chemical.

Crude oven gas. Crude oven gas is produced as a by-product in the coking process. It is mainly made up of hydrogen, methane and carbon monoxide. After removing impurities, we derive coal gas which is normally provided for industrial consumption or for our internal use. Before we acquired Jinning Energy in December 2016, we sold our coal gas to it which on sold the coal gas to other customers.

We do not currently sell our coking by-products to external customers as we rely on our coking by-products to produce our refined chemicals and energy products.

Refined Chemicals

We have extended our business along the coking chemical value chain and expanded our product portfolio to produce and generate revenue from the sales of a full range of refined chemicals through our acquisition of Jinyuan Chemicals in May 2015 and Bohigh Chemical in October 2016. We mainly produce our benzene based chemicals through Jinyuan Chemicals and coal tar based chemicals through Bohigh Chemical.

We produce our refined chemicals by recovering and re-utilizing the crude benzene and coal tar generated from our coking process, thereby maximizing the value of major coking by-products. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, our revenue from sales of refined chemicals was nil, approximately RMB236.7 million, RMB599.2 million, RMB142.5 million and RMB413.4 million, respectively, representing nil, approximately 10.5%, 18.2%, 20.4% and 23.5%, respectively, of our total revenue for the same periods.

The following sets forth basic information on our refined chemical product portfolio:

Benzene Based Chemicals

Benzene based chemicals are produced through processing crude benzene. As of the Latest Practicable Date, our integrated series of benzene based chemicals mainly consist of pure benzene and toluene.

Pure Benzene. Pure benzene is a colorless, toxic and highly flammable liquid. It is primarily used as an industrial solvent, a precursor for manufacturing nylon, dyes, plastics, drugs, explosives and synthetic rubber. The principal customers of our pure benzene are styrene, cyclohexane, aniline, cyclohexanone and other benzene processors. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, nil, approximately 77.4%, 71.7%, 76.1% and 52.5%, respectively, of our total revenue from the sales of refined chemicals were generated by the sale of pure benzene.

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Toluene. Toluene is a colorless, water-insoluble liquid. It is primarily used in manufacturing sweeteners, drugs and dyes, and can also be used as a solvent. The principal customers of our toluene are chemical companies. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, nil, approximately 13.1%, 10.4%, 13.9% and 6.4%, respectively, of our total revenue from the sales of refined chemicals were generated by the sale of toluene.

In addition to pure benzene and toluene, we also produce other benzene based refined chemicals such as xylene, heavy benzene and non-aromatic hydrocarbons. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, nil, 10.5%, 16.3%, 20.4% and 15.0%, respectively, of our total revenue are generated from the sales of benzene based chemicals.

Coal Tar Based Chemicals

Coal tar based chemicals are produced through processing coal tar. As of the Latest Practicable Date, our integrated series of coal tar based chemicals mainly consist of coal asphalt, anthracene oil and industrial naphthalene.

Coal Asphalt. Coal asphalt is a sticky, black and highly viscous liquid, semi-solid or solid, derived from coal tar. It is primarily used by the metallurgical industry in electrode binders. The principal customers of our coal asphalt are electrolytic aluminum companies. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, nil, nil, approximately 5.2%, nil and 19.0%, respectively, of our total revenue from the sales of refined chemicals were generated by the sale of coal asphalt.

Anthracene Oil. Anthracene oil is dark yellow oil. It is primarily used in the production of pigments, wood preservatives, insecticides and coating materials. The principal customers of our anthracene oil are companies that produce carbon black and process anthracene oil. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, nil, nil, approximately 2.3%, nil and 8.1%, respectively, of our total revenue from the sales of refined chemicals were generated by the sale of anthracene oil.

Industrial Naphthalene. Industrial naphthalene is a white crystalline solid with a characteristic odor. It is primarily used in the manufacture of concrete super-plasticizers, dyes, plastics and solvents. The principal customers of our industrial naphthalene are naphthalene processors. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, nil, nil, approximately 1.7%, nil and 5.1%, respectively, of our total revenue from the sales of refined chemicals were generated by the sale of industrial naphthalene.

In addition to coal asphalt, anthracene oil and industrial naphthalene, we also produce other coal tar based refined chemicals such as wash oil. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, nil, nil, approximately 1.9%, nil and 8.5%, respectively, of our total revenue are generated from the sales of coal tar based chemicals.

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Energy Products

Our energy products mainly consist of coal gas.

Coal Gas. Coal gas is obtained from the crude oven gas generated from our coking process after it undergoes purification processes to recover crude benzene, coal tar, sulfur and ammonia. Coal gas is primarily used as domestic fuel or industrial fuel for cities and the carbon monoxide, hydrogen and methane in the coal gas are important chemical raw materials.

During the Track Record Period, we sold our coal gas to Jinning Energy (which we acquired a 51% interest of in December 2016), which in turn sold the coal gas to glass manufacturing plants, metal refineries and our joint venture company, Jinjiang Refinery, for its production of hydrogen and we used the rest of the coal gas to heat our coking furnaces and generate electricity and steam. In 2016, we sold approximately 40.3% of our coal gas produced in coking process and utilized approximately 59.7% of our coal gas internally to heat our coking furnaces and generate electricity and steam. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, approximately 5.1%, 5.3%, 4.7%, 7.4% and 4.8%, respectively, of our total revenue were generated by the sale of coal gas.

TRADING

In addition to our production and sale of coke, refined chemicals and energy products, we are also engaged in the trading of mainly coal and coal mining equipment. Our trading business is conducted mainly through Shanghai Jinma, a subsidiary that we acquired in May 2014 in which we own a 75.0% of the equity interest. Shanghai Jinma is located within the China (Shanghai) Pilot Free-Trade Zone and is qualified for various incentives provided by the government through, for example, government grant.

In relation to the trading of coal, we source coal from our coal suppliers and primarily sell it to companies that engage in coke or iron and steel production or power companies or, to a lesser extent, to Jinma Energy for our internal coke production as an alternative source of supply. We believe the trading of coal allows us to enhance our cost advantage from bulk purchase, expand our procurement network and diversify our revenue streams. We typically source coal for trading on the back of our customers' orders by entering into annual framework trading agreements with some of our major suppliers for our trading business during the Track Record Period. Under these framework trading agreements, the actual purchase amounts in the relevant period are either specified in the respective sales agreements or subject to further negotiation between the parties. These trading agreements do not typically set out the minimum purchase amount or include the penalties when the parties fail to meet any minimum aggregate amounts.

In addition to the trading of coal, we trade coal mining equipment by leveraging on our existing relationships with coal suppliers. Starting from 2015, we sourced coal mining equipment such as explosion-proof electrics and high and low-voltage electrical apparatus from electrical equipment manufacturers and sold it on a trading basis to our coal suppliers which operate coal mines. We believe

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the trading of coal mining equipment further enhances our relationships with our suppliers and diversifies our revenue sources. Through the operation of a trading platform, we may have access to the latest market information and we may choose to strategically engage in the trading of different products when appropriate market opportunities arise.

For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, the revenue generated by our trading business amounted to approximately RMB173.9 million, RMB179.9 million, RMB353.2 million, RMB55.3 million and RMB100.2 million, respectively, accounting for approximately 6.8%, 8.0%, 10.7%, 7.9% and 5.7%, respectively, of our total revenue, respectively.

FUTURE PLAN

Our strength in coking operations have in the past enabled us to extend our engagement in the coking chemical value chain mainly through acquisition of companies engaging in the production of downstream products. We have successfully acquired and consolidated the management and operations of Jinyuan Chemicals in May 2015 for benzene based chemicals, Bohigh Chemical in October 2016 for coal tar based chemicals and Jinning Energy in December 2016 for the storage and sale of coal gas. Leveraging on our successful track record and past experience in extending our involvement in the coking chemical value chain, we intend to further extend our value chain to produce downstream energy products, mainly LNG.

Background

We strategically target LNG production as the next phase of our development because (i) we have already engaged in the production of coal gas which allows us to extend the production line to produce LNG at a lower cost; (ii) the PRC government has been proactively promoting the use of natural gas, a clean energy, through various policies and planning initiatives in an effort to advance environmental protection, and we believe we are well-positioned to benefit from and are able to capitalize on market opportunities in the LNG market as a result of the government's initiatives; and (iii) the production of LNG allows us to maximize the value of and further optimize the recovery and re-utilization of our coal gas and tap into the energy market. For details of the LNG market, please see "*Industry Overview — China Coal Gas Market Analysis — Supply and Demand of LNG in Henan Province*" and "*Industry Overview — China Coal Gas Market Analysis — Competitive Landscape of LNG in Henan Province.*"

Operation, Technology and Qualifications

We established a subsidiary Jinrui Energy to engage in the development of the LNG project on May 24, 2016, with the initial registered capital of RMB51.0 million. On December 12, 2016, we entered into a capital increase agreement with Sichuan Kongfen and Zhengzhou Fuxiang. Currently, we hold a 71.0% of equity interest of Jinrui Energy, and Sichuan Kongfen and Zhengzhou Fuxiang hold a 19.0% and 10.0% equity interest of Jinrui Energy, respectively. We signed the contract for land use right with the government on February 28, 2017 in respect of our LNG production facilities and we plan to obtain other qualifications and approvals required for the production and sales of LNG, including but not limited to safety manufacturing license for hazardous chemicals, registration certificate for hazardous chemicals and certificate of special equipment service registration at a later

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stage when we start to produce and distribute relevant products. As advised by our PRC Legal Advisors, so long as we comply with the conditional and procedural requirements under the relevant PRC laws and regulations, there is no legal impediment to obtaining the operating license and other approvals required for the production and sale of LNG.

We plan to produce LNG from the coal gas that we have been producing and selling. Coal gas is mainly composed of approximately 57.0% of hydrogen, 26.0% of methane, 8.0% carbon monoxide and 2.0% carbon dioxide. LNG is in essence liquefied methane and its production begins by increasing the methane content of the coal gas to over approximately 95.0%. Methane is produced by chemical reactions between the hydrogen and the carbon monoxide and carbon dioxide in the coal gas facilitated by specific catalyst under controlled temperature environment. In the process, enormous heat is generated and is recovered for subsequent usage through generation of steam. The methane concentrated gas is then liquefied to produce LNG. The remaining hydrogen in the gas is extracted by a pressure swing absorption process. We entered into a technology transfer agreement in May 2016 with the Southwest Chemical Design Institute for the acquisition of the right to use LNG patented production technology for RMB3.0 million which is to be paid by installment based on certain milestones. We expect to fully settle the acquisition cost of use right of the LNG patented production technology by the end of 2018.

Production Facilities and Investment

We have commenced the construction of our LNG facilities in the first quarter of 2017. We expect to commence the commercial production of LNG in the first quarter of 2018. Our LNG production facilities are located in Huling Industrial Chemical Park adjacent to our coal gas production facilities. Similar to the layout of our other facilities, our LNG production facilities are designed to interconnect with our other facilities through direct pipelines. The total investment of our LNG production facilities, mainly including the cost of construction, the cost of equipment procurement and installation and the initial working capital, is estimated to be approximately RMB342.0 million. We expect our LNG production facilities, once completed, will achieve an annual production capacity of approximately 123.0 million m³ of LNG. For details of our capital expenditure plan for our LNG project, please see “*Financial Information — Contractual Obligations and Capital Expenditure.*”

Raw Materials and Procurement Plan

Assuming the annual production capacity of our LNG production facilities is fully utilized, we estimate that our LNG production will require approximately 300.0 million m³ of coal gas per year. In order to secure a sufficient amount of coal gas required for the production of LNG, we plan to build a new coke granule oxygen gasification furnace to produce coal gas by heating small coke granules generated in our coking process in an oxygen environment. The new coke granules coal gas facilities, which are expected to be put into operation during the first half of 2018, are expected to produce approximately 500.0 million m³ of coal gas per year. As the calorific value of the coal gas produced from coke granules is lower than the same of the coal gas generated from coking process, we plan to use the coal gas produced from the new coke granules coal gas facilities internally to heat our coking furnaces and generate steam and electricity and spare the higher calorific value coal gas generated from the main coking process for LNG production or external sales.

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Sales and Marketing Plan

In addition, we are in the process of implementing the sales and marketing plan of our LNG product. We plan to invest approximately RMB125.0 million in the construction of four gas stations located in Jiyuan with a total refilling capacity of approximately 80.0 million m³ of gas per year, two of which are expected to be completed during the second half of 2017, while the other two are expected to be completed during the first half of 2018. All four gas stations are expected to be put into operation in 2018. We established Jinrui Gas for the operation of these gas stations. After the completion of our gas stations, we will also supply our gas stations with LNG purchased externally from gas suppliers in nearby regions.

Upon the completion of all of our LNG production facilities, we currently plan to supply:

- approximately 30.0% of our LNG to our gas stations targeting logistics customers, heavy trucks and buses; and
- approximately 70.0% of our LNG directly to industrial customers and gas companies.

As a result of the active promotion of clean energy and development of LNG in Henan province by the PRC government, along with the widespread calls for LNG vehicles, which are environmentally-friendly vehicles with long lasting fuel efficiency, we believe the LNG market in Henan province will continue to grow. In light of the competition within the Henan LNG market, we intend to target logistics customers and an industrial customer that have prior business relationships with us in our sales and marketing plan for LNG. We have entered into letters of intent with (1) logistics customers who are Independent Third Parties that provide road transport of ordinary goods within China, with a concentration in Henan, Shanxi, Hebei and Shandong provinces (one of which is owned as to 20.0% by Zhengzhou Fuxiang and 20.0% by Zhongyuan Yungong) for the sale of approximately 39.4 million m³ of LNG per year through our gas stations, representing approximately 49.3% of the total refilling capacity of our four gas stations; and (2) an industrial customer in the metal smelting business and gas companies who are Independent Third Parties for the sale and delivery of approximately 93.4 million m³ of LNG per year, representing approximately 75.9% of our total production capacity of LNG. The letters of intent specify, among other things, qualitative specifications of LNG, daily purchase limit, payment terms and the pricing mechanism and volume at which our LNG will be sold. Our customers will be required to settle the purchase price within the same month of delivery.

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Financial Information in relation to the LNG Project

Certain financial information in relation to our LNG project is set out below:

Estimated total investment costs	approximately RMB641.5 million
<ul style="list-style-type: none">• LNG production facilities	approximately RMB342.0 million
<ul style="list-style-type: none">• gas stations	approximately RMB125.0 million
<ul style="list-style-type: none">• coke granules coal gas facilities	approximately RMB174.5 million
Investment costs break down by nature	
<ul style="list-style-type: none">• Land acquisition	approximately RMB63.0 million
<ul style="list-style-type: none">• Construction costs	approximately RMB88.9 million
<ul style="list-style-type: none">• Purchase and installation of equipment	approximately RMB362.6 million
<ul style="list-style-type: none">• Project research and planning expenses	approximately RMB51.6 million
<ul style="list-style-type: none">• Others	approximately RMB75.4 million
Amount incurred as of the Latest Practicable Date	approximately RMB133.1 million
Estimated payment schedule	All capital expenditure are scheduled to be substantially made in 2017 and 2018
Source of fund	Cash generated from our operations, banks loans and proceeds from the Global Offering
Investment payback period	Eight to nine years after commencement of operation

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PRODUCTION FACILITIES

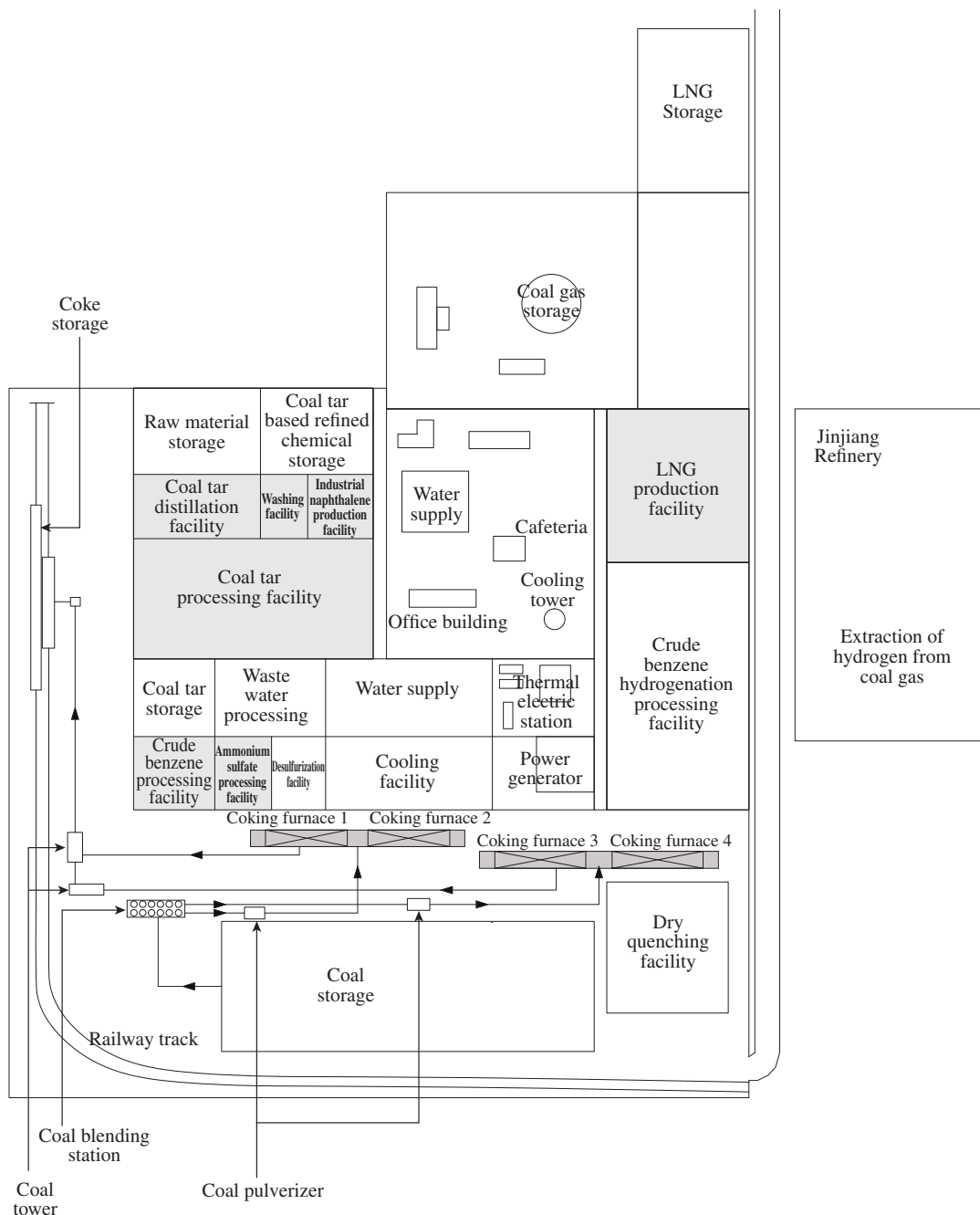
Our production base is situated in Jiyuan, Henan province in China and occupies a total site area of approximately 907,586.4 square meters as of the Latest Practicable Date. The geographic location of our production base is in close proximity to areas with abundant coal resources as well as our target markets to ensure a stable supply of coal and sales of our products. The following map shows the geographical location of our production facilities in China:



-
- ★ Jiyuan, Henan province
 - Municipality

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We have developed our production facilities for coke, coking by-products, refined chemicals and energy products in Huling Industrial Chemical Park. Our facilities are strategically designed to interconnect through pipelines, allowing direct and efficient delivery of raw materials and products through pipelines among our different production facilities. The direct transmission allows us to save transportation cost and reduce inventory and achieve operational efficiency. The layout of our production facilities, located in Jiyuan, Henan province, are indicated below:



Layout of our production facilities

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The following table sets forth certain basic information relating to our production base as of the Latest Practicable Date:

Production facilities	Production commencement	Annual capacity ⁽¹⁾
Coking furnace 1	January 2004	500 thousand tons
Coking furnace 2	May 2004	500 thousand tons
Coking furnace 3	January 2008	550 thousand tons
Coking furnace 4	May 2011	550 thousand tons
Crude benzene processing facilities	March 2013 ⁽²⁾	120 thousand tons
Coal tar processing facilities	September 2005 ⁽³⁾	180 thousand tons

- (1) Annual capacity is calculated as of the Latest Practicable Date and refer to production capacity of coke in relation to coking furnace, processing capacity in relation to crude benzene and coal tar processing facilities.
- (2) Our crude benzene processing facilities are operated by Jinyuan Chemicals, which was established in the PRC on November 23, 2012 and acquired by us on May 26, 2015.
- (3) Our coal tar processing facilities are operated by Bohigh Chemical, which was established in the PRC on January 29, 2004 and acquired by us on October 20, 2016.

Our coking furnaces are capable of generating approximately 1,000 million m³ of coal gas per annum.

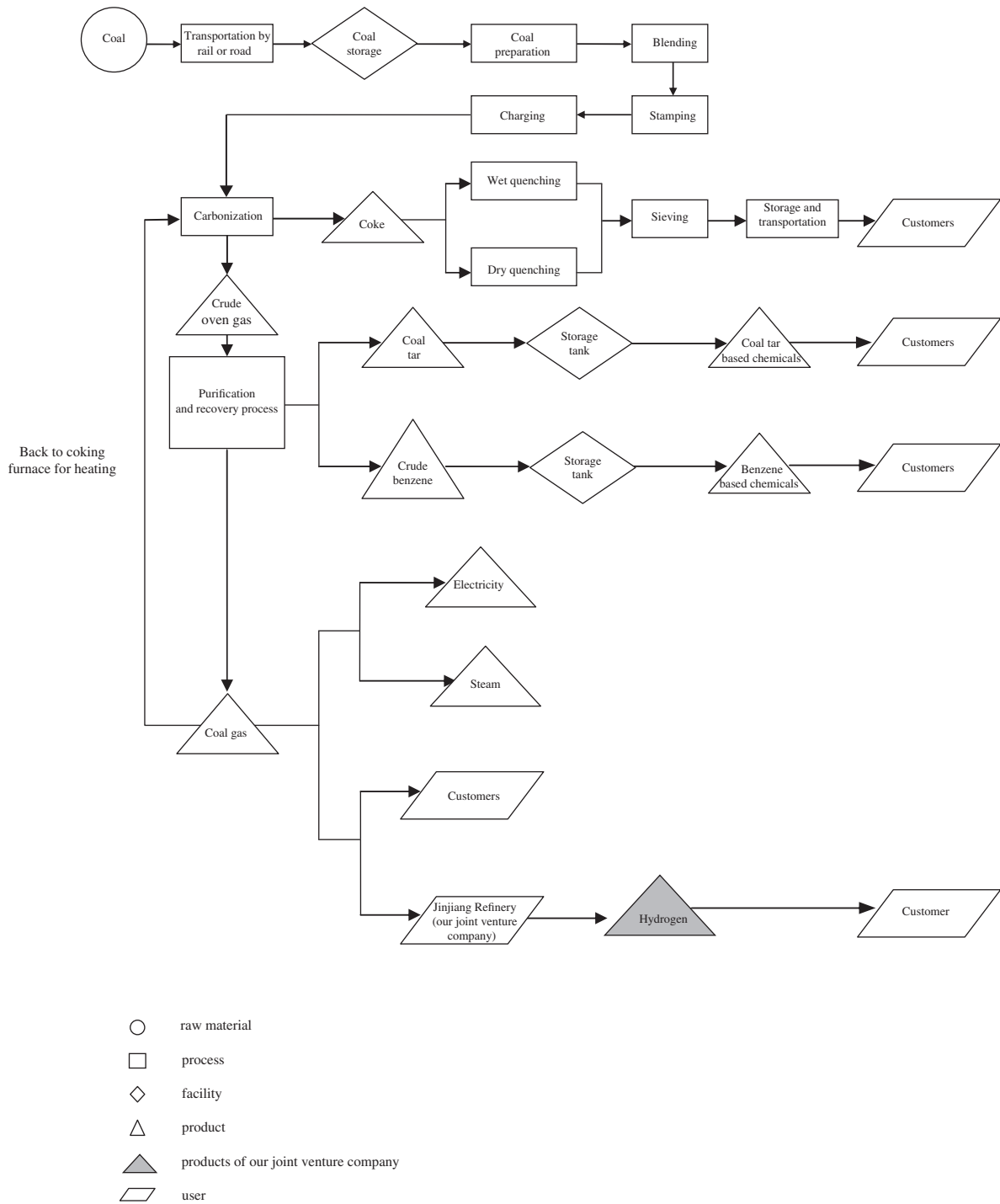
We have established regular maintenance plans for all of our main production facilities. We generally conduct maintenance and repair when our facilities are not in operation to avoid interruption to our production. The following table sets forth our main production facilities of our products as of the Latest Practicable Date:

Products	Main production facilities
Coke	Four coal pulverizers, two coal towers (which is used to feed blended coal for coal stamping), four coking furnaces and two crude oven gas purification systems
Benzene based chemicals	A set of heating reactor system, a set of crude benzene hydrogenation extraction system, a set of heavy benzol and slag separation system, and a set of crude benzene hydrogenation DCS monitoring system
Coal tar based chemicals	Two coal tar dehydration & de-slag centrifuges, three coal tar heating tubular furnaces, two anthracene oil distillation towers, four asphalt processing system, one set of industrial naphthalene distillation tower, and a set of coal tar processing DCS monitor system

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PRODUCTION PROCESS

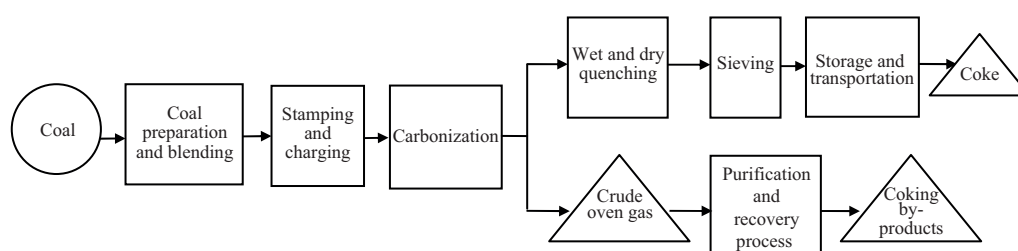
The following diagram sets forth our vertically integrated production process as of the Latest Practicable Date:



Coke

Coking is the process of distilling a blend of different types of coal at a high temperature in the absence of air in order to concentrate the carbon in the coal. During the carbonization process, solid porous coke is produced with crude oven gas released.

The various types of coal have different adhesiveness and volatility properties that affect the quality of the coke produced. By varying the blend of the different types of coal and without having to adjust our production lines for coke at significant additional costs, the end coke product could be made to fit the required specifications of each customer at optimal raw material costs. Our coke production process, which typically takes slightly over a day, can be described as follows:



Coal preparation and blending: coals are crushed, blended and filled in the coal towers. Through our process of blending, we are able to vary the characteristics of our coke in order to meet our customers' specifications, such as raising the thermal energy or enhancing mechanical strength, by adjusting the blend of different types of coal input in our production without adjusting our production lines for coke at significant additional costs.

Stamping and charging: charging is a process of loading the coking furnace with blended coals. Instead of loading the coal from the top of the coking furnace, we employ the stamp-charging technology, whereby the blended coals are first compressed by stamping with mechanical hammers to form coal cakes in order to increase the density of the charging coal. The stamp-charging allows us to use less expensive coal that have high volatilization or weak adhesion to produce similar quality coke that would otherwise require a higher percentage of more expensive coal.

Carbonization: the coal undergoes distillation at a high temperature in the absence of air which leads to the decomposition of the coal into a plastic state. The coal is then resolidified. During resolidification, solid porous coke is formed with concentrated carbon content, while volatile components of the coal evaporate to form crude oven gas.

Wet and dry quenching: after carbonization, the red-hot coke is pushed from the coking furnace onto the quenching cart and taken to the quenching tower or dry quenching furnace for rapid cooling.

Cooling can be done by coke wet quenching, namely by spraying water. However, this traditional method results in high emission of carbon dioxide and loss of thermal energy. A more advanced method is coke dry quenching, whereby coke is cooled using inert gas. This process allows for

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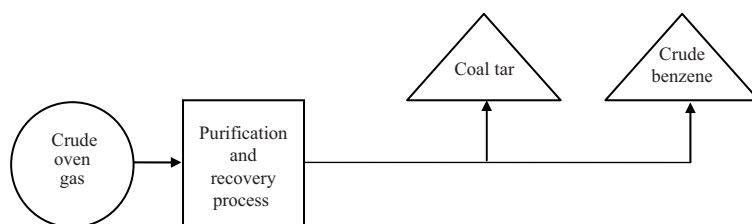
the recovery of thermal energy in the quenching gas that is then used for the production of steam and electricity. Coke dry quenching also improves the quality of coke and enables less coke consumption in the blast furnace in the production of pig iron from iron ore. Furthermore, the improved quality of coke also allows for the use of less expensive coal in the process.

Purification and recovery process: coking by-products, including coal tar and crude benzene, are purified and recovered from the crude oven gas, also a coking by-product. The residual crude oven gas is then further purified into the high calorific value coal gas. For more details, please see “— *Production Process — Coking By-Products.*”

Sieving: after quenching, conveyor belts transport the coke to sieving devices where the coke is sorted according to size. We mainly produce coke larger than 25mm in diameter.

Storage and transportation: the sieved coke is transported to our storage areas for subsequent delivery to our customers by rail or road transportation.

Coking By-Products

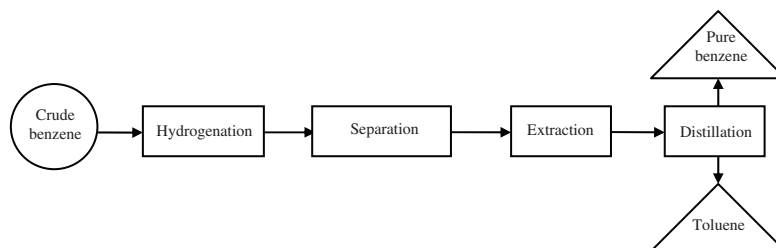


When coal is carbonized under high temperature, the coal undergoes a series of physical and chemical reactions. After such reactions, volatile components of the coal evaporate to form crude oven gas, a coking by-product, from which other coking by-products, including coal tar and crude benzene are condensed, extracted and recovered.

Refined Chemicals

Coking by-products can be further refined into our vertically integrated series of refined chemicals.

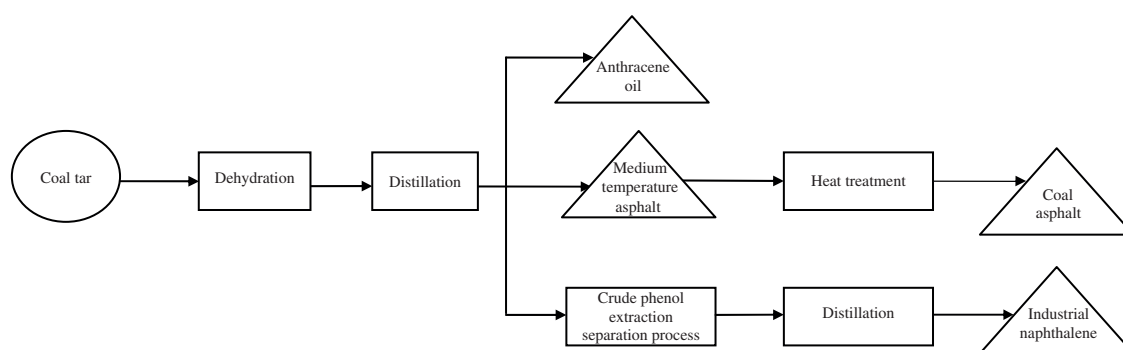
Benzene Based Chemicals: Pure Benzene, Toluene and Others



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We derive benzene based chemicals by adding hydrogen to crude benzene. The impurities contained in the crude benzene react with the hydrogen, which are then separated. The residual materials then undergo a series of separation process, mainly, extractive distillation process to separate pure benzene, toluene and other products.

Coal Tar Based Chemicals: Coal Asphalt, Anthracene Oil, Industrial Naphthalene and Others



Coal tar is first heated in a tube furnace and placed into a dehydrator. The resultant dehydrated anhydrous coal tar is then sent to an evaporating tower to separate volatile chemicals from coal tar. The volatile mixtures removed from the evaporator are delivered to a distillation tower to produce coal tar based chemicals, including coal asphalt, anthracene oil, industrial naphthalene and other products.

Energy Products

We derive coal gas from crude oven gas after removing impurities. Coal gas contains approximately 57.0% of hydrogen and 26.0% of methane. We generally produced approximately 450.0 m³ of coal gas from making each ton of coke during the Track Record Period.

During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, approximately 67.5%, 70.2%, 59.7%, 58.9% and 58.0% of coal gas generated from our main coking process was for our internal use and approximately 32.5%, 29.8%, 40.3%, 41.1% and 42.0% of such coal gas was sold. We plan to engage in the production and sale of LNG in the future. For more details, please see “— *Future Plan.*” In order to secure a sufficient amount of coal gas required for the production of LNG, we plan to build a new coking furnace to produce coal gas by heating lower value and small coke granules generated from our coking process in an oxygen environment. The new coke granules coal gas facilities are expected to produce approximately 500.0 million m³ of coal gas per year mainly for our internal use and to spare more high calorific value coal gas, which had been used during the Track Record Period to heat our coking furnaces and generate steam and electricity, for the production of LNG or external sale. For more details, please see “— *Future Plan.*”

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RAW MATERIALS AND SUPPLY

Raw Materials

The principal raw material used for coke production is coal. During the Track Record Period, we principally sourced four different types of coal: main coking coal, 1/3 coal, fat coal and lean coal, all of their prices are affected by their availability, character and quality. Our total cost of raw materials in our manufacturing segments constituted approximately 91.4%, 89.2%, 89.8%, 88.7% and 93.3% of our total cost of production for our manufacturing segments for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, respectively. Our cost of coal for our manufacturing segments constituted approximately 100.0%, 92.0%, 83.2%, 80.5% and 79.3% of our total cost of raw materials for our manufacturing segments for the same periods. For more details, please see “*Financial Information*.” We purchased coal from suppliers located in regions around our production base including Shanxi, Henan, Shaanxi and Jiangsu provinces in the PRC.

As for the production of our refined chemicals, in addition to the crude benzene and coal tar that we produce internally, we source these materials externally as the quantity of by-products generated from our coking process is not sufficient to satisfy the need of our production of refined chemicals. The principal raw material for the production of our energy products is crude oven gas, which is derived from our main coking facilities.

Procurement Process

Coals are key raw materials to our entire operations. The ability to source cost competitive coals for our operations helps us to better manage raw materials costs and further enhance the quality and stability of our coal supply. We purchase the required coal in accordance with the production plans prepared by our production department, which takes into account actual coke requirements of our customers from time to time. We enter into legally binding annual supply contracts with our key coal suppliers. These supply contracts generally specify the indicative quantities of coal that we plan to purchase in the relevant period. Some of our supply contracts set out the indicative purchase price but the actual purchase prices are normally subject to adjustment based on prevailing market conditions at the time of purchase. We are typically responsible for the cost of transporting the coal from our suppliers to our production facilities.

We source our coal from large state-owned mine bureaus and local coal plants. In consideration of intensifying competition in the coking industry, entering into supply contracts with state-owned mine bureaus ensures the stability of our supply as these mine bureaus typically own and operate coal mines and possess abundant coal reserves at their disposal. The prices of the coal offered by state-owned mine bureaus, however, are normally less negotiable. Sourcing a certain portion of coal from local coal plants gives us certain flexibility in the negotiation of price and coal characteristics.

Although we usually enter into annual supply contracts, we have established long-term relationships with most of our suppliers. We generally select suppliers based on a number of factors, including their pricing, delivery time, quality of coal, operating history, track record and location. For potential suppliers, we conduct research on their coal quality, production processes and technologies before we source any raw materials from them. We will only commence contractual negotiations with the relevant suppliers if the coke produced from coal samples meets our quality standards. We also carefully review each supplier’s performance and quality before deciding whether to renew the relevant contract upon expiration.

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In addition to coal, we mainly source crude benzene and coal tar for our production of refined chemicals. As the amount of crude benzene and coal tar generated from our coking process is not sufficient to meet the production requirement of our refined chemical products we also procure crude benzene and coal tar from third party suppliers. During the Track Record Period, we sourced crude benzene and coal tar from more than 10 suppliers, mainly coking enterprises, located in Henan, Shanxi and Shaanxi provinces. We typically enter into legally binding annual supply contracts with our suppliers for crude benzene and coal tar which mainly set out the quality requirement and payment and delivery methods, but the actual quantities and price of the products are based on the orders that we place from time to time. We are normally required to make the payment prior to the delivery of products. The purchase prices for crude benzene and coal tar are normally determined based on prevailing market price at the time of purchase. We usually confirm our purchase based on weekly purchase orders due to the rapid changes in the prices of crude benzene and coal tar.

Suppliers

We aim to establish long-term relationships with our suppliers with reliable production capabilities and logistics networks. We are not dependent on any single supplier for the procurement of our raw materials during the Track Record Period. During the Track Record Period, we did not experience any difficulty in sourcing the coal or coking by-products that are necessary for our production processes. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, purchases from our five largest suppliers accounted for approximately 55.9%, 45.1%, 37.2%, 38.5% and 33.8% of our total purchases, respectively, while purchases from our largest supplier accounted for approximately 19.2%, 13.9%, 9.0%, 14.1% and 9.6% of our total purchases, respectively. The tables below sets forth certain information with respect to five largest suppliers during the Track Record Period:

Year Ended December 31, 2014

Rank	Five largest supplier	Products supplied	Place of business	Credit period (months)	Approximate percentage to our total purchases for the year ended December 31, 2014 (%)	Length of relationship with us as of December 31, 2014 (years)
1.	Supplier A	Coal	Shanxi	1 or prepayment ⁽¹⁾	19.2	10
2.	Supplier B	Coal	Jiangsu	1 or prepayment ⁽¹⁾	17.2	7
3.	Supplier C	Coal	Henan	1	8.0	2
4.	Supplier D	Coal	Henan	1	6.8	4
5.	Supplier E	Coal	Hubei	1	4.7	1

(1) Per negotiation on a case-by-case basis

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Year Ended December 31, 2015

Rank	Five largest supplier	Products supplied	Place of business	Credit period (months)	Approximate percentage to our total purchases for the year ended December 31, 2015 (%)	Length of relationship with us as of December 31, 2015 (years)
1.	Supplier F ⁽¹⁾	Coal	Shanxi	1 or prepayment ⁽²⁾	13.9	11
2.	Supplier G	Coal	Shanxi	1 or prepayment ⁽²⁾	9.4	1
3.	Supplier B	Coal	Jiangsu	1 or within five days ⁽²⁾	7.6	8
4.	Supplier C	Coal	Henan	1	7.4	3
5.	Supplier H ⁽³⁾	Coal	Henan	1 or prepayment ⁽²⁾	6.8	5

(1) Suppliers A and F belong to the same group. The separate disclosure of our purchase from each of them does not affect the ranking of our top five suppliers as we mainly transacted with only one of the companies in this group during any given year or during the four months ended April 30, 2017 in the Track Record Period, while the transactions with other companies in the same group are of insignificant amount, representing an aggregate of less than 0.5% of our total purchase during each of 2014, 2015 and 2016 and the four months ended April 30, 2017.

(2) Per negotiation on a case-by-case basis

(3) Suppliers D and H belong to the same group. The separate disclosure of our purchase from each of them does not affect the ranking of our top five suppliers as we mainly transacted with only one of the companies in this group during any given year or during the four months ended April 30, 2017 in the Track Record Period, while the transactions with other companies in the same group are of insignificant amount, representing an aggregate of less than 0.5% of our total purchase during each of 2014, 2015 and 2016 and the four months ended April 30, 2017.

Year Ended December 31, 2016

Rank	Five largest supplier	Products supplied	Place of business	Credit period (months)	Approximate percentage to our total purchases for the year ended December 31, 2016 (%)	Length of relationship with us as of December 31, 2016 (years)
1.	Supplier I	Coal	Shanxi	1	9.0	2
2.	Supplier J	Coal	Shanxi	1	7.9	3
3.	Supplier F	Coal	Shanxi	1	7.1	12
4.	Supplier K	Coal	Shanxi	1 or within two weeks ⁽¹⁾	6.8	1
5.	Supplier G	Coal	Shanxi	1 or prepayment ⁽¹⁾	6.4	2

(1) Per negotiation on a case-by-case basis

BUSINESS

Four Months Ended April 30, 2017

<u>Rank</u>	<u>Five largest supplier</u>	<u>Products supplied</u>	<u>Place of business</u>	<u>Credit period (months)</u>	<u>Approximate percentage to our total purchases for the four months ended April 30, 2017 (%)</u>	<u>Length of relationship with us as of April 30, 2017 (years)</u>
1.	Supplier K	Coal	Shanxi	1	9.6	2
2.	Supplier L	Coal	Shanxi	1	7.5	0.6
3.	Supplier M	Coal	Shanxi	1	7.3	0.5
4.	Supplier I	Coal	Shanxi	1	4.8	2
5.	Supplier N	Coal	Shanxi	1	4.6	2

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or their respective associates, or any Shareholders of our Company, who, to the best of the Directors' knowledge, owns 5% or more of our issued shares, has any interest in any of our five largest suppliers. For additional information on our counterparty risk, please see "*Risk Factors — Risks Relating to Our Business — We are exposed to counterparty risks in our contracts.*"

Water Supply

All of the water we use in our production is pumped from a reservoir, processed and filtered by us on site using our own water processing facility. We also recover wastewater and recycle for re-use after appropriate treatment on site. We have not experienced any material disruption in water supply during the Track Record Period.

Energy

We have two power generators of approximately 6,000.0 kwh each, which supplied up to approximately three quarters of our electricity needs during the Track Record Period and enabled us to lower our overall cost of electricity. The dry quenching method that we adopt to cool our coke allows for the recovery of heat in the quenching gas. We entered into an energy management contract with a company specializing in energy saving and environmental technology company (the "**Energy Company**") on November 8, 2013 in relation to the construction of the dry quenching facilities with respect to two of our coking furnaces and the subsequent energy management arrangements. Pursuant to the agreement, the Energy Company undertakes the project on a build, operate and transfer basis where it builds the dry quenching facilities and operates it for 15 years before it transfers the facilities to us at nil cost in 2030. Before the facilities are transferred to us, we sell the heat generated from the dry quenching process to the Energy Company at an agreed price of RMB25 per ton for the heat generated in the production of one ton of coke, and in turn, the Energy Company sells the steam and electricity that it generates from the heat back to us at an agreed price of RMB140 per ton of steam and RMB0.62 per kwh of electricity.

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We obtained the remaining electricity that we require from the power grid operated by the government. The price of electricity purchased from the power grid in the PRC is subject to government control. We have not experienced any material disruption in electricity supply during the Track Record Period. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, our average electricity consumption was approximately 8.9 million kwh, 8.7 million kwh, 8.8 million kwh and 3.8 million kwh per month, respectively.

SALES AND MARKETING

Sales and Marketing

We strive to build stable and long-term relationships with our customers. We had a sales and marketing team that consisted of around 23 employees as of April 30, 2017 in Henan province responsible for the sales and marketing of coke and refined chemicals. We market our products primarily by direct marketing through our sales and marketing department and, with respect to our refined chemicals, also through online trading platforms.

We conduct our sales and marketing efforts mainly through our sales and marketing teams and maintain close relationships with our key customers. Our sales and marketing teams also work to identify business and market opportunities, engage in business networking, organize logistics, deepen relationships with our existing customers and cultivate relationships with potential customers. We identify and target iron and steel manufacturers, chemical companies and coal gas users with whom we believe we can develop long-term relationships. We intend to concentrate our sales efforts on enhancing our services to major customers and developing new customers. We believe that the close contacts between our staff and our customers further strengthens our relationships with our customers.

We sell our refined chemicals to chemical companies and, given the commodity nature of such products and the fact that refined chemicals are used in a broad range of industries, we also sell the products to trading companies in the chemical industry. In some cases, we sell our coke to trading customers when they have existing business relationships with established iron and steel manufacturers and can offer better payment terms. We are normally approached by trading customers for such sales. During the years ended on December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, our sales to trading customers (namely customers who are not the end users of our products) amounted to approximately RMB378.7 million, RMB424.2 million, RMB652.5 million, RMB189.6 million and RMB356.4 million, respectively, representing approximately 14.8%, 18.9%, 19.8%, 27.1% and 20.2% of our revenue for the respective year.

Sales Contracts

Coke. We typically enter into legally binding annual sales agreements with our coke customers covering the general terms of our cooperation. The annual agreements mainly specify, among other things, the specifications and standards of the products that the relevant customer will purchase from us, the delivery and transportation arrangements and payment terms. Our coke customers typically provide monthly indications of the quantities of coke they expect to order. We negotiate the actual sales prices from time to time generally based on prevailing market price in the regions where we sell our coke. Save for the arrangements contained in the Maanshan Steel Framework Agreement and

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Jiangxi PXSteel Framework Agreement, our customers are not obliged to purchase any fixed or minimum amount of coke from us, and we are not obliged to supply to the relevant customers any fixed or minimum amount of coke. Our contracts with key coke customers typically require them to settle the purchase price within the same month of delivery or to prepay the purchase price. We adjust our credit terms from time to time based on market supply and demand and availability of transportation capacity in the target market during relevant period.

Refined chemicals. With respect to the sale of our refined chemicals, we enter into legally binding sales agreements with our refined chemical customers with a term of several weeks or one year or for one-off transactions. The sales agreements typically provide for types of products, delivery and transportation arrangement and payment terms, and we sell our products at the price and volume either specified in the agreements or negotiated on a weekly basis generally based on prevailing market price in our target market. If our agreements are for one-off transactions, the agreements would set out the volume, price, delivery and transportation arrangement and payment terms applicable to that transaction. We also sell certain products, mainly ammonium sulfate, anthracene oil, industrial naphthalene and toluene, through online trading platforms operated by Independent Third Parties in China. We only confirm the sales with interested buyers by entering into sales agreements after they place orders online. We believe the online platform offers us with an opportunity to access to a wider range of customers for the sale of our refined chemicals. We require most of our refined chemical customers to prepay the purchase prices and generally only grant credit terms of not more than two weeks in limited cases.

Coal gas. Before we acquired Jinning Energy in December 2016, we sold our coal gas to it which on sold the coal gas to other customers. We enter into legally binding sales agreements with our coal gas customers for a term of one year or several months. The sales agreements typically specify, among other things, calorific value and hydrogen sulfide content of the coal gas, delivery arrangement and payment terms. We sell our coal gas at the price and volume (taking into account around 5% fluctuation) specified in the agreements or we supply coal gas to our customers for 24 hours a day during the term of the agreement and calculate payment based on coal gas meter readings. Our contracts with our coal gas customers typically require them to prepay the full amount or a portion of the purchase price or to settle the purchase price within three days of receipt of invoice.

We believe we are selected by our customers based on factors such as proximity, stability of our supply, product quality and cost. According to our sales contracts, product return is only permitted if there are quality issues. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, none of our products were returned by our customers, and we had not received any material complaints or claims in relation to the products sold that would affect our business, financial position or results of operations.

Customers

We have built a diversified customer base. Our key customers are large-scale iron and steel manufacturers for coke, and chemical companies and trading companies for refined chemicals. During the Track Record Period, we sold our coal gas to Jinning Energy, which in turn sold the coal gas to glass manufacturing companies, metal refineries and to our joint venture company, Jinjiang Refinery, for its production of hydrogen. Jinning Energy became our subsidiary in December 2016.

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Our sales with trading customers are normally on better payment terms under which they are required to make prepayment before delivery. We do not involve in or have any control over the subsequent sales by these trading customers, how they set the selling prices or how much stock they will keep after we sell them the products. In connection with the sale of coke to coke trading customers, we would be able to identify the end users as we are customarily required to deliver our products directly to the end users' facilities or designated depots. We do not typically have knowledge of the identity of end users of our refined chemical if the products are sold to trading customers. Our key customers are located within approximately 1,000 kilometers for coke and 300 kilometers for refined chemicals radius from our production base in Jiyuan, primarily from Anhui, Jiangxi, Hubei, Henan and Shandong provinces.

During the Track Record Period, our aggregated sales to our major customers, Maanshan Steel and Jiangxi PXSteel Group represented approximately 55.2%, 48.8%, 40.4%, 31.7% and 48.1% of our revenue for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, respectively. For more details of our relationship and our sales arrangements with these two customers, please see "*Relationship with Maanshan Steel, Jiangxi PXSteel Group and Other Related Parties and Connected Persons.*" During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, sales to our five largest customers accounted for approximately 78.5%, 71.1%, 61.2%, 50.0% and 66.0% of our total revenue, respectively, while the sales to our largest customer accounted for approximately 31.2%, 30.3%, 27.2%, 25.0% and 24.9% of our total revenue, respectively. The tables below sets forth certain information with respect to five largest customers during the Track Record Period:

Year Ended December 31, 2014

Rank	Five largest customer	Products supplied	Place of business	Credit period	Approximate percentage to our total revenue for the year ended December 31, 2014 (%)	Length of relationship with us as of December 31, 2014 (years)
1.	Maanshan Steel	Coke	Anhui	Six months or prepayment ⁽¹⁾	31.2	11
2.	Jiangxi PXSteel Group ⁽²⁾	Coke	Jiangxi	Within the transaction month	24.0	11
3.	Customer A	Coke	Jiangsu	Prepayment ⁽¹⁾	9.4	2
4.	Bohigh Chemical	Coal tar	Henan	Within the transaction month	7.3	4
5.	Jinyuan Chemicals	Crude benzene	Henan	Within the transaction month	6.6	2

(1) Per negotiation on a case-by-case basis

(2) Include the sales to four companies in Jiangxi PXSteel Group

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Year Ended December 31, 2015

Rank	Five largest customer	Products supplied	Place of business	Credit period	Approximate percentage to our total revenue for the year ended December 31, 2015 (%)	Length of relationship with us as of December 31, 2015 (years)
1.	Maanshan Steel	Coke	Anhui	Six months or prepayment ⁽¹⁾	30.3	12
2.	Jiangxi PXSteel Group ⁽²⁾	Coke	Jiangxi	Within the transaction month	18.5	12
3.	Customer A	Coke	Jiangsu	Prepayment ⁽¹⁾	10.4	3
4.	Bohigh Chemical	Coal tar	Henan	Within the transaction month	6.2	5
5.	Yugang Coking	Coal	Henan	On the 10th of the month following invoice	5.7	3

(1) Per negotiation on a case-by-case basis

(2) Include the sales to four companies in Jiangxi PXSteel Group

Year Ended December 31, 2016

Rank	Five largest customer	Products supplied	Place of business	Credit period	Approximate percentage to our total revenue for the year ended December 31, 2016 (%)	Length of relationship with us as of December 31, 2016 (years)
1.	Maanshan Steel	Coke	Anhui	Six months or prepayment ⁽¹⁾	27.2	13
2.	Jiangxi PXSteel Group ⁽²⁾	Coke	Jiangxi	Within the transaction month	13.2	13
3.	Customer B	Coke	Jiangsu	Prepayment	8.9	1
4.	Customer C	Pure benzene	Henan	Within three days of delivery	6.9	4
5.	Yugang Coking	Coal	Henan	On the 10th of the month following invoice	5.0	4

(1) Per negotiation on a case-by-case basis

(2) Include the sales to two companies in Jiangxi PXSteel Group

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Four Months Ended April 30, 2017

Rank	Five largest customer	Products supplied	Place of business	Credit period	Approximate percentage to our total revenue for the four months ended April 30, 2017 (%)	Length of relationship with us as of April 30, 2017 (years)
1.	Maanshan Steel	Coke	Anhui	Six months or prepayment ⁽¹⁾	24.9	13
2.	Jiangxi PXSteel Group ⁽²⁾	Coke	Jiangxi	Within the transaction month	23.2	13
3.	Customer B	Coke	Jiangsu	Prepayment	9.4	1
4.	Customer C	Pure benzene	Henan	Within three days of delivery	5.9	4
5.	Customer D	Coke	Hubei	One month	2.6	1

(1) Per negotiation on a case-by-case basis

(2) Include the sales to two companies in Jiangxi PXSteel Group

Given our vertically integrated business model throughout the coking chemical value chain and our trading business operation which trades different products in the market, some of our customers are also our suppliers or vice versa. Out of our top five customers in each of the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, one, two, one and nil of our customers were also our suppliers during the Track Record Period, respectively. The table below sets out the cost of our purchase from each of these customers/suppliers and its approximate percentage to our total cost of purchase and the types of the products sold and procured by us during each of the years ended December 31, 2014, 2015 and 2016:

	Cost of purchase	Approximate percentage to our total cost of purchase for the relevant period	Products we sold	Products we procured
	<i>RMB'000</i>	<i>%</i>		
2014				
Bohigh Chemical ⁽¹⁾	—	—	Coal tar and coal gas	Wash oil
2015				
Bohigh Chemical	1,596	Below 0.1%	Coal tar and coal gas	Wash oil
Yugang Coking ⁽²⁾	12,694	0.7%	Coal	Crude benzene ⁽³⁾
2016				
Yugang Coking	29,598	1.1%	Coal	Crude benzene

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- (1) Bohigh Chemical was our supplier in 2015 and 2016. Our sales to Bohigh Chemical represented approximately 7.2%, 6.1%, 3.1% and nil of our total revenue for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively.
- (2) Our sales to Yugang Coking represented approximately 5.3%, 5.7%, 5.0% and 1.3% of our total revenue for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively.
- (3) We procured crude benzene from Yugang Coking since 2015 after we acquired Jinyuan Chemical.

In addition, out of our top five suppliers in each of the years ended December 31, 2014, 2015 and 2016, one of our suppliers was also our customer. Among our top five suppliers during the four months ended April 30, 2017, two were also our customers. The table below sets out the revenue attributable to sales to such suppliers or customers and their respective approximate percentage to our total revenue and the types of the products procured and sold by us during the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017:

	Revenue	Approximate percentage to our total revenue for the		Products we procured	Products we sold ⁽⁴⁾
	RMB'000	relevant period	%		
2014					
Supplier 1 ⁽¹⁾	—			— Coal	Thermal coal
2015					
Supplier 1 ⁽¹⁾	4,774		0.2%	Coal	Thermal coal
2016					
Supplier 1 ⁽¹⁾	—			— Coal	Thermal coal
2017					
Supplier 2 ⁽²⁾	4,267		0.2%	Coal	Thermal coal
Supplier 3 ⁽³⁾	22		Below 0.1%	Coal	Coal mining equipment

- (1) Supplier 1 includes different companies in the same supplier group and it was our supplier from 2014 to 2016 and also our customer in 2015. Our procurement from Supplier 1 (including the procurement from other companies in the same group) represented approximately 19.3%, 14.3%, 7.4% and 4.6% of our total cost of purchase for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively.
- (2) Supplier 2 was our supplier and also our customer in the four months ended April 30, 2017. Our procurement from Supplier 2 represented approximately nil, nil, 0.2% and 7.6% of our total cost of purchase for the years ended December 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively.
- (3) Supplier 3 was our supplier during the Track Record Period and also our customer in 2016 and the four months ended April 30, 2017. Our procurement from Supplier 3 represented approximately 0.2%, 2.0%, 2.4% and 4.6% of our total cost of purchase for the years ended December 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively.
- (4) Mainly sold by our trading company Shanghai Jinma.

For additional information on our counterparty risk and concentration risk, please see “*Risk Factors — Risks Relating to Our Business — We are exposed to counterparty risks in our contracts*” and “*Risk Factors — Risks Relating to Our Business — We rely on a limited number of customers and we do not generally enter into long-term sales contracts with our customers.*”

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Save as disclosed above and save as disclosed in “*Relationship with Maanshan Steel, Jiangxi PXSteel Group and Other Related Parties and Connected Persons*,” “*History, Development and Reorganization*” and “*Continuing Connected Transactions — B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders’ approval requirements — (3) Purchase of coal tar, crude benzene and coal gas from Yugang Coking*,” as of the Latest Practicable Date, none of the Directors or their respective associates, or any Shareholders of our Company, who, to the best of the Directors’ knowledge, owns 5% or more of our issued shares, has any interest in any of our five largest customers. In addition, our Shareholders, Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye were interested in Jinyuan Chemicals, being one of our top five customers in 2014, as to 40.5%, 36%, 13.5% and 10%, respectively, prior to the completion of the Jinyuan Chemicals Equity Transfer Agreement on May 29, 2015. For more details, please see “*History, Development and Reorganization — Corporate History — Our subsidiaries, associated company and joint venture company*.”

Pricing Policy

We generally sell our products based on prevailing market prices in the regions where we sell our products, with reference to other factors mainly including the raw materials price, the supply and demand in downstream industries and factors applicable to individual customers such as the specifications of products and the availability of regional transportation capacity. For the price of coke, the prevailing market prices are determined and adjusted primarily based on the factory gate price trends recommended by associations such as the China Coking Industry Association and price reference on industrial-focused websites including “My Steel” (我的鋼鐵網) and “Steel Home” (鋼之家). The specifications of our products also affect our pricing, as products of higher quality can generally be sold for higher prices. Key qualities of coke that can increase our selling price include lower ash content, lower sulfur content, higher mechanical strength and higher thermal energy. Our customers are typically responsible for the cost of transporting the products from our production facilities to their sites or designated depots. Some of our refined chemicals, including anthracene oil, industrial naphthalene, toluene and xylene, are sold through online trading platforms that allow customers to bid for the products at market prices.

The prevailing market prices are primarily driven by supply and demand and by raw material cost. The prices of our coke and refined chemicals are subject to frequent negotiation and adjustment, in some cases several times a month in response to market price fluctuations. We are exposed to the fluctuation in the prices of our products, for more details, please see “*Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Prices of our raw materials and products*.”

Pricing Risk Management

Since we sell our products and procure our coal generally based on prevailing market prices and the prices of coal typically move in tandem, though at different speed and magnitude, with the prices of coke and iron and steel, we believe we are generally able to negotiate the prices of our products and raw materials taking into account market price fluctuations. Given that (i) we closely monitor the size of orders placed by our customers, typically on a monthly or weekly basis, to plan our production, (ii) our production cycle is relatively short thus reducing our exposure to market price fluctuations,

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and (iii) we endeavor to maintain our inventory at a reasonable level to sustain our production without interruption as well as to avoid inventory risk, we did not enter into any hedging arrangement to hedge our exposure to changes in the prices of raw materials and products during the Track Record Period. Going forward, our management team will review our price risk management policy from time to time and we may consider to engage in hedging activities if we consider that it is commercially reasonable to mitigate our exposure to market price risk through hedging.

TRANSPORTATION

Our logistics team is responsible for ensuring safe, timely and low cost delivery of our raw materials and products. Rail transportation is an integral part of our transportation arrangements for our coal, coke and refined chemicals as it offers high capacity service at relatively low cost as well as broad geographic coverage across the PRC. We own a designated private railway that connects our production facilities to the Jiaozhi railway. We have entered into strategic cooperation agreement with Zhengzhou Railway Bureau, pursuant to which the Zhengzhou Railway Bureau will endeavor to secure sufficient coal transportation capacity for us. The agreement allows us to secure stable, efficient and cost effective transport for our products and raw materials.

In particular, we enter into annual agreements with several transportation companies, which set out the fees payable by us as well as other major terms and conditions of the transportation arrangements. Specifically, the transportation companies are responsible for loading and unloading the coal or other products onto and from their trucks, maintaining the quality and quantity of the coal during transportation. They are also responsible for any accidents or other incidents arising in relation to the transport trucks or drivers, or any loss of, or damage to, the coal or other products while being delivered. With respect to road transport, we do not own or operate any vehicle fleets and rely on certain third party transportation companies.

During the Track Record Period, we did not have any incidents involving significant losses or material delays in delivery of coal or our products.

Raw Materials — Coal

Our coal is transported from our suppliers to our production facilities or our designated depot primarily by rail and road transport. For rail transport, the suppliers are generally responsible for delivering the coal to our designated train station. For road transport, we rely on third party transportation companies or the suppliers to transport the coal to our production base. We are generally responsible for the cost of transporting the coal from our suppliers to our production facilities or designated depot, and the costs were booked in our cost of sales as part of our raw material cost.

Finished Goods — Coke, Refined Chemicals and Energy Products

We primarily transport our coke and refined chemicals by rail or road. For contracts that specify delivery destination, we are responsible for the transportation and any accidents or other incidents arising during the transportation, or any loss of, or damage to, the products while being delivered. We transport coal gas to our customers via the gas pipelines owned and operated by us which directly

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connect our facilities with our customers. In December 2016, we acquired a 51% interest in Jinning Energy which operates a gas holder that regulates and balances the pressure within our gas transmission and distribution system to ensure our pipelines can operate within a safe range of pressures. We believe we have a competitive edge in securing coal gas customers in Huling Industrial Chemical Park because the pipelines allows for efficient delivery of coal gas to local industrial users at a low transportation cost.

Our coking by-products, mainly crude benzene and coal tar, are transferred among our group companies for the production of downstream refined chemical products through our own pipelines. During the Track Record Period, we did not have any incidents involving significant losses of our products through transportation or material delays in delivery of our products.

INVENTORY

Our inventory principally comprises raw materials, especially coal, crude benzene and coal tar. We endeavor to maintain our inventory at a reasonable level that is sufficient to sustain our production without interruption. In view of our exposure to market risks associated with fluctuations in raw materials prices, we may increase or decrease our coal purchase in anticipation of the changes in raw materials prices. During the Track Record Period, we did not experience any material shortage of raw materials or any production delays resulting from shortages of raw materials.

The production cycle of our coke is short. We closely monitor the size of orders placed by our customers, typically on a monthly or weekly basis, to plan our production. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, our inventory turnover days calculated by dividing the average inventory by our cost of sales for the relevant year and then multiplied by 365 (for a year) or 120 (for the four-month period) were 31 days, 27 days, 17 days and 12 days, respectively. For details, please see “*Financial Information — Liquidity and Capital Resources — Inventory.*”

We have designated storage areas for our coal prior to use and our coke before they are delivered. Our quality control department inspects inventory quality and we keep daily inventory records and conduct a full inventory count every month. We have generally been able to successfully control our inventory levels within policy limits.

QUALITY CONTROL

We have always focused on and been committed to ensuring the quality of our products. To achieve this objective, we have implemented quality control measures at key stages of our operations from selection of suppliers, supplier management, inspection of raw materials, supervision and control of production processes and finished product testing. Our quality control measures can be described as follows:

Selection and management of suppliers: we select our raw material suppliers based on their production scale, location, track record, economic status, capital, transport capacity, reputation, and evaluate them based on factors including their operating history, the quality and stability of the raw materials supplied by them and our prior experience dealing with them.

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Inspection of raw materials: raw materials are tested for their chemical qualities and specifications when they arrive at our production facilities. We select random samples from each procurement of coal for testing, and if such sampled coal does not meet our standards, we either return the entire procurement (in the case of coal that falls substantially below our standards) or negotiate with the seller for an appropriate reduction in price (in the case of a minor deviation from our standards).

During the Track Record Period, we have not identified substantial defects in the coal supplied by our suppliers, there have been no material delays in delivering our raw materials and we have not suffered any financial loss as a result of defective raw materials.

Production process: throughout all our production processes, inspection and reporting are conducted at systematic intervals to ensure product quality. For example, prior to the carbonization process, to ensure that we minimize wastage in our coke production, we maintain the moisture content to reduce fragmentation of the coal cakes and ensure the strength of the coke by carrying out chemical analysis of selected samples of coals.

Finished products: we have established testing guidelines setting out the testing procedures and requirements for our finished products to ensure their specifications are in compliance with our quality standards before being dispatched to customers with a detailed report of the testing results. These testing guidelines are reviewed and updated from time to time. We believe that our ability to maintain the quality of our products helps to avoid our customers' return of products.

To facilitate close monitoring of our operations and ensure consistency of quality, we hold monthly quality review meetings where, under the overall supervision of our technology center, various departments are required to prepare detailed reports on relevant issues and concerns discovered during their regular quality checks.

We are subject to, among other PRC laws and regulations, the Product Quality Law of the PRC (中華人民共和國產品質量法) and the Regulations on Quality Responsibility for Industrial Products (工業產品質量責任條例). Under the Product Quality Law, industrial products are required to conform to existing national and industry standards for ensuring the safety and physical well being of humans as well as product safety. Failure to comply with such standards may result in the revocation of the business licenses of the manufacturer and seller of the non-conforming products, the issuance of government orders to cease production, the confiscation of such products, the levy of penalties up to a maximum amount equal to three times the value of such products, and the confiscation of proceeds generated from the sale of such products. Since our establishment, we have not been subject to any material contractual claims for defective products. We have also been in compliance with all applicable laws and regulations regarding product quality in all material respects.

We have received an ISO9001:2015 certificate in respect of our quality management system for our production of coke, coal tar, crude benzene and ammonium sulfate (excluding chemical reagents). The certificate is valid from December 29, 2016 to December 28, 2019. We have also received an ISO9001:2008 certificate in respect of our quality management system for our processing of coal tar. The certificate is valid from February 25, 2016 to September 15, 2018. The ISO certification process

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involves subjecting our production processes and quality management systems to annual reviews and observations for various periods. We believe this certification process provides an independent verification to our customers regarding the quality control measures employed in our production processes.

LAND AND BUILDINGS

As of April 30, 2017, no single property interest that formed part of our non-property activities (as defined in Rule 5.01 of the Listing Rules) had a carrying amount of 15% or more of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. As such, according to section 6(2) of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires us to submit a valuation report for all of our interests in lands and buildings.

Owned Properties in the PRC

As of the Latest Practicable Date, we owned, held or occupied 14 parcels of land with an aggregate site area of approximately 907,586.4 square meters, 63 buildings or units with an aggregate gross floor area of approximately 51,045.5 square meters in the PRC.

Land

Our production base is situated in Jiyuan, Henan province in the PRC. We own the production facilities in Jiyuan and hold valid land use rights for these facilities. As of the Latest Practicable Date, we obtained real estate ownership certificates for 14 parcels of land with an aggregate site area of approximately 907,586.4 square meters in the PRC. These parcels of land are primarily for facilities, production or office use. Our PRC Legal Advisors, EY Chen & Co. Law Firm, have confirmed that the use of our land does not contravene the use specified in the real estate ownership certificates.

Buildings

As of the Latest Practicable Date, we obtained ownership certificates and real estate ownership certificates for 63 buildings or units with an aggregate gross floor area of approximately 51,045.5 square meters in the PRC. These buildings are primarily located in Jiyuan at our site and primarily for facilities, production or office use. Our PRC Legal Advisors, EY Chen & Co. Law Firm, have confirmed that our use of buildings and structures does not contravene the use specified in the real estate ownership certificates with respect to our buildings and structures.

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Leased Properties

As of the Latest Practicable Date, we leased one property, with an aggregate gross floor area of approximately 300.0 square meters in the PRC. This leased property is primarily used as offices. Our PRC Legal Advisors, EY Chen & Co. Law Firm, have confirmed that the real estate ownership certificate of the aforementioned leased property has been obtained, our lease agreement with the lessee was duly signed and properly filed with relevant government authorities, and our leasing of the aforementioned property complies with the requirements of the relevant PRC laws and regulations and is legal and valid.

Construction In Progress

As of the Latest Practicable Date, we had two construction projects in progress with the real estate ownership certificates, construction work planning permits and construction work commencement permits.

COMPETITION

According to Frost & Sullivan, as of the end of 2016, there were approximately 600 coking enterprises in China, with only approximately 50 enterprises' coke production volume exceeding 2.0 million tons in 2016 and around 30 of them were independent coking enterprises. In Henan province, only three independent coking enterprises produced more than 2.0 million tons of coke in 2016. The coke production market in China is highly fragmented, with top 10 players accounting for approximately 14.4% of market share as of the end of 2016.

There are two main types of coking enterprises in China, namely: (i) coking enterprises which are affiliated with iron and steel producers; and (ii) independent coking enterprises which are not affiliated with iron and steel producers. Coking enterprises that primarily operate to fulfill their own internal demand for coke do not compete with us directly. It is the independent coking enterprises that we compete against in the coking industry. According to Frost & Sullivan, as of the end of 2016, there were approximately 550 and 20 independent coking enterprises in China and Henan province, respectively, and we were the second and third largest independent coking enterprise in terms of sales revenue and production volume of coke, respectively, in Henan province in 2016. We believe that our main competitors include Shou Shan Coking, Tangshan Zhongrun and Linhuan Coking. They are the main independent coking enterprises located in Henan, Hebei and Anhui provinces, within a radius of approximately 300 to 400 kilometers from our production base and an annual production capacity of coke of at least 2.0 million tons.

There are a large number of small-scale coke and coking chemical manufacturers in Henan province but we believe that we face limited competition from them, as they are generally unable to produce the volume our customers require and do not have our reputation as to product quality and stability of supply. We are the third largest independent coking enterprise in Henan province and the 15th largest independent coking enterprise in China, in terms of our production volume of coke, the second largest and the third largest producer of crude benzene and coal tar, respectively, and the second largest producer of coal gas in terms of production volume among independent coking enterprises in Henan province in 2016, according to Frost & Sullivan. According to Frost & Sullivan,

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we were one of the three independent coking enterprises in Henan province that had a production volume of over 2.0 million tons of coke in 2016 and our market share of the Henan coke market by independent coking enterprises in 2016 was 7.9% (calculated by dividing our coke production volume in 2016 by the total coke production volume of independent coking enterprises in Henan province during 2016).

The refined chemicals that we produce can also be made from crude oil. Accordingly, we face competitions from two categories of producers, namely, (i) petrochemical companies which derive their refined chemicals from crude oil and natural gas; and (ii) coke producers which are able to recover and re-utilize their coking by-products in their production of coking by-products and refined chemicals. Currently, a significant portion of the refined chemicals available in the market is made from crude oil and natural gas. Coking refined chemicals are often taken as cost-competitive substitutes for petroleum-based refined chemicals given the availability of rich coal resources at relatively lower price. We believe that our key advantage over these manufacturers is our ability to produce refined chemicals at lower cost.

According to Frost & Sullivan, in Henan province, there were only around 10 out of 30 coking enterprises also producing refined chemicals as of the end of 2016. We believe that we have advantages over these competitors as the scale of our operations enables us to achieve economies of scale and we have an extended product value chain from our coking by-products. In terms of our coal gas, we are strategically located within Huling Industrial Chemical Park in Jiyuan and are able to sell and supply coal gas to local industrial users via interconnecting pipelines. We believe that our proximity to our coal gas customers enables us to compete qualitatively with our competitors.

Our products compete on product quality and characteristics, stability of supply, production volume, pricing and timeliness of delivery. We are of the view that our competitive advantages and strengths, in particular, our product quality, production costs control, scale of production, stability of supply, strategic location and reliable customer relationships and transportation arrangements, allow us to compete effectively. For details, please see “— *Our Competitive Strengths.*” As part of our strategies, we plan to expand our business to capitalize on opportunities in the LNG market in China. This expansion may result in us competing against new competitors, which in Jiyuan includes mainly city gas companies and coking companies that produce LNG from coal gas. In addition, we also face three major barriers in relation to our entry of the LNG market in Henan province, including certification and qualification, safe operation experience and gas supply capability. For details, please see “*Industry Overview — China Coal Gas Market Analysis — Entry Barriers of the LNG Market in Henan Province.*”

RESEARCH AND DEVELOPMENT

Our research and development program primarily focuses on equipment and production process upgrade, as well as the environmental protection compliance. We did not incur any significant amounts on research and development activities during the Track Record Period. We cooperate with major academic institutions to enhance research and development capabilities. Key areas of research during the Track Record Period include environmental protection practices such as the desulfurization and denitrification of smoke and the treatment of water, and the enhancement of the quality of coke.

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LICENSES, PERMITS AND APPROVALS

Coke production and processing of coking by-products are regulated in the PRC and we are required to obtain requisite permits, licenses and approvals from the relevant government authorities. For more information regarding the PRC laws and regulations that we are subject to, please see “*Regulatory Overview*.”

As advised by our PRC Legal Advisors, EY Chen & Co. Law Firm, the following table sets forth the details of our material licenses and permits as of the Latest Practicable Date:

Permit / License	Permit / License Holder	Issue Date	Expiry Date
Work Safety License (安全生產許可證)	Company	February 15, 2015	February 14, 2018
	Jinyuan Chemicals	August 8, 2016	August 7, 2019
	Bohigh Chemical	November 10, 2015	November 9, 2018
Registration Certificate for Hazardous Chemicals (危險化學品登記證)	Company	October 16, 2015	October 15, 2018
	Jinyuan Chemicals	September 12, 2016	September 11, 2019
	Bohigh Chemical	November 7, 2016	November 6, 2019
National Permit for Industrial Production (全國工業產品生產許可證)	Company	December 6, 2016	February 2, 2021
	Jinyuan Chemicals	January 17, 2014	January 16, 2019
	Bohigh Chemical	December 20, 2016	December 19, 2021
Waste Discharge Permit (排污許可證)	Company	December 29, 2016	December 28, 2019
	Jinyuan Chemicals	April 12, 2016	April 11, 2019
	Bohigh Chemical	December 1, 2016	November 30, 2019
Gas Operation Permit (燃氣經營許可證)	Jinning Energy	July 12, 2016	July 11, 2021
Hazardous Chemicals Business Permit (危險化學品經營許可證)	Jinrui Gas	November 14, 2016	November 13, 2019
Certificate for the Production of Non-Pharmaceutical Precursor Chemicals (非藥品類易製毒化學品生產備案證明)	Jinyuan Chemicals	February 24, 2017	February 23, 2020
Power Operation Permit (中華人民共和國電力業務許可證)	Company	November 30, 2016	July 25, 2027
Water Abstraction Permit (中華人民共和國取水許可證)	Company	October 11, 2016	October 10, 2021

As advised by our PRC Legal Advisors, EY Chen & Co. Law Firm, as of the Latest Practicable Date, save as disclosed under “— *Regulatory Compliance*,” we have obtained all requisite licenses, permits and approvals that are material for our business operations in the PRC. All of these licenses and permits remain in full effect, and no circumstances exist that would render the revocation or cancellation of our licenses and permits or have legal impediment to our business operations. Also, there is no legal impediment to renew any material licenses and permits for our business operations in the PRC, as long as we comply with relevant legal requirements and take all necessary steps and submit relevant applications in accordance with the requirements prescribed by the applicable PRC laws and regulation.





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AWARDS AND RECOGNITIONS

During the Track Record Period, we received numerous awards, recognition and honors for our outstanding business performance, including the following:

Award/Ranking	Year	Event/Organization/Media
Advanced Unit of Jiyuan City's 6th Five-Year Plan in the Promotion of Governance in accordance with the Law (濟源市六五普法依法治理先進單位)	2017	Leading Team of "Rule of Law" Practice in Jiyuan City
Henan Top 100 Private Enterprises (河南民營企業綜合100強)	2016, 2015, 2014	Henan Federation of Industry and Commerce
Henan Top 100 Tax-Paying Private Enterprises (河南民營企業納稅100強)	2016	Henan Federation of Industry and Commerce
Henan Top 100 Private Enterprises in the Manufacturing Industry (河南民營企業製造業100強)	2016, 2015	Henan Federation of Industry and Commerce
National Top 500 Private Manufacturing Enterprises (中國民營企業製造業500強)	2015	All-China Federation of Industry and Commerce
Advanced Unit of the Coking Industry (焦化行業統計先進單位)	2015, 2014	China Coking Industry Association
Advanced Industrial Enterprise (先進工業企業)	2015, 2014	CPC Jiyuan Municipal Committee; Jiyuan Municipal People's Government
Advanced Unit of the Key Construction Projects in the City (全市重點項目建設先進單位)	2014	CPC Jiyuan Municipal Committee; Jiyuan Municipal People's Government
National Environmental and Greenery Exemplary Units (全國綠化模範單位)	2013	National Greenery Committee
National Ecological and Cultural Exemplary Enterprises (The First Batch) (全國生態文化示範企業(第一批))	2010	China Eco-Culture Association
Certificate of Scientific and Technological Achievement — Development and Application of Coking Furnate with Height of 5.5 Meters (科學技術成果證書 — 5.5米寬體搗固焦爐的開發與應用)	2009	Henan Science and Technology Department

INTELLECTUAL PROPERTY

We have operated under the **金马焦化** and  trademarks in the PRC. We are the registered owner for these trademarks in the PRC under classes 1 and 4. We have also applied for registration of the trademark  under classes 1 and 4 in the PRC and are the registered owner for the trademarks  and  under classes 1, 4 and 19 in Hong Kong. For more information about our intellectual property rights, please see "Appendix VI — Statutory and General Information — B. Further Information about Our Business — 2. Our intellectual property rights."

REGULATORY COMPLIANCE

All of our business operations are in the PRC. As advised by our PRC Legal Advisors, as of the Latest Practicable Date and except as disclosed below, we are in compliance with related laws and regulations in all material respects, and have obtained all necessary licenses, permits and certificates in respect of our business in the PRC.

The following table sets forth details of our historical non-compliance incidents during the Track Record Period:

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation
<p>1. Discharge of pollutants beyond the specified emission standards</p> <p>During the Track Record Period, our Company had a total of five incidents (i.e. Incidents A to E) of discharge of pollutants beyond the specified emission standards under the Emission Standards of Pollutants for Coking Chemical Industry (煉焦化學工業污染物排放標準, the “Emission Standards”) which were implemented in October 2012, and the Emission Standards adopted progressive criteria to control discharge of pollutants and impose even more stringent and tightening emission controls since January 2015:</p> <p>(i) our Company had discharge of sulfur dioxide (二氧化硫) from certain of our coking furnaces beyond the specified emission standards in 2014; and</p> <p>(ii) after the implementation of the more stringent emission standards in January 2015, our Company had discharge of sulfur dioxide, particulates (煙塵) and nitrogen oxides (氮氧化物) from our coking furnaces beyond the specified emission standards and also one incident of concentration level of phenol (酚) and cyanide (氰化物) in the sewage discharged from our coking furnaces beyond the specified level in 2015 and 2016,</p>	<p>To prevent discharge of sulfur dioxide, soot and nitrogen oxides beyond the specified emission standard, our Company has installed desulfurization and denitrification systems for all of its coking furnaces and have received the relevant completion inspection approvals from Jiyuan Municipal Environmental Protection Bureau in October 2016 and December 2016.</p> <p>To maintain the concentration level of phenol and cyanide in the sewage discharged from our coking furnaces within the specified level, our Company has also installed phenol and cyanide sewage processing system for all of its coking furnaces and has received the relevant completion inspection approval from Jiyuan Municipal Environmental Protection Bureau in June 2016.</p> <p>In February 2017, our Company received a confirmation letter from Jiyuan Municipal Environmental Protection Bureau (濟源市環境保護局), the competent local authorities as advised by our PRC Legal Advisors, confirming that the fines have been settled in full and the non-compliance has been rectified and the non-compliance did not constitute a material breach of the relevant legal requirements.</p>	<p>In addition to our installation of desulfurization and denitrification systems and phenol and cyanide sewage processing system, we have designated our legal department to monitor, and timely inform the staff in our technology center of, any change in the applicable legal requirements on emission controls on a periodic basis.</p> <p>We have taken steps to seek to engage an external environmental consultant to conduct periodic review of our emission control measures and provide advice and recommendations to enhance our emission control measures on a continuous basis.</p> <p>We have designated the heads of our seven executive divisions (which are responsible for production, safety, human resources, finance functions etc.) to form a compliance committee which is responsible for formulating internal guideline and monitoring procedures for regulatory compliance in our operations and oversee our compliance with the applicable legal requirements (including those relating to emission controls). Each of the heads of these executive divisions will be responsible for implementing these procedures. The compliance committee is chaired by Mr. Li Zhongge, our head of enterprise management division, and is required to report to Mr. Li Tianxi, our executive Director, from time to time. Please see “<i>Directors, Supervisors and Senior Management</i>” for the qualifications and experience of Mr. Li Tianxi and Mr. Li Zhongge.</p>	

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Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation
<p>because when the Emission Standards were implemented in October 2012 and imposed more stringent and tightening criteria since January 2015, we did not possess the adequate desulfurization and denitrification and sewage processing technology to optimize the discharge to such level which could comply with the relevant Emission Standards.</p> <p>Set forth below is a table showing the material emission standards of pollutants specified under the Emission Standards applicable to our Company and the level of emission of our Company involved in the above non-compliance incidents.</p> <p>As advised by our PRC Legal Advisors, the above Emission Standards are not applicable to Bohigh Chemical, Jinyuan Chemicals and Jinrui Energy. During Track Record Period, Bohigh Chemical and Jinyuan Chemicals had no non-compliance with the relevant emission standards applicable to them and each of them had complied with state and local environmental protection laws and regulations. Jinning Energy and Shanghai Jinma did not discharge pollutants during the Track Record Period. Jinrui Energy and Jinrui Gas had yet to commence operation during the Track Record Period.</p>	<p>Our Directors are of the view that these non-compliance incidents will not have a material operational or financial impact on us for the following reasons: (i) the fines have been settled in full and the non-compliance has been rectified, (ii) the confirmation letter obtained from the relevant competent authorities described above, (iii) the advice from our PRC Legal Advisors that our Company will not be subject to any further administrative fine, and are unlikely to be subject to any other administrative penalties, in respect of the aforementioned non-compliance incidents and these incidents did not constitute material breach of the relevant legal requirements.</p> <p>We did not make any provisions during the Track Record Period in respect of these incidents accordingly.</p> <p>Our Existing Shareholders have severally agreed to indemnify us against all claims, costs, expenses, fines, penalties, liabilities and losses as may be suffered by us as a result of or in connection with these non-compliance incidents.</p>	<p>We will also seek assistance from external legal advisers as and when necessary to ensure our compliance with the applicable legal requirements.</p> <p>We have adopted such measures by March 2017.</p>	

Except for the Incidents A to E set out in the table below, based on the confirmations obtained from the relevant competent authorities, we were not subject to any other administrative fines or penalty in respect of compliance with the applicable environmental protection laws and regulations in the PRC during the Track Record Period.

(1) Water Pollutants

No.	Pollutant	Applicable Emission Standards (from October 1, 2012 to December 31, 2014)		Applicable Emission Standards (since January 1, 2015)		Level of emission in the above non-compliance incidents
		Direct Emission	Indirect Emission	Direct Emission	Indirect Emission	
		mg/L				
1.	Chemical oxygen demand (COD _{cr}) (化學需氧量)	100	150	80	150	Not applicable
2.	Ammonia Nitrogen	15	25	10	25	Not applicable
3.	Petroleum Chemicals	5.0	5.0	2.5	2.5	Not applicable
4.	Volatile Phenol	0.50	0.50	0.30	0.30	Incident D in 2015: Beyond Emission Standard
5.	Cyanide	0.20	0.20	0.20	0.20	Incident D in 2015: Beyond Emission Standard

(2) Air Pollutants

No.	Pollutant	Process	Applicable Emission Standard	Applicable Emission Standard	Level of emission in the above non-compliance incidents
			(from October 1, 2012 to December 31, 2014) mg/m ³ (except for Benzpyrene)	(since January 1, 2015) mg/m ³ (except for Benzpyrene)	
1.	Sulfur dioxide	Coaling	150	100	Not applicable
		Pushing	100	50	Not applicable
		Coke oven chimney (Mechanical coke oven)	100	50	(i) Incident A in 2014: beyond Emission Standard for one day (ii) Incident B in 2014: 0.03-0.96 times beyond Emission Standard for around one day (iii) Incident C in 2015: 50.47-307.81 mg/m ³ (iv) Incident D in 2015: not more than 1.94 times beyond Emission Standard
2.	Nitrogen oxides	Coke dry quenching	150	100	(v) Incident E in 2016: 54.2-155.13 mg/m ³ for around two days Not applicable
		Coke oven chimney (Mechanical coke oven)	800	500	(i) Incident C in 2015: 500.22-689.35 mg/m ³ (ii) Incident D in 2015: not more than 1.63 times beyond Emission Standard
					(iii) Incident E in 2016: 502.92-566.09 mg/m ³ for less than one day Not applicable
3.	Particulates	Coaling	100	50	Not applicable
		Pushing	100	50	Not applicable
		Coke oven chimney	50	30	(i) Incident C in 2015: 33.07-48.54 mg/m ³ (ii) Incident E in 2016: 31.39-38.6 mg/m ³ for less than two days Not applicable
4.	Benzpyrene	Coke dry quenching	100	50	Not applicable
		Coaling	0.3 µg/ m ³	0.3 µg/ m ³	Not applicable
5.	Ammonia	Cold blast, coke tar storage track	60	30	Not applicable
		Desulfurize regenerator	60	30	Not applicable

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation
<p>2. <i>Failure to timely obtain certain permits and complete certain filings for certain of our buildings and structures</i></p> <p>We did not timely (i) obtain construction work planning permit (建設工程規劃許可證) and permit (建築工程施工許可證) and (ii) complete filings for completion of construction works for certain of our buildings and structures during the Track Record Period because our relevant staff did not fully appreciate the relevant legal requirements in connection with obtaining and completing these construction related permits and filings.</p>	<p>As advised by our PRC Legal Advisors, the potential maximum penalties in respect of the failure to timely obtain construction work planning permit are, in the case where the non-compliance is capable of being remedied, that the relevant authorities may order (i) rectification within a specified period and (ii) a fine of not less than 5% but not more than 10% of the contract sum of the relevant construction work.</p> <p>As advised by our PRC Legal Advisors, the potential maximum penalties in respect of the failure to timely obtain construction work commencement permit are that the relevant authorities may order (i) cessation of construction works or rectification within a specified period and (ii) a fine of not less than 1% but not more than 2% of the contract sum of the relevant construction work.</p> <p>As advised by our PRC Legal Advisors, the potential maximum penalties in respect of the failure to take an inspection of acceptance or complete filings for completion of construction works are that the relevant authorities may, depending on the circumstances, order (i) a fine between 2% and 4% of the contract price for the construction project where the constructed project is delivered for use without conducting an inspection of acceptance; and we would be liable to compensate for any loss resulting therefrom; (ii) to carry out a rectification and to pay a fine between RMB200,000 and RMB500,000 where we fail to complete the filings for a construction within 15 days from the date on which the construction project passes the inspection for acceptance.</p> <p>As of the Latest Practicable Date, we had not received any notification from the relevant competent local authorities imposing any fine, penalty or administrative sanction on us for these non-compliance incidents.</p>	<p>Among such buildings and structures, we have ceased to use and plan to demolish a godown in Jiyuan City. We obtained all other relevant construction work planning permits and construction work commencement permits and completed all other relevant filings as requested by the relevant authorities for completion of construction works by March 2017.</p> <p>In February 2017, we received confirmation letters from Jiyuan Municipal Housing and Urban-Rural Development Bureau (濟源市住房和城鄉建設局), the relevant competent authorities as advised by our PRC Legal Advisors, confirming no administrative fine or action was or will be imposed on us in connection with the failure to timely obtain the relevant construction work planning permits and construction work commencement permits and complete the relevant filings for completion of construction works.</p> <p>Our Directors are of the view that these non-compliance incidents will not have a material operational or financial impact on us for the following reasons: (i) we have ceased to use and plan to demolish a godown which we believe is relatively immaterial to our operation and we have obtained all other relevant construction work planning permit and construction work commencement permit and complete all other relevant filings as requested by the relevant authorities for completion of construction works, (ii) the confirmation letters obtained from the relevant competent authorities described above, (iii) the advice from our PRC Legal Advisors that the likelihood of any administrative penalty being imposed on us is relatively low and these incidents did not constitute material breach of the relevant legal requirements.</p> <p>We did not make any provisions during the Track Record Period in respect of these incidents accordingly.</p> <p>Our Existing Shareholders have severally agreed to indemnify us against all claims, costs, expenses, fines penalties, liabilities and losses as may be suffered by us as a result of or in connection with these non-compliance incidents.</p>	<p>We have established internal guideline and monitoring procedures to ensure that we will timely obtain all relevant certificates and permits and complete all relevant filings for our land and construction works. We have designated our legal department to maintain and regularly update a checklist of certificates, permits and filings required and regularly update for construction work and a timetable for completing such formalities.</p> <p>We have designated the heads of our seven executive divisions (which are responsible for production, safety, human resources, finance functions etc.) to form a compliance committee which is responsible for formulating internal guideline and monitoring procedures for regulatory compliance in our operations and oversee our compliance with the applicable legal requirements (including those relating to construction work). Each of the heads of these executive divisions will be responsible for implementing these procedures. The compliance committee is chaired by Mr. Li Zhongge, our head of enterprise management division, and is required to report to Mr. Li Tianxi, our executive Director from time to time. Please see “Directors, Supervisors and Senior Management” for the qualifications and experience of Mr. Li Tianxi and Mr. Li Zhongge.</p> <p>We will require all relevant employees to attend enhanced internal training on the relevant subjects including the legal requirements on timely obtaining all relevant certificates and permits and completing all relevant filings for our construction works on a periodic basis.</p> <p>We will also seek assistance from external legal advisers as and when necessary to ensure our compliance with the applicable legal requirements.</p> <p>We have adopted such measures by March 2017.</p>

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation
<p>3. <i>production or sale of certain products beyond the permitted scope or limit</i></p> <p>(a) <i>production of certain products beyond the permitted limit</i></p> <p>During the Track Record Period, our actual production volume of certain products including but not limited to coal gas (煤氣), coal tar (煤焦油), benzene (苯) and toluene (甲苯) exceeded the permitted annual production capacity as specified in the relevant work safety license (安全生產許可證) because when our production capacity was enhanced, our relevant staff did not timely apply for an updated permit with higher permitted production capacity commensurate with our production capacity due to inadvertent oversight and failure of our relevant staff to fully appreciate the relevant legal requirements.</p>	<p>As advised by our PRC Legal Advisors, the potential maximum penalties in respect of production output beyond the permitted limit under the relevant safety license are that the relevant authorities (i) may give us a warning and (ii) may impose a fine of not less than RMB10,000 but not more than RMB30,000.</p> <p>As advised by our PRC Legal Advisors, the potential maximum penalties in respect of production output beyond the permitted limit under the relevant non-pharmaceutical precursor chemicals production certificate are that the relevant authorities may (i) give a warning and rectification within a specified period, (ii) impose a fine of not less than RMB10,000 but not more than RMB50,000, (iii) confiscate the relevant products and (iv) suspension of production and business operation for rectification in the case of failure to rectify within a specified period and revoke the relevant permit in the case of failure to rectify up to the specified standard within a specified period.</p>	<p>We obtained new work safety license and non-pharmaceutical precursor chemicals production certificate with permitted production output commensurate with our production capacity of the relevant products and chemicals in February 2017. We have taken steps such as adjusting the mixture of raw materials to lower our production output for coal tar and benzene in order to comply with the annual permitted production capacity in the relevant work safety license for 2017.</p> <p>In February and March 2017, we received confirmation letters from Jiyuan Municipal Production Safety Supervision and Management Bureau (濟源市安全生產監督管理局), the competent local authorities as advised by our PRC Legal Advisors, confirming that the non-compliance has been rectified and no administrative fine or action was or will be imposed on us in connection with these non-compliance incidents.</p>	<p>We have formulated internal control measures to monitor and control our actual production volume of the relevant products through various measures going forward, including (i) preparing detailed plans of our production volume on a quarterly, monthly and yearly basis and (ii) requiring our production department to closely monitor our actual production volume on a regular basis and to report to our compliance committee as and when appropriate to ensure that the actual production volume of the relevant products will not exceed their respective permitted production capacity. If our actual production volume of the relevant products reaches the pre-determined level, we shall impose and apply such requirements or conditions as necessary to ensure that our actual production volume will comply with the applicable legal requirements.</p>

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation
<p>During the Track Record Period, our actual production volume of toluene (甲苯) exceeded the permitted production capacity as specified in the relevant non-pharmaceutical precursor chemicals production certificate (非藥品類易製毒化學品生產備案證) because when our production capacity was enhanced, the relevant staff of our safety department did not timely apply for an updated license with higher permitted production capacity commensurate with our production capacity due to inadvertent oversight and failure of our relevant staff to fully appreciate the relevant legal requirements.</p>	<p>As of the Latest Practicable Date, we had not received any notification from the relevant competent local authorities imposing any fine, penalty or administrative sanction on us for these non-compliance incidents.</p>	<p>Our Directors are of the view that these non-compliance incidents will not have a material operational or financial impact on us for the following reasons: (i) the non-compliance has been rectified, (ii) the confirmation letters obtained from the relevant competent authorities described above, (iii) the advice from our PRC Legal Advisors that the likelihood of any administrative penalty being imposed on us is relatively low and these incidents did not constitute material breach of the relevant legal requirements.</p> <p>We did not make any provisions during the Track Record Period in respect of these incidents accordingly.</p> <p>Our Existing Shareholders have severally agreed to indemnify us against all claims, costs, expenses, fines, penalties, liabilities and losses as may be suffered by us as a result of or in connection with these non-compliance incidents.</p>	<p>We have established internal guideline and monitoring procedures to ensure that we will timely obtain all relevant permits with a limit commensurate with our production capacity. We have designated our legal department to maintain and regularly update a checklist of permits and licenses required for our production and a timetable for completing such formalities.</p> <p>We have also designated our legal department to monitor, and timely inform the staff in our safety department of, any change in the applicable legal requirements relating to our certificates and permits for our production of products on a periodic basis.</p> <p>We have designated the heads of our seven executive divisions (which are responsible for production, safety, human resources, finance functions etc.) to form a compliance committee which is responsible for formulating internal guideline and monitoring procedures for regulatory compliance in our operations and oversee our compliance with the applicable legal requirements (including those relating to our production). Each of the heads of these executive divisions will be responsible for implementing these procedures. The compliance committee is chaired by Mr. Li Zhongge, our head of enterprise management division, and is required to report to Mr. Li Tianxi, our executive Director, from time to time. Please see “<i>Directors, Supervisors and Senior Management</i>” for the qualifications and experience of Mr. Li Tianxi and Mr. Li Zhongge.</p>
			<p>It is our policy to require all relevant employees to attend enhanced internal training on the relevant subjects including the legal requirements on timely obtaining all relevant permits with a limit commensurate with our production capacity on a periodic basis.</p> <p>We will also seek assistance from external legal advisers as and when necessary to ensure our compliance with the applicable legal requirements.</p> <p>We have adopted such measures by March 2017.</p>

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation
<p>(b) Production and sale of certain products beyond the permitted scope</p> <p>During the Track Record Period, we engaged in (i) production of suppressed hydrogen (壓縮氫) and heavy benzene (重質苯) beyond the permitted scope of the relevant hazardous chemical registration certificate and (ii) sale of solid wastes from our production process, namely sulfur ointment (硫膏) and double salt (複鹽) and supply of heat and coal gas power generation beyond our permitted scope of business because our relevant staff did not fully appreciate the relevant legal requirements relating to the permitted scope under hazardous chemical registration certificate and business license.</p> <p>During the Track Record Period, Bohigh Chemical, which only became our subsidiary in October 2016, engaged in production of wash oil (洗油) beyond the permitted scope of the relevant hazardous chemical registration certificate (危險化學品登記證) because wash oil was included in the Hazardous Chemicals Catalogue (危險化學品目錄) only in February 2015 and to the best of knowledge, information and belief of our Directors, the relevant staff of Bohigh Chemical did not timely apply for an updated certificate covering production of wash oil as they did not fully appreciate the relevant legal requirements relating to hazardous chemical registration certificate.</p>	<p>As advised by our PRC Legal Advisors, the potential maximum penalties in respect of production of hazardous chemicals beyond the permitted scope under the relevant hazardous chemical registration certificate are that the relevant authorities may (i) order rectification within a specified period and (ii) impose a fine of not more than RMB50,000. If we refuse to rectify, the relevant authorities may impose a fine of not less than RMB50,000 but not more than RMB100,000 or order suspension of production or business operation for rectification in case of serious breach.</p> <p>As advised by our PRC Legal Advisors, the potential maximum penalties in respect of sale of sulfur ointment and double salt and supply of heat and coal gas power generation beyond the permitted scope of business are that the relevant authorities may (i) order us to register such activities within a specified period and (ii) in the case of failure to register within the specified period, impose a fine of not less than RMB10,000 but not more than RMB100,000.</p>	<p>We obtained (i) the relevant hazardous chemical registration certificates for our production of wash oil, suppressed hydrogen and heavy benzene and (ii) the relevant business license which covers our heat and coal gas power generation in February 2017.</p> <p>We ceased sale of sulfur ointment and double salt since January 2017.</p> <p>After Bohigh Chemical became our subsidiary in October 2016 and we subsequently became aware of the above non-compliance incidents of Bohigh Chemical, Bohigh Chemical took steps to apply for and has obtained the relevant hazardous chemical registration certificate for our production of wash oil.</p> <p>In February 2017, we received confirmation letters from Jiyuan Municipal Production Safety Supervision and Management Bureau (濟源市安全生產監督管理局) and Jiyuan Municipal Quality Technology Supervision Bureau (濟源市質量技術監督局), the competent local authorities as advised by our PRC Legal Advisors, confirming that no administrative fine or action was or will be imposed on us in connection with the non-compliance incidents relating to the production of suppressed hydrogen, heavy benzene and wash oil.</p>	<p>We have established internal guideline and monitoring procedures to ensure that we will timely obtain all relevant permits with a scope commensurate with our product variety. We have designated our legal department to maintain and regularly update a checklist of permits and licenses required for our sale and production and a timetable for completing such formalities.</p> <p>We have designated our legal department to monitor, and timely inform the staff in our relevant department of, any change in the applicable legal requirements relating to our certificates and permits for our sale and production on a periodic basis.</p> <p>We have also designated the heads of our seven executive divisions (which are responsible for production, safety, human resources, finance functions etc.) to form a compliance committee which is responsible for formulating internal guideline and monitoring procedures for regulatory compliance in our operations and oversee our compliance with the applicable legal requirements (including those relating to our production processing). Each of the heads of these executive divisions will be responsible for implementing these procedures. The compliance committee is chaired by Mr. Li Zhongge, our head of enterprise management division, and is required to report to Mr. Li Tianxi, our executive Directors, from time to time. Please see "Directors, Supervisors and Senior Management" for the qualifications and experience of Mr. Li Tianxi and Mr. Li Zhongge.</p> <p>It is our policy to require all relevant employees to attend enhanced internal training on the relevant subjects including the legal requirements on timely obtaining all relevant permits with a scope commensurate with our product variety on a periodic basis.</p> <p>We will also seek assistance from external legal advisers as and when necessary to ensure our compliance with the applicable legal requirements.</p> <p>We have adopted such measures by March 2017.</p>

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Internal control measures and timing of implementation
	<p>As of the Latest Practicable Date, we had not received any notification from the relevant competent local authorities imposing any fine, penalty or administrative sanction on us for these non-compliance incidents.</p>	<p>Our Directors are of the view that these non-compliance incidents will not have a material operational or financial impact on us for the following reasons: (i) the non-compliance has been rectified, (ii) the confirmation letters obtained from the relevant competent authorities described above, (iii) the advice from our PRC Legal Advisors that (a) the likelihood of any administrative penalty being imposed on us is relatively low, (b) these incidents did not constitute material breach of the relevant legal requirements and (c) we have obtained the new hazardous chemical registration certificates covering our production of wash oil, suppressed hydrogen and heavy benzene.</p> <p>We did not make any provisions during the Track Record Period in respect of these incidents accordingly.</p> <p>Our Existing Shareholders have severally agreed to indemnify us against all claims, costs, expenses, fines, penalties, liabilities and losses as may be suffered by us as a result of or in connection with these non-compliance incidents.</p>

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INTERNAL CONTROL

In preparation for the Listing, we engaged an independent internal control reviewer (the “**Internal Control Reviewer**”) to perform an assessment on the effectiveness of our internal controls associated with our historical non-compliance incidents, to identify deficiencies in our internal control system and to make recommendations on enhanced internal control measures to prevent future violations and ensure on-going compliance with applicable laws and regulations. The work scope of our Internal Control Reviewer, which did not involve an assurance engagement in relation to our internal control, covers reviewing and assessing various aspects of our operations, including financial reporting and disclosure controls, sales and revenue management, procurement and expense management, inventory management, production management, human resources and remunerations management, construction works management, asset management, cash management, general control on information system, taxation, insurance and research and development management.

In addition to the historical non-compliances and internal control measures we had adopted as disclosed in “— *Regulatory Compliance*” above, during the reviews of our independent Internal Control Reviewer, certain other matters were identified and we have adopted corresponding internal control measures to improve on these matters.

We have adopted substantially all of the recommendations made by our Internal Control Reviewer (save for certain recommendations (a) which will customarily be adopted prior to the Listing including appointment of independent non-executive directors and setting up board committees, and (b) which are not related to any material deficiency of our internal control system, for instance, relating to upgrading of computer system and measures on classification of intellectual property which are expected to be implemented shortly prior to the Listing) and have improved our internal control system to comply with the Listing Rules and the applicable laws and regulations. During the first round of review in February 2017 and the follow-up reviews in March and May 2017, our Internal Control Reviewer did not identify any material finding or deficiency of our internal control system save for those in relation to our historical non-compliance incidents as disclosed in “— *Regulatory Compliance*” above. Our Internal Control Reviewer also confirmed that save as disclosed in this paragraph, all matters previously identified had been rectified.

Having considered the nature and reasons for the historical non-compliance incidents disclosed in “— *Regulatory Compliance*” above, the advice from our PRC Legal Advisors, the rectification actions taken, the internal control measures adopted by us, and the view of our Internal Control Reviewer, our Directors are of the view, and the Sole Sponsor concurs, that (i) our enhanced internal control measures are adequate and effective having regard to the obligations of our Company and our Directors under the Listing Rules and other relevant legal and regulatory requirements; and (ii) the historical non-compliance incidents disclosed above would not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules on the following grounds:

- (i) the historical non-compliance incidents disclosed above were due to failure of our relevant staff to fully appreciate the relevant legal requirements or inadvertent oversight of our relevant staff;

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- (ii) the occurrence of the historical non-compliance incidents disclosed above was not due to the dishonesty or fraudulence of our Directors nor did any of these incidents raise any concern on the integrity of our Directors;
- (iii) none of the historical non-compliance incidents disclosed above has any material impact on the results of our business operations or financial position;
- (iv) our Directors acted upon the advice and internal control measures recommended by our Internal Control Reviewer and we adopted substantially all of the recommendations made by our Internal Control Reviewer;
- (v) our Internal Control Reviewer has performed follow-up reviews and confirmed that, save as disclosed in the paragraph immediately preceding this paragraph, all matters previously identified had been rectified; and
- (vi) since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that we had not had any material breach of applicable laws and regulations.

ENVIRONMENTAL PROTECTION

Our operations are subject to PRC environmental protection laws and regulations relating to the hazardous substances, air and water emissions, water and ground protection and waste management. The PRC government has increasingly tightened control of coke capacity and made stringent environmental regulations to eliminate coking enterprises with outdated technology, environmental protection measures or production facilities and to require production facilities to be equipped with more environmental advanced systems. For more details, please see “*Regulatory Overview — General.*” Our PRC Legal Advisors, EY Chen & Co. Law Firm, have advised that save for certain incidents as disclosed under “— *Regulatory Compliance,*” we were in compliance with relevant environmental protection laws and regulations in the PRC in all material aspects, not subject to any fines involving material non-compliance with any such relevant regulations, and did not experience any material environmental pollution accident during the Track Record Period. We have an environmental team responsible for ensuring that all of our operations are in compliance with applicable environmental protection laws and regulations. As of the April 30, 2017, this team comprised approximately 100 employees under the supervision of Mr. Li Tianxi, our executive Director.

Our production processes generate solid waste, liquid waste, waste water, gas and other industrial waste at various stages of the manufacturing process. We have taken steps to ensure that industrial wastes and by-products generated as a result of our operations are either recovered and re-utilized or properly disposed of in order to alleviate the impact of our operations on the environment. According to Frost & Sullivan, our particulate matter, sulfur dioxide and oxides of nitrogen emissions were one of the lowest among our industry peers in Henan province and was far below national standard in 2015.

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We were one of the first batch of enterprises in the PRC and the first enterprise from Henan province to meet the standards of the Entry Conditions promulgated by the National Development and Reform Commission in September 2005. We were later awarded “Green Enterprise of Henan” by Environmental Protection Department of Henan province and Industry and Information Technology Department of Henan province in 2011, and were selected as one of the first batch of 10 national ecological and cultural demonstration enterprises by the State Forestry Administration Ecological Association in 2010. In 2013, we were awarded National Environmental and Greenery Exemplary Units (全國綠化模範單位) by the National Greenery Committee. Furthermore, PRC laws and regulations require us to conduct an environmental impact assessment for each of our production projects and submit an environmental impact assessment report to the competent authority for approval before commencement of the construction of such production project.

We have focused on implementing prevention and control measures in our processes. We have installed a number of equipment in our facilities, including gas detection alarm system, waste water monitoring devices, secured storage for waste products and desulfurization and denitration equipment for waste and gas, to prevent, reduce or treat the waste generated from our production process. In addition, we have the following systems in place to address fundamental environmental management requirements: (i) an environmental protection inspection system; (ii) periodic checks of safety and environmental protection; and (iii) management controls for handling, storage and use of hazardous materials. We undertake routine and periodic inspections of our production facilities to ensure compliance with all applicable environmental requirements.

We have adopted a number of environmentally responsible practices in our operations in an attempt to reduce the risk of environmental pollution. For example, we continue to implement strict resource recovery and re-utilization of coking by-products derived from the coke production process. We have installed purification and recovery equipment that allows us to capture and maximize recovery of the coking by-products produced during the coking process, namely crude benzene, coal tar and crude oven gas. We then process the crude benzene and coal tar into our vertically integrated series of refined chemicals. The coal gas derived from our coking process is used to heat our coking furnaces, sold to customers or used to generate steam and electricity for our internal use. We will continue to explore opportunities to further resource optimization and efficiency. We have also deployed the more advanced method of coke dry quenching in our coking process, which allows for the recovery of heat in the quenching gas that is then used for the production of electricity or sold externally. We have received an ISO14001:2015 certificate in respect of our environmental management system for our production of coke and certain coking by-products. The certificate is valid from December 29, 2016 to December 28, 2019.

Our environmental protection expenditures have been primarily associated with installation of environmental protection facilities in our manufacturing site to comply with environmental protection laws and regulations and to upgrade our environmental protection systems. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, we incurred approximately RMB2.1 million, RMB5.8 million, RMB25.2 million and RMB6.6 million, respectively, of capital expenditure in relation to our investment in environmental protection facilities.

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If our facilities are found to have engaged in activities that severely polluted or endangered the environment, the relevant authorities may impose penalties on us, as well as require us to restore the environment or remedy the effects of the pollution. Any failure to so restore or remedy within the prescribed time may result in our facilities being ordered to suspend operations or close down.

OCCUPATIONAL HEALTH AND SAFETY

With respect to matters relating to occupational health and safety, we are subject to, among other PRC laws and regulations, the PRC Production Safety Law, the PRC Labor Law and the PRC Law on the Prevention and Treatment of Occupational Diseases.

We have taken measures to ensure compliance with applicable laws and regulations concerning workplace safety. We have implemented various measures at our production facilities to promote occupational safety and to ensure compliance with applicable laws and regulations, including the following:

- We conduct periodic inspections of our production facilities to ensure that all aspects of our operations are in compliance with existing laws and regulations and that our employees comply with our safety manual. Any abnormality noted during the periodic safety checks will be reflected in our safety records and follow-up remedial actions will be taken by the responsible departments and officers accordingly. Similarly, the relevant government authorities occasionally conduct safety inspection checks to ensure our operations comply with the workplace safety laws and regulations and would notify us if any of our operations is not in full compliance with the relevant workplace safety laws and regulations.
- Our safety supervision personnel conduct regular training sessions for employees on accident prevention and management. Our employees undergo training upon commencement of their employment with us and this training is performed regularly. Our employees are required to operate production equipment correctly to avoid injuries, to wear protective equipment such as goggles and helmets when operating production equipment, to carefully treat or dispose of dangerous items and wastage and are also trained to avoid and respond efficiently and effectively to hazards such as explosions, fire or hazardous chemicals. Our safety officers are also required to undergo safety officer qualification training organized by the Safety Supervision Bureau.
- Each of our companies involved in the production of hazardous chemicals have obtained the work safety license (安全生產許可證), the registration certificate for hazardous chemicals (危險化學品登記證) and the national permit for industrial production (全國工業產品生產許可證) with the relevant PRC authorities.
- In respect of safety production regulation, as of the Latest Practicable Date, each of our companies has obtained all the requisite safety licenses at each of their respective stages of project development pursuant to the Measures for Implementation of Safety Licensing for Hazardous Chemical Construction Projects (危險化學品建設項目安全許可實施辦法) (the “**Safety Licensing**”). The Safety Licensing for project construction refers to the safety inspection of each hazardous chemical construction project prior to its commencement

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(including examination and approval, ratification and requisite filings with the relevant PRC governmental authorities), reviewing of the safety installation design of each project and conducting checks and issuing acceptance letter upon the completion of safety installation of each project.

- We were accredited with the QB/T28001-2011/OHSAS18001:2007 certificate in respect of our occupational health and safety management system for our production of coke and certain coking by-products. The certificate is valid from December 29, 2016 to December 28, 2019.

Our PRC Legal Advisors, EY Chen & Co. Law Firm, have confirmed that, save for certain incidents as disclosed under “— *Regulatory Compliance*,” we have satisfied in all material respects the requirements established by relevant laws and regulations and have obtained the licenses necessary to perform work in our production bases during the Track Record Period.

Our occupational health and safety expenditures have been primarily associated with implementation of safety inspections in our production bases to comply with the PRC laws and regulations, holding staff training sessions and registrations of relevant permits. For each of the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, our occupational health and safety expenditures were approximately RMB5.8 million, RMB2.9 million, RMB4.7 million and RMB3.4 million, respectively.

INSURANCE

We maintain insurance for certain properties, machinery and equipment and other assets owned, operated or deemed important for us. The scope of coverage includes losses arising from damage to our equipment, production facilities and properties due to fire, earthquakes and other natural calamities as well as product defects. We also maintain vehicle accident liability insurance. We have not purchased any third party liability insurance coverage for claims relating to personal injury, assets or environmental damage arising from our operations, nor have we purchased any insurance for interruptions of our business or environmental liability, which, in our opinion, is consistent with customary practices. We have not made any material claims under our insurance policies and have not experienced any material business interruptions during the Track Record Period.

During the Track Record Period, we have not experienced any major operational problems, such as equipment failure, improper equipment operation and industrial accidents, nor any business interruptions as a result of fire, power shortages, or other events beyond our control. We renew insurance policies annually as required by the PRC law. In accordance with industry practices in China, our own experience in operating our business, and the recommendations of insurance companies, we believe that we have purchased sufficient insurance coverage. However, please see “*Risk Factors — Risks Relating to Our Business — Our business operations are subject to significant operational and safety risks and other unforeseen risks that may not be fully covered by our insurance policies.*”

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EMPLOYEES

As of April 30, 2017, we had 1,333 full-time employees. Approximately 1,295 of our employees are members of a trade union affiliated with the All China Federation of Trade Unions. The following table shows the number of our full-time employees as of April 30, 2017:

	As of April 30, 2017	
	Number	%
Production	1,086	81.5
Management, finance and administrative	164	12.3
Sales and marketing	23	1.7
Technical support	60	4.5
Total	1,333	100.0

Our employees are selected and hired through a competitive process. We believe we have good working relationships with our employees. We believe that our management policies, working environment and the employee development opportunities and benefits extended to employees have contributed to building good employee relations and employee retention. We have taken care to implement technical as well as operational training for our workers as well as tailored specific courses for our management staff so as to better build and cultivate our teams. In particular, we have entered into agreements with certain institutions such as Zhejiang University to conduct professional training and short-term courses at our headquarters for our employees. We provide our employees with accidental and medical insurance as well as additional benefits such as subsidies for high temperature and meals.

As of the Latest Practicable Date, we have not experienced any strikes, work stoppages or labor disputes which materially affected our operations and we consider our relations with our employees to be favorable.

Welfare Contributions

The remuneration package of our employees includes salary, bonuses, allowances and special subsidies. With respect to our employees in the PRC, we must comply with PRC laws and regulations relating to social welfare, including the Interim Regulations Governing the Receiving and Payment of Social Security issued by the State Council, which establishes the basic measures for receiving pension payments, medical insurance payments and unemployment insurance payments. In addition, we are required to comply with the Regulations Governing the Public Housing Reserves issued by the State Council, which sets out the regulations related to the public housing reserves contributed by employers and employees, and other laws and regulations related to social insurance such as work injury insurance, unemployment insurance and maternity insurance.

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In accordance with applicable PRC regulations, we participate in social insurance contribution plans organized by the relevant local governments, under which we are required to pay in respect of each of our relevant employees a monthly contribution at a specified minimum amount. The amount of contribution may vary depending on a number of factors, including the requirements of the relevant local government and the income of the employee. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, the total amount of our contribution was approximately RMB10.1 million, RMB11.1 million, RMB11.2 million and RMB4.2 million, respectively. We have obtained the confirmation letters from relevant competent authorities that we have paid the social insurance and housing provident funds for all employees according to relevant laws and regulations and local practice.

Our PRC Legal Advisors, EY Chen & Co. Law Firm, have advised that we are in compliance with all applicable laws and regulations relating to social welfare in all material respects, and we have never been penalized for a violation of these laws.

RISK MANAGEMENT

We are exposed to various risks during our operations. For more details, please see “*Risk Factors*.” In order to identify, assess and control the risks that may cause impediments to our business, we have designed and implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the production and sales of products, administration of daily operations, financial reporting and recording, fund management, compliance with applicable laws and regulations on environmental protection safety, anti-bribery and anti-money laundering. Our risk management system sets forth procedures to identify, analyze, categorize, mitigate and monitor various risks as well as the reporting hierarchy of risks identified in our operations. Each of our business departments and functions is responsible for identifying and evaluating the risks relating to its area of operations and implementing our risk management and internal control systems.

Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review and supervise our financial reporting process and internal control system. For more details on the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee, please see “*Directors, Supervisors and Senior Management — Board Committees — Audit Committee*.” Our risk management process includes four steps:

Identification and training: We identify existing and emerging risks and categorize them according to the nature of the risks and provide training to our Directors, senior management and employees with respect to our risk management and internal control policies and the duties and responsibilities of directors and management of listed companies under the Listing Rules and other applicable laws and regulations.

Assessment: Based on the identification and categorization of our risks, we make reference to previous experiences to analyze and assess the likelihood and loss degree of the potential risks.

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Mitigation: We mitigate the potential impact risks primarily through two methods: (1) we make efforts to change the conditions of the risks themselves, such as setting higher safety standards; and (2) we make financial arrangements to neutralize the effect and damage of the risks.

Evaluation: We evaluate the costs and effect of our mitigation measures to assess the effectiveness and efficiency of our risk management process. The result of the evaluation is then reported to our management and Board as a reference point to further refine our risk management system.

LEGAL PROCEEDINGS

We may be involved in certain legal proceedings arising from the ordinary course of our business operations from time to time. As of the Latest Practicable Date, our Directors confirm, to the best of their knowledge, there existed no pending or threatened litigation, arbitration matters or other legal proceedings that may have a material adverse effect on our financial condition, results of operation, reputation, business activities, or future prospects.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

INFORMATION ON OUR CONTROLLING SHAREHOLDER

Our Controlling Shareholder, namely Mr. Yiu Chiu Fai (an executive Director), through his controlled corporations Golden Star, Jinma Coking and Jinma HK, will be interested in approximately 30.37% of the share capital of our Company immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

As of the Latest Practicable Date, other than the interest in our Group, Mr. Yiu Chiu Fai, Golden Star, Jinma Coking and Jinma HK did not control any other material private operating businesses.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER GROUP

Having considered the following factors, our Directors believe that we are capable of carrying out our business independently from, and do not place reliance on, our Controlling Shareholder Group, including, Mr. Yiu Chiu Fai, and his close associates after the Listing.

Management Independence

Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Of all our executive Directors and senior management members, only Mr. Yiu Chiu Fai (an executive Director) has an executive role in our Controlling Shareholder Group. Other than Mr. Yiu, none of our executive Directors and senior management team holds any directorship or senior management roles with our Controlling Shareholder Group, and hence they are able to carry on our business independently from our Controlling Shareholder Group from a management perspective.

As set out above, only one of our executive Directors holds certain positions within the Controlling Shareholder Group. Our Directors are of the view that there are sufficient and effective control mechanisms to ensure that our Directors discharge their duties appropriately and safeguard the interests of our Shareholders as a whole on the following grounds:

- Mr. Yiu is only involved in formulating our business strategies, and he is not involved in the daily operations or other aspects of our businesses;
- our Controlling Shareholder Group and their close associates were not interested in any other business which competes or may compete with our business as of the Latest Practicable Date. Therefore, there is no competition that would adversely affect the management independence of our Group;
- each of our Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the interests of our Company and the Shareholders as a whole which does not allow any conflict between his duties as a Director and his personal interests. The decision-making mechanism of the Board set out in the Articles of Association includes provisions to avoid conflicts of interest. In the event that

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and

- our three independent non-executive Directors have extensive experience in different areas or professions and have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

Based on the reasons above, our Directors are satisfied that they are able to perform their roles in our Company independently and are of the view that we are capable of managing our business independently from our Controlling Shareholder Group and their close associates following the completion of the Global Offering.

Operational Independence

Even though our Controlling Shareholder Group will retain a controlling interest in our Company after the Listing, our Board has full rights to make all decisions on, and to carry out, our business operations independently.

We have established our own organizational structure with independent departments, each with specific areas of responsibility. Our operational decisions are made by our executive Directors and senior management, most of whom have served us for a long time and have substantial experience in the industry in which we are engaged. Members of our senior management are responsible for our daily operations and are independent from our Controlling Shareholder Group and their associates. We have obtained all necessary qualifications for us to operate our current businesses. We have also established independent accounting and financial reporting systems and various internal control procedures to facilitate the effective operations of our business.

Our Directors currently do not expect that there will be any business transactions between us and our Controlling Shareholder Group and/or their close associates following the Listing. In respect of the transactions set out in “*Continuing Connected Transactions*,” our Directors (including the independent non-executive Directors) consider that they have been entered into in the ordinary and usual course of business of our Group and have been based on arm’s length negotiations and on normal commercial terms that are in the interest of our Group and our Shareholders as a whole.

Based on the above, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholder Group and their close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

Financial Independence

We have our own accounting and finance department and independent financial system and make financial decisions according to our own business need. We also have our own treasury function and independent access to third-party financing.

During the Track Record Period and up to the Latest Practicable Date, as between us and our Controlling Shareholder Group, there was no guarantee provided in respect of the indebtedness of each other, and, as of the Latest Practicable Date, no borrowings were outstanding between us and our Controlling Shareholder Group.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholder Group and their close associates.

NON-COMPETITION UNDERTAKING

On September 18, 2017, Mr. Yiu entered into a Deed of Non-competition with our Company under which Mr. Yiu has undertaken that he will not, and will procure that his close associates (other than members of our Group) will not:

- (a) whether as principal or agent or through any person, firm or company carry on, participate or be interested or engaged in any business in any form or manner that is directly or indirectly in competition with our principal business in the PRC; and
- (b) solicit, interfere with or entice away from any member of our Group any person, firm or company who, to Mr. Yiu's knowledge, as of the date of the deed, was or had been or would after the date of the deed be, a customer, supplier or management, technical staff or employees (of managerial grade or above) of any member of our Group.

The above undertakings are subject to the following exceptions:

- (i) Mr. Yiu and/or his close associates are entitled to invest, participate and be engaged in any activity as mentioned in paragraphs (a) and (b) above ("**Restricted Activity**"), regardless of value, which has first been offered or made available to us, provided always that (1) information about the principal terms thereof has been disclosed to our Company and our Company has, after review and based on the opinion of the independent non-executive Directors, within one month from the date of receipt of such information confirmed that it does not wish to be involved or engaged, or to participate, in the relevant Restricted Activity, and (2) the principal terms on which Mr. Yiu and/or his close associate(s) invest, participate or engage in the Restricted Activity are substantially the same as or not more favorable than those disclosed to our Company. Subject to the aforesaid, if Mr. Yiu and/or his close associate(s) (as the case may be) decide to be involved, engaged, or participate in the relevant Restricted Activity, the terms of such involvement, engagement or participation must be disclosed to our Company as soon as practicable but in any event before any binding commitment is entered into by Mr. Yiu and/or his close associate(s) (as the case may be); and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- (ii) the above undertakings do not apply to the holding of or interests in shares or securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of shares, they are listed on a stock exchange and either:
 - (1) the relevant Restricted Activity and assets relating thereto account for less than 10% of the relevant company's consolidated revenue and consolidated assets, respectively, as shown in that company's latest audited consolidated accounts; or
 - (2) the total number of shares or securities held by Mr. Yiu and/or his close associates (as the case may be) or in which they are together interested does not amount to more than 10% of the issued shares of the company in question.

Mr. Yiu has also undertaken to provide an annual confirmation to our Company confirming that he and his associates have not breached the terms of the non-competition undertaking and to provide all information necessary for the annual review by the independent non-executive Directors (if they so require) for the enforcement of the Deed of Non-competition.

Mr. Yiu's above undertakings will cease to have any effect on the earlier of: (i) the date on which the Listing is withdrawn; or (ii) the date on which Mr. Yiu and his close associates, individually and collectively, cease to be beneficially interested in 30% (or more) of the issued shares of our Company or cease to control the voting power of such shares or securities at the general meetings, as the case may be.

CORPORATE GOVERNANCE MEASURES

To further protect the interests of our minority Shareholders, we will adopt below corporate governance measures to manage any potential conflicts of interest:

- (a) our independent non-executive Directors will review, on an annual basis, the compliance and enforcement of the terms of the Deed of Non-competition by Mr. Yiu;
- (b) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition either through our Company's annual report or by way of announcement;
- (c) our Company will disclose in the corporate governance report of its annual report on how the terms of the Deed of Non-competition have been complied with and enforced; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

- (d) our Board will operate in accordance with the Company's Articles which require the interested Directors not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested.

Further, any transaction that is proposed between us and our Controlling Shareholder Group will be required to comply with the requirements of the Listing Rules, including, where applicable, the announcement, reporting and independent shareholders' approval requirements.

RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS

RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS)-----

MAANSHAN STEEL AND JIANGXI PXSTEEL GROUP

Background of Maanshan Steel Group and Jiangxi PXSteel Group

Maanshan Steel was set up on September 1, 1993 whose A and H shares are listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange, respectively. It is principally engaged in the manufacture and sale of iron and steel products. Jiangxi PXSteel is principally engaged in the manufacture and sale of iron and steel products. During the Track Record Period, we sold coke to four companies in Jiangxi PXSteel Group.

According to Frost & Sullivan, in 2016, Maanshan Steel Group and Jiangxi PXSteel Group ranked 7th and 20th, respectively, in the Chinese pig iron market, with a market share of approximately 2.5% and 1.3%, respectively. Maanshan Steel Group and Jiangxi PXSteel Group were the largest and second largest iron and steel enterprise in Anhui province and Jiangxi province, respectively, in terms of pig iron production volume in 2016.

Our Founders and Shareholders

We were initially established and owned as to 45% by Yugang Coking, 40% by Maanshan Steel and 15% by Jiangxi PXSteel in 2003.

Maanshan Steel was interested in 36% of the total issued share capital of our Company as of the Latest Practicable Date. Upon completion of the Global Offering, Maanshan Steel will be interested in approximately 27% of the total issued shares of our Company (assuming the Over-allotment Option is not exercised) or approximately 26.67% of the total issued shares of our Company (assuming the Over-allotment Option is exercised in full). Upon the Listing, Maanshan Steel will continue to be one of the substantial Shareholders and connected persons of our Company.

Jiangxi PXSteel was interested in 13.5% of the total issued share capital of our Company as of the Latest Practicable Date. Upon completion of the Global Offering, Jiangxi PXSteel will be interested in approximately 10.12% of the total issued shares of our Company (assuming the Over-allotment Option is not exercised) or 10.00% of the total issued shares of our Company (assuming the Over-allotment Option is exercised in full). Upon the Listing, Jiangxi PXSteel will continue to be one of the substantial Shareholders and connected persons of our Company.

Our Major Customers and Reliance

During the Track Record Period, Maanshan Steel and Jiangxi PXSteel Group were our two largest customers. The sales to Maanshan Steel represented approximately 31.2%, 30.3%, 27.2%, 25.0% and 24.9% of our total revenue for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, respectively, and the aggregated sales to Jiangxi PXSteel Group represented approximately 24.0%, 18.5%, 13.2%, 6.7% and 23.2% of our total revenue for the same periods, respectively. For the risk associated with our reliance on our major customers, please see “*Risk Factors — Risks Relating to Our Business — We rely on a limited number of customers and we do not generally enter into long-term sales contracts with our customers.*”

RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS

Sales Arrangements

We have been supplying coke to Maanshan Steel and Jiangxi PXSteel Group since 2004 when we commenced our commercial production of coke. Maanshan Steel and Jiangxi PXSteel were two of the shareholders which initially established our Predecessor in 2003. Based on the articles of association of our Predecessor, we had committed to provide Maanshan Steel and Jiangxi PXSteel at least 500,000 tons and 300,000 tons of coke per year based on prevailing market price in the regions where we sold our coke. Such arrangement was reiterated in the joint venture agreement entered into among the parties in connection with the conversion of our Company from a limited liability company to a joint stock limited company in 2016. In addition, Maanshan Steel and Jiangxi PXSteel had committed to purchase at least 500,000 tons and 300,000 tons of coke per year in the joint venture agreement.

Based on the arrangement above, we entered into annual sales agreements with Maanshan Steel and Jiangxi PXSteel Group during the Track Record Period and the actual sales were conducted based on their respective monthly notification of volume and at a price agreed by us and Maanshan Steel and Jiangxi PXSteel Group, respectively, through arm's length negotiation. In 2014, 2015 and 2016 and the four months ended April 30, 2017, we sold approximately 0.9 million tons, 1.0 million tons, 0.9 million tons and 0.3 million tons of coke to Maanshan Steel for approximately RMB801.0 million, RMB679.4 million, RMB895.8 million and RMB437.8 million, respectively, and approximately 0.7 million tons, 0.6 million tons, 0.4 million tons and 0.3 million tons of coke to Jiangxi PXSteel Group for approximately RMB615.8 million, RMB414.3 million, RMB436.7 million and RMB407.7 million, respectively. During the two months ended June 30, 2017, we sold approximately 0.1 million tons and 0.1 million tons of coke to Maanshan Steel and Jiangxi PXSteel Group for approximately RMB150.0 million and RMB152.3 million, respectively. In addition, subsequent to June 30, 2017 and up to the Latest Practicable Date, we have received confirmed sales orders for approximately 91,700 tons and 110,700 tons of coke from Maanshan Steel and Jiangxi PXSteel Group, respectively.

In anticipation of the Listing, we entered into the Maanshan Steel Framework Agreement and the Jiangxi PXSteel Framework Agreement with Maanshan Steel and Jiangxi PXSteel respectively on September 18, 2017, whereby the principles and key terms of the committed supply of coke under the joint venture agreement were extended in the respective framework agreement.

Key terms of the Maanshan Steel Framework Agreement and the Jiangxi PXSteel Framework Agreement include the following:

Minimum purchase requirement. Pursuant to the Maanshan Steel Framework Agreement, the Maanshan Steel Group shall purchase at least 800,000 tons of coke from us annually for each of the three years ending December 31, 2017, 2018 and 2019. Similarly, pursuant to the Jiangxi PXSteel Framework Agreement, the Jiangxi PXSteel Group shall purchase at least 400,000 tons of coke from us annually for each of the three years ending December 31, 2017, 2018 and 2019. Both Maanshan Steel Group and Jiangxi PXSteel Group have also agreed that if the terms of the coke provided by third parties are not more favorable than those provided by us, each of them will continue to source coke from us.

RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS

Term. The term of each of the Maanshan Steel Framework Agreement and the Jiangxi PXSteel Framework Agreement is three years. Both agreements are renewable upon their respective expiry on a mutually agreed basis for a period of no longer than three years. Each of the Maanshan Steel Framework Agreement and the Jiangxi PXSteel Framework Agreement shall remain in full force and effect unless and until: (i) the termination of the relevant agreement by mutual agreement of the relevant parties, (ii) the expiry of the term of the relevant agreement, (iii) any party to the agreement becoming bankrupt or insolvent, (iv) the occurrence of any *force majeure* events that defeat the purpose of the relevant agreement, or (v) the occurrence of any termination events pursuant to the applicable laws.

Termination. In the event of any breach of the framework agreements, including failure to meet the minimum purchase requirement, the non-breaching party is entitled to require the breaching party to rectify the breach within 30 days. The non-breaching party has the right to terminate the agreement and request to be compensated for all economic losses in the event the breaching party fails to rectify the situation within the stipulated period.

After the proposed Listing, our sales with Maanshan Steel Group and Jiangxi PXSteel Group will be governed by these framework agreements. For more details, please see “*Continuing Connected Transactions — Continuing Connected Transactions — B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders’ approval requirements.*”

Moreover, we entered into legally binding strategic cooperation agreements with Maanshan Steel and Jiangxi PXSteel, respectively on September 18, 2017, to formalize the long-term cooperation between us. The parties agreed to keep close contact and undertake site visits to understand each other’s production plans and ensure the stable supply and purchase of coke with required specification and volume in the future. In addition to the minimum purchase of 800,000 tons and 400,000 tons of coke that Maanshan Steel Group and Jiangxi PXSteel Group have committed to purchase from us annually subject to the terms of the Maanshan Steel Framework Agreement and Jiangxi PXSteel Framework Agreement, respectively, Maanshan Steel Group and Jiangxi PXSteel Group further committed to purchasing our products if offers from other third parties are not more favorable than those provided by us. Subject to compliance with the Listing Rules, Maanshan Steel Group and Jiangxi PXSteel Group also agreed to renew the said framework agreements (terms subject to negotiation) with us prior to their expiry.

Reliance

Our Directors consider that we have not unduly relied on our relationship with Maanshan Steel and Jiangxi PXSteel Group on the following grounds:

- (a) we had actively diversified our product lines from coke to refined chemicals, energy products and trading business during the Track Record Period by acquiring Jinyuan Chemicals, Bohigh Chemical, Shanghai Jinma and Jinning Energy. The percentage of the sales of coke to our revenue decreased from approximately 74.9% in 2014 to approximately 67.8% in 2015, and further to approximately 62.4% in 2016. The percentage of the sales of coke to our revenue slightly increased to approximately 65.1% for the four months ended

RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS

April 30, 2017. Our reliance on coke customers, including Maanshan Steel and Jiangxi PXSteel Group, in terms of sales has been decreasing from 2014 to 2016, and our Directors expect that the reliance will continue to decrease after the successful implementation of our LNG project as set out in “*Business — Future Plan*;”

- (b) the percentage of our sales to Maanshan Steel and Jiangxi PXSteel Group continued to decrease from 2014 to 2016 as we were able to develop new customers based on the quality of our products and our reputation in the industry. Our sales to Maanshan Steel represented approximately 31.2%, 30.3% and 27.2% and our sales to Jiangxi PXSteel Group represented approximately 24.0%, 18.5% and 13.2% of our total revenue in 2014, 2015 and 2016, respectively;
- (c) Maanshan Steel and Jiangxi PXSteel Group are established enterprises in China and independent from each other. Each of their procurement of coke is subject to their respective corporate decision making process. We believe the risk of losing business from both customers at the same time is remote as long as our products are competitively priced and continue to comply with their standards, requirements and production schedules;
- (d) Other than Maanshan Steel and Jiangxi PXSteel Group, we sold our coke to other customers. For example, we established business relationship with three new large-scale iron and steel manufacturers for the sale of our coke in 2016. For the year ended December 31, 2016 and the six months ended June 30, 2017, revenue generated from these three new large-scale iron and steel manufacturers amounted to approximately RMB153.4 million and RMB61.0 million, respectively;
- (e) Furthermore, two iron and steel manufacturers, Customers X and Y, have reinstated or expressed their intention to source our coke in 2017 and have subsequently entered into framework memorandums of intention with us for an indefinite period formalizing their intentions to purchase our coke;
 - (i) Customer X had been purchasing coke from us through its trading company, Customer A, during the Track Record Period. According to Frost & Sullivan, Customer X is a subsidiary of a Shenzhen Stock Exchange listed iron and steel company, which is one of the top ten largest pig iron producers in China in terms of production volume in 2016.
 - (ii) Customer Y is one of our new customers in 2016. It is the subsidiary of a Hong Kong Stock Exchange listed company which, according to Frost & Sullivan, is one of the top 30 largest pig iron producers in China in terms of production volume in 2016 and one of the largest special steel manufacturers in the world.

**RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP
AND OTHER RELATED PARTIES AND CONNECTED PERSONS**

- (iii) These memorandums of intention lay the framework of our cooperation with Customers X and Y (and/or their respective affiliated companies) and pursuant to which, the parties may enter into definitive agreements on the sale and purchase of coke, with terms (including the actual sales volume and price of our coke) being determined based on the production plans of both parties and the prevailing market conditions. The said framework memorandums do not oblige Customers X or Y to purchase a minimum or fixed quantity of our products and may be terminated upon the parties' mutual agreement.
- (f) In addition, we have diversified our coke customer base to include trading customers which have established business relationships with other iron and steel manufacturers. As trading customers generally have access to a broader range of industry customers, we believe the business relationships with trading customers reduce our exposure to any interruption of our relationship with our existing customers; and
- (g) the reliance on Maanshan Steel and Jiangxi PXSteel Group is mutual as:
- (i) given that our Group is one of the five largest suppliers of coke to Maanshan Steel Group and Jiangxi PXSteel Group during the Track Record Period, respectively, our Directors believe that our Group will not be easily or substantially replaced by Maanshan Steel Group and Jiangxi PXSteel Group with other suppliers. The following table and footnotes set forth the total number of coke suppliers engaged by Maanshan Steel Group and Jiangxi PXSteel Group, respectively, during the Track Record Period and the percentage of the amount of supply of their respective suppliers to their respective total purchase amounts of coke, as confirmed by Maanshan Steel and Jiangxi PXSteel, respectively:

	Year ended December 31,			Four months ended April 30,
	2014	2015	2016	2017
Maanshan Steel Group⁽¹⁾				
Our Group ⁽²⁾	25.0%	29.7%	34.8%	20.0%
Top five suppliers (including our Group)	75.4%	79.8%	88.3%	79.3%
Others	24.6%	20.2%	11.7%	20.7%
Total	100.0%	100.0%	100.0%	100.0%
Jiangxi PXSteel Group⁽³⁾				
Our Group ⁽⁴⁾	18.6%	16.2%	13.8%	13.4%
Top five suppliers (including our Group)	72.6%	67.2%	93.7%	61.3%
Others	27.4%	32.8%	6.3%	38.7%
Total	100.0%	100.0%	100.0%	100.0%

RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS

- (1) For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, Maanshan Steel Group had a total of 14, 14, 9 and 8 coke suppliers, respectively.
 - (2) We were the largest coke supplier from 2014 to 2016 and the second largest coke supplier during the four months ended April 30, 2017 of Maanshan Steel Group.
 - (3) For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, Jiangxi PXSteel Group had a total of 14, 11, 12 and 11 coke suppliers, respectively.
 - (4) We were the largest, second largest, third largest and largest coke supplier of Jiangxi PXSteel Group during the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively.
- (ii) given the importance of coke in the iron and steel production and the significant costs in association with reconditioning the blast furnace if there was an interruption in the supply of quality coke which causes a suspension of operations, it is a common practice in China for major iron and steel companies to secure quality and stable coke supply by establishing affiliated coking companies or making equity investment in other coking enterprises. However, we believe these iron and steel companies may also maintain the purchase of coke from other non-affiliated coking enterprises to reduce the concentration risk of supply, including, for example, the failure by any particular supplier to continuously supply products meeting their requirements or any interruption of such supply, by diversifying the sources of coke. According to Frost & Sullivan, all of the top 10 iron and steel enterprises by production volume in 2016 in China had established or made investment in coking enterprises. One of the main purposes for Maanshan Steel and Jiangxi PXSteel to participate in establishing our Predecessor in 2003 was to ensure that they will be able to secure a stable supply of quality coke from us to meet their production requirements. This business partnership is evidenced by the arrangement in the articles of our Predecessor and the joint venture agreement in relation to our Company; and
- (iii) Maanshan Steel and Jiangxi PXSteel Group rely on our supplies especially of high quality coke. We believe the chance that these two customers replace us with alternative suppliers of coke which can supply similar quality and quantity of coke is not high because (a) with 13 years of established business relationships between us and Maanshan Steel and Jiangxi PXSteel Group, the quality of our coke products and the reliability of our transportation capability have proven to be able to constantly meet the requirements and standards of Maanshan Steel and Jiangxi PXSteel Group, respectively; (b) based on our understanding, the blast furnaces of Maanshan Steel and Jiangxi PXSteel Group have been adjusted and conditioned to operate with the coke with the specifications produced by us during the course of our long term business relationship, and any change in the specifications of coke supplied will result in additional costs on their part in reconditioning their blast furnaces to accommodate coke with different specifications. Specifically, reconditioning blast furnaces involves adjusting the furnace air flow, loading capacity, furnace temperature and loading ratio of coke and iron ore based on changes in the specifications of coke supplied. This may require furnace operators to spend approximately two to four weeks to adapt to changes and recondition blast furnaces. In addition, any change in the specifications

RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS

of coke supplied will lead to uncertainty in the quality of iron and steel produced due to the use of different quality of coke; and (c) given that we were one of the five largest suppliers of coke to Maanshan Steel Group and Jiangxi PXSteel Group during the Track Record Period, respectively, our Directors believe that we will not be easily or substantially replaced by Maanshan Steel Group and Jiangxi PXSteel Group with other suppliers. Any change in coke supplier involves new supplier selection process, inspection of raw materials, reconditioning blast furnaces and repeated testing, which may take approximately five to six months to complete. Due to the potential time and costs that will be incurred in relation to the switch of suppliers or the coke with different specifications, we believe that Maanshan Steel Group and Jiangxi PXSteel Group are unlikely to switch to another supplier for the same product so long as our products are competitively priced and continue to comply with their standards, requirements and production schedules.

RELATED PARTIES AND CONNECTED PERSONS

In addition to Maanshan Steel and Jiangxi PXSteel Group, we entered into transactions with our other related parties, some of which will become our connected persons after the Listing. These transactions are mainly for the sale and purchase of products and services in the ordinary course of business, loans and provision of financial guarantees during the Track Record Period. During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, our transactions with related parties mainly consisted of (i) sale of products and services to related parties in an aggregated amount of approximately RMB2,067.7 million, RMB1,431.0 million, RMB1,646.5 million and RMB888.6 million, respectively, (ii) purchase of raw materials and services from related parties in an aggregated amount of approximately RMB140.2 million, RMB26.0 million, RMB65.8 million and RMB8.8 million, respectively; (iii) provision of financial guarantee in relation to the RMB50.0 million and RMB55.0 million bank loans of Jinjiang Refinery during the years ended December 31, 2015 and 2016, respectively, with a maximum exposure of RMB50.0 million, RMB55.0 million and RMB55.0 million for the years ended December 31, 2015 and 2016 and the four months ended April 30, 2017, respectively, which was due in 2019 and was released in May 2017, and (iv) loan from our related parties, mainly the RMB30.0 million loan from Jinma Xingye for five months during the year ended December 31, 2014 and the RMB10.0 million loan from Jiyuan Jinhai Industry Co., Ltd. for two months in 2014.

RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS

The table below sets out our transactions with related parties during the Track Record Period:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Sale of products and services to related parties⁽¹⁾:					
Maanshan Steel	800,955	679,387	895,833	174,997	437,767
Jiangxi PXSteel Group	615,806	414,342	436,651	47,075	407,665
Bohigh Chemical ⁽²⁾	184,362	136,014	103,651	37,676	N/A
Jinyuan Chemicals ⁽³⁾	160,189	42,753	N/A	N/A	N/A
Jinning Energy ⁽⁴⁾	115,663	107,644	147,570	48,979	N/A
Jiyuan Jinhai Industry Co., Ltd	55,629	49,362	28,057	14,442	—
Jinjiang Refinery	—	1,531	4,256	1,661	36,832
Yugang Coking ⁽⁵⁾	135,143	N/A	N/A	N/A	N/A
Jiyuan Jinrun Enterprise Co., Ltd.	—	—	30,517	—	6,318
Jinma Xingye	—	—	—	—	4
Purchase of raw materials and services from related parties⁽¹⁾:					
Jinma Xingye	45,465	1,925	26,227	—	3,826
Jinhai Industry	—	18,129	15,066	9,750	—
Bohigh Chemical ⁽²⁾	—	1,596	806	—	N/A
Fangsheng Chemicals	2,020	4,363	5,413	1,189	3,421
Luoyang Hongyu Trading Co., Ltd.	—	—	16,120	—	—
Jinjiang Refinery	—	—	2,155	—	1,505
Shanghai Jinma ⁽⁶⁾	92,725	N/A	N/A	N/A	N/A
Maintenance services provided by related parties⁽¹⁾:					
Jiyuan Tianhong Machinery Equipment ("Tianhong Machinery") ⁽⁷⁾	5,916	N/A	N/A	N/A	N/A

⁽¹⁾ For more details of our related party transactions, please see Note 44 to the Accountants' Report of the Group set out in Appendix I to this prospectus.

⁽²⁾ Bohigh Chemical ceased to be our related party and became our wholly-owned subsidiary following the acquisition in October 2016.

⁽³⁾ Jinyuan Chemicals ceased to be our related party and became our wholly-owned subsidiary following the acquisition in May 2015.

⁽⁴⁾ Jinning Energy ceased to be our related party and became our non-wholly owned subsidiary following the acquisition of a 51% interest in Jinning Energy in December 2016.

⁽⁵⁾ Yugang Coking constituted our related party during the year ended December 31, 2014 only based on IAS 24. However, after the Listing, Yugang Coking will become our connected person under Rule 14A.07 of the Listing Rules.

⁽⁶⁾ Shanghai Jinma ceased to be our related party and became our non-wholly owned subsidiary following the acquisition of a 75% interest in Shanghai Jinma in May 2014.

⁽⁷⁾ Tianhong Machinery constituted our related party during the year ended December 31, 2014 only based on IAS 24. However, after the Listing, Tianhong Machinery will become our connected person under Rule 14A.07 of the Listing Rules.

RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS

The table below sets out the main related parties with which we entered into transactions of sale and purchase of products and services in ordinary course of business during the Track Record Period, the nature of the transactions and their respective relationship with our Group:

Related parties	Main transactions	Relationship with our Group
Maanshan Steel	Sale of coke	Our substantial Shareholder
Jiangxi PXSteel Group	Sale of coke	Our substantial Shareholder
Jinyuan Chemicals	Sale of crude benzene	Acquired by us in May 2015 and became our wholly owned subsidiary. All sales to Jinyuan Chemicals have been eliminated as intra-group transactions since then.
Bohigh Chemical	Sale of coal tar	Acquired by us in October 2016 and became our wholly owned subsidiary. All sales to Bohigh Chemical have been eliminated as intra-group transactions since then.
Jinning Energy	Sale of coal gas	Acquired by us in December 2016 and became our non-wholly owned subsidiary. All sales to Jinning Energy have been eliminated as intra-group transactions since then.

Some of the related parties above will become our connected persons and will continue to have transactions with us subsequent to the Listing. For the background of such connected persons, please see “*Continuing Connected Transactions*”. We set out below our total historical transaction amounts with these parties during the Track Record Period:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Sale of products and services:					
Maanshan Steel	800,955	679,387	895,833	174,997	437,767
Jiangxi PXSteel Group	615,806	414,342	436,651	47,075	407,665
Yugang Coking ⁽¹⁾	135,143	127,303	163,959	26,511	22,461
Purchase of raw materials and services:					
Yugang Coking ⁽¹⁾	—	12,694	29,598	7,567	34,435
Tianhong Machinery	5,916	8,714	5,420	3,072	1,915
Fangsheng Chemicals	2,020	4,363	5,413	1,189	3,421

⁽¹⁾ Revenue generated from sales to Yugang Coking during the Track Record Period represented sales of different products by different entities of our Group to Yugang Coking. Among which, only the sale of coke by Shanghai Jinma to Yugang Coking will continue after the Listing. Further, we will continue to purchase coal tar, crude benzene and coal gas from Yugang Coking after the Listing. Please refer to “*Continuing Connected Transactions*” for details.

RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS

PRICING

The table below sets out the approximate percentage of revenue attributable to the sale of our main products to Maanshan Steel, Jiangxi PXSteel Group and other major related parties and independent customers to our total revenue and the average selling price (net of VAT) of relevant products during each of the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 according to our internal records:

Products we sold	Year/Period	Maanshan Steel		Jiangxi PXSteel Group		Bohigh Chemical		Jinyuan Chemicals		Jinning Energy		Independent customers ⁽¹⁾	
		Approximate % of revenue to our total revenue	Average selling price	Approximate % of revenue to our total revenue	Average selling price	Approximate % of revenue to our total revenue	Average selling price	Approximate % of revenue to our total revenue	Average selling price	Approximate % of revenue to our total revenue	Average selling price	Approximate % of revenue to our total revenue	Average selling price
			<i>RMB/ton except coal gas in</i>		<i>RMB/ton except coal gas in</i>		<i>RMB/ton except coal gas in</i>		<i>RMB/ton except coal gas in</i>		<i>RMB/ton except coal gas in</i>		<i>RMB/ton except coal gas in</i>
		%	<i>RMB/m³</i>	%	<i>RMB/m³</i>	%	<i>RMB/m³</i>	%	<i>RMB/m³</i>	%	<i>RMB/m³</i>	%	<i>RMB/m³</i>
Coke	2014	31.2	899.7	24.0	922.6	—	—	—	—	—	—	15.4	870.0
	2015	30.3	672.4	18.5	707.1	—	—	—	—	—	—	15.4	663.8
	2016	27.2	954.4	13.2	1,139.6	—	—	—	—	—	—	19.4	882.7
	Jan - Apr 2017	24.9	1,562.3	23.2	1,592.2	—	—	—	—	—	—	14.5	1,559.8
Coal tar ⁽²⁾	2014	—	—	—	—	6.8	2,085.1	—	—	—	—	—	—
	2015	—	—	—	—	5.4	1,490.1	—	—	—	—	—	—
	2016	—	—	—	—	2.8	1,348.5	—	—	—	—	—	—
	Jan - Apr 2017	—	—	—	—	—	—	—	—	—	—	—	—
Crude benzene ⁽²⁾	2014	—	—	—	—	—	—	5.8	5,564.9	—	—	—	—
	2015	—	—	—	—	—	—	1.0	3,454.7	—	—	—	—
	2016	—	—	—	—	—	—	—	—	—	—	—	—
	Jan - Apr 2017	—	—	—	—	—	—	—	—	—	—	—	—
Coal gas ⁽²⁾	2014	—	—	—	—	0.3	0.35	0.5	0.44	4.5	0.44	—	—
	2015	—	—	—	—	0.3	0.40	0.9	0.44	4.8	0.48	—	—
	2016	—	—	—	—	0.2	0.44	—	—	4.5	0.42	—	—
	Jan - Apr 2017	—	—	—	—	—	—	—	—	—	—	2.8	0.72

(1) During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, we entered into sale agreements for coke with 8, 5, 11 and 4 independent customers, respectively.

(2) Jinyuan Chemicals was our only customer of crude benzene and Bohigh Chemical was our only customer of coal tar, respectively, during the Track Record Period. Jinyuan Chemicals, Bohigh Chemical and Jinning Energy were our only customers of coal gas during the Track Record Period.

We determine the selling price of our coke based on prevailing market prices in the regions where we sell our products, with reference to other factors mainly including the raw materials price, the supply and demand in downstream and factors applicable to individual customers such as the specifications of our products and the availability of regional transportation capacity, taking into account factory gate price trends recommended by associations such as the China Coking Industry Association and price reference on industrial-focused websites including “My Steel” (我的鋼鐵網) and “Steel Home” (鋼之家). The table below sets out our average selling price (net of VAT) of coke

**RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP
AND OTHER RELATED PARTIES AND CONNECTED PERSONS**

to Maanshan Steel and Jiangxi PXSteel Group according to our internal records, and the average price of coke (net of VAT) in Anhui and Jiangxi provinces where those two customers are located, according to Frost & Sullivan, during each of the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017:

Year/Period	Jiangxi PXSteel			
	Maanshan Steel	Anhui province	Group	Jiangxi province
	<i>RMB/ton</i>			
2014	899.7	990.8	922.6	1,005.2
2015	672.4	764.3	707.1	788.0
2016	954.4	1,036.4	1,139.6	979.7
January-April 2017	1,562.3	1,642.5	1,592.2	1,656.9

As indicated above, the changes in our average selling prices of coke to Maanshan Steel and Jiangxi PXSteel Group during the Track Record Period were generally in line with the movement in the prevailing market prices during the same period. Our price determination is subject to adjustment agreed by us and customers from time to time and normally on a net of transportation cost basis. We adopt similar approach in determining the selling price of coke to Maanshan Steel and Jiangxi PXSteel Group. For more details on our pricing policy, please see “*Business — Pricing Policy.*”

While the fluctuations in the average selling prices of coke to Maanshan Steel, Jiangxi PXSteel Group and independent customers share similar trend, the exact selling prices to each customer at any given time are negotiated and adjusted based on various factors specific to each customer. Based on our internal records, the average selling price of coke to Jiangxi PXSteel Group in 2016 was higher than the average selling price of coke to independent customers for the same year mainly due to the following factors: (i) Jiangxi PXSteel Group purchased more coke in the second half of 2016 when the market price of coke increased, while some of our independent customers reduced or kept their coke purchase at a level similar to that of 2015 during the same period; (ii) when negotiating the selling price of coke with Jiangxi PXSteel Group, we took into account such factors that (a) Jiangxi PXSteel Group purchased higher quality coke with lower moisture content than some of our other customers; and (b) Jiangxi PXSteel Group is less price-sensitive than some of our other customers. Our Directors believe that this is primarily because Jiangxi PXSteel Group ceased to operate its own coke production facilities in 2016 and it needs to maintain a stable supply of coke to avoid significant increase in costs in association with reconditioning its blast furnace if there was an interruption in the supply of quality coke which causes a suspension of operations. According to Frost & Sullivan, this is consistent with the pricing behavior of other steel enterprises without self-owned coking production; and (iii) we provide price discounts to independent customers that make full prepayment, which according to Frost & Sullivan, is consistent with industry practice, while Jiangxi PXSteel Group was generally unable to make such full prepayment during the Track Record Period. In addition, the average selling price of coke to Maanshan Steel for the year ended December 31, 2016 was higher than the average selling price of coke to independent customers for the same year, mainly because the procurement by Maanshan Steel remained stable during the second half of 2016 while some of our independent customers reduced or kept their coke purchase at a level similar to that of 2015 during the same period when the market price of coke increased. Our Directors are of the view that the

RELATIONSHIP WITH MAANSHAN STEEL, JIANGXI PXSTEEL GROUP AND OTHER RELATED PARTIES AND CONNECTED PERSONS

transactions with Maanshan Steel and Jiangxi PXSteel Group during the Track Record Period were conducted on normal commercial terms and that their terms were fair and reasonable to us. As confirmed by Maanshan Steel and Jiangxi PXSteel Group, their transactions with us were conducted on normal commercial terms and that the price and other material terms in these transactions were similar to those with their other suppliers.

Our Directors confirm that all related party transactions are conducted on an arm's length basis. For more details of our related party transactions, please see Note 44 to the Accountants' Report of the Group set out in Appendix I to this prospectus and "*Financial Information.*"

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, we entered into various related party transactions, details of which are set out in note 44 to the Accountant's Report in Appendix I.

Following the Listing, the following transactions will continue between our Group and the relevant connected persons, and they will constitute continuing connected transactions for our Company under the Listing Rules. Such connected transactions will be conducted in compliance with the applicable provisions of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

A. Exempt continuing connected transactions that are fully exempt from Independent Shareholders' approval, annual review and all disclosure requirements

(1) *Purchase of sodium hydroxide and hydrochloric acid from Fangsheng Chemicals*

Background of the connected person

As of the Latest Practicable Date, Fangsheng Chemicals was held as to approximately 57.92% by Jinma Xingye, which was in turn held as to approximately 33.44% by Mr. Wang Lijie (王利杰) (being the son of Mr. Wang Mingzhong, an executive Director of our Company) who is a director of Shanghai Jinma and Jinning Energy, both being subsidiaries of our Company. As such, Fangsheng Chemicals is a connected person of our Company under Rule 14A.07 of the Listing Rules. Fangsheng Chemicals is principally engaged in producing, processing and sale of polyvinyl chloride (PVC), sodium hydroxide and hydrochloric acid.

Principal terms of the Fangsheng Chemicals Framework Agreement

Date: September 18, 2017

Parties: (1) Our Company
(2) Fangsheng Chemicals

Term: January 1, 2017 to December 31, 2019

The framework agreement entered into between our Company and Fangsheng Chemicals on September 18, 2017 (the "**Fangsheng Chemicals Framework Agreement**") provides for the principal terms under which our Company can purchase sodium hydroxide and hydrochloric acid from Fangsheng Chemicals.

The terms of the Fangsheng Chemicals Framework Agreement, including the consideration, were concluded after arm's length negotiations between our Company and Fangsheng Chemicals. Subject to us placing a purchase order, our purchase price for the relevant product will be determined with

CONTINUING CONNECTED TRANSACTIONS

reference to the prevailing market price. During the Track Record Period, the actual transaction amounts for the relevant products from Fangsheng Chemicals amounted to approximately RMB2,020,000, RMB4,363,000, RMB5,413,000 and RMB3,421,000 for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively.

As the transactions contemplated under the Fangsheng Chemicals Framework Agreement only involve connected person at the subsidiary level and the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules in respect of the purchase of sodium hydroxide and hydrochloric acid by us under the Fangsheng Chemicals Framework Agreement is expected to be less than 1% on an annual basis, such transactions would, pursuant to Rule 14A.76(1) of the Listing Rules, constitute de minimis continuing connected transactions and will be fully exempt from the relevant reporting, announcement and independent Shareholders' approval requirements.

(2) *Maintenance service provided by Tianhong Machinery*

Background of the connected person

As of the Latest Practicable Date, 濟源市天宏機械設備有限公司 (Jiyuan Tianhong Machinery Equipment Co., Ltd.*, "**Tianhong Machinery**") was held as to 95% by Yugang Coking. Yugang Coking was held as to approximately 88.03% by Golden Fair Chemicals (Holdings) Limited which was in turn held as to 65.92% by Mr. Wang Xuezhong (王學中). Mr. Wang was a controlling shareholder of 河南省金塑實業有限公司 (Henan Jinsu Shiye Co., Ltd.*), which was in turn a substantial shareholder of Jinning Energy, a member of our Group. As such, Tianhong Machinery is a connected person of our Company under Rule 14A.07 of the Listing Rules. Tianhong Machinery is principally engaged in metallurgical equipment manufacturing, processing of coal chemical equipment and manufacturing of non-standard equipment.

Principal terms of the Tianhong Machinery Framework Agreement

Date: September 18, 2017

Parties: (1) Our Company
(2) Tianhong Machinery

Term: January 1, 2017 to December 31, 2019

The framework agreement entered into between our Company and Tianhong Machinery on September 18, 2017 (the "**Tianhong Machinery Framework Agreement**") provides for the principal terms under which Tianhong Machinery can provide daily machinery maintenance and technological improvement services to us.

The terms of the Tianhong Machinery Framework Agreement, including the consideration, were concluded after arm's length negotiations between our Company and Tianhong Machinery. Subject to our demand, price for the relevant services will be determined with reference to the prevailing market

CONTINUING CONNECTED TRANSACTIONS

price of the relevant services. During the Track Record Period, the actual transaction amounts for the relevant services from Tianhong Machinery amounted to approximately RMB5,916,000, RMB8,714,000, RMB5,420,000 and RMB1,915,000 for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively.

As the transactions contemplated under the Tianhong Machinery Framework Agreement only involve connected person at the subsidiary level and the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules in respect of the relevant services obtained by us under the Tianhong Machinery Framework Agreement is expected to be less than 1% on an annual basis, such transactions would, pursuant to Rule 14A.76(1) of the Listing Rules, constitute de minimis continuing connected transactions and will be fully exempt from the relevant reporting, announcement and independent Shareholders' approval requirements.

B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders' approval requirements

(1) Sale of coke to Maanshan Steel Group

Background of the connected person and the connected transaction

Maanshan Steel, being principally engaged in the manufacturing and sale of iron and steel products (which requires coke as a raw material, details of which are disclosed in “*Business — Products — Coke*”), was interested in 36% of the total issued share capital of our Company as of the Latest Practicable Date. Upon completion of the Global Offering, Maanshan Steel will be interested in approximately 27% of the total issued shares of our Company (assuming the Over-allotment Option is not exercised) or approximately 26.67% of the total issued shares of our Company (assuming the Over-allotment Option is exercised in full). Upon the Listing, Maanshan Steel will continue to be one of the substantial Shareholders of our Company, and hence, a connected person of our Company under Rule 14A.07 of the Listing Rules.

We have been supplying coke to Maanshan Steel for over a decade. Historically and during the Track Record Period, but before entering into the Maanshan Steel Framework Agreement (as defined below), our Company engaged the Zhengzhou Railway Group to provide logistics services for the transportation of coke to Maanshan Steel. Subsequent to the reform of the Zhengzhou Railway Group, we had been selling coke to Maanshan Steel through a commodity trading subsidiary of the Zhengzhou Railway Group, namely, 上海路港燃料有限公司 (Shanghai Lugang Fuel Company Limited*, “**Shanghai Lugang**”), and Maanshan Steel remained as our customer under the arrangement. In order to comply with the requirements under Chapter 14A of the Listing Rules after the Listing, including that a written agreement shall be entered into directly between us and the connected person for the relevant connected transaction, and also for the purpose of facilitating the reporting process by our auditors pursuant to Rule 14A.56 of the Listing Rules, we streamlined the abovementioned arrangements and entered into a framework agreement with Maanshan Steel in respect of the sale of coke by our Company (and/or other Group Companies) to the Maanshan Steel Group (the “**Maanshan Steel Framework Agreement**”).

CONTINUING CONNECTED TRANSACTIONS

Principal terms of the Maanshan Steel Framework Agreement

Date: September 18, 2017

Parties: (1) Our Company
(2) Maanshan Steel

Term: January 1, 2017 to December 31, 2019

The Maanshan Steel Framework Agreement provides for the sale of coke by us to Maanshan Steel Group during the term of the Maanshan Steel Framework Agreement. Maanshan Steel Group will from time to time place purchase orders with us, specifying the amount of coke required by Maanshan Steel Group, the requisite product specifications, as well as the expected delivery schedule; and following our acceptance of the orders, we will 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. Maanshan Steel Group shall bear the costs of transportation of coke from our production facilities to the depot designated by Maanshan Steel Group. The payment to us in respect of the sale of coke will be settled by Maanshan Steel Group on a monthly basis.

The price of the coke shall be determined according to the following mechanism: our sales department will regularly monitor the movements and trends of the futures price of coke and determine the prevailing price range of coke after considering the prices and market inventory levels of coke published by specialized online information platforms as well as the factory gate prices recommended by the China Coking Industry Association together with other associations in principal coke production regions. We will also regularly convene internal price analysis meetings to determine the factory gate price of our coke after considering the above factors. We will then determine the final sale price after arm's length negotiations with Maanshan Steel Group. Regarding coke with special specifications requested by our customers (including Maanshan Steel Group), we 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.

Furthermore, pursuant to the Maanshan Steel Framework Agreement, Maanshan Steel Group shall purchase at least 800,000 tons of coke from us annually for each of the three years ending December 31, 2017, 2018 and 2019. Maanshan Steel has also agreed that if the terms of the sale of coke provided by third parties are not more favorable than those provided by us, Maanshan Steel Group shall place its sourcing orders for coke with us.

The term of the Maanshan Steel Framework Agreement commenced on January 1, 2017 and shall end on December 31, 2019.

CONTINUING CONNECTED TRANSACTIONS

Proposed annual caps

The table below summarizes the actual transaction amounts for each of the three years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 for the transactions between our Company and Maanshan Steel (via Shanghai Lugang as mentioned above with regard to the sale of the coke to Maanshan Steel):

	Year ended December 31,			Four months ended April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amount	800,955	679,387	895,833	437,767

For each of the three years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, our Company supplied approximately 890,000 tons, 1,010,000 tons, 940,000 tons and 280,000 tons of coke to Maanshan Steel, respectively. As disclosed above, Maanshan Steel has been purchasing coke from us as a raw material for its manufacturing of iron and steel. Although it is expected that certain policies will be launched in the PRC to consolidate the production capacity in the iron and steel industry, with the expected 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 Maanshan Steel Group will remain stable. In light of the above, based on Maanshan Steel Group's historical demand for our coke, we estimate that we will sell up to 950,000 tons of coke to Maanshan Steel Group for each of the three years ending December 31, 2017, 2018 and 2019.

Due to the expected recovery of the iron and steel industry as a result of an increase in investments in infrastructure as mentioned above, notwithstanding the implementation of the abovementioned policies in the PRC for industry consolidation in the coming years as well as the technological upgrade of coking enterprises, Frost & Sullivan estimates, and our Directors concur, that the average market price (net of VAT) of coke will increase mildly from approximately RMB1,500 per ton for the year ending December 31, 2017, to approximately RMB1,550 and RMB1,570 per ton, respectively, for the years ending December 31, 2018 and 2019. Hence, with an expected stable supply of coke to Maanshan Steel Group, our Company expects that the sales amount for such transactions will increase mildly during the term of the Maanshan Steel Framework Agreement.

The table below summarizes the proposed annual caps for the continuing connected transactions set out in this sub-section (1) for each of the three years ending December 31, 2017, 2018 and 2019:

	Year ending December 31,		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual cap	1,425,000	1,472,500	1,491,500

CONTINUING CONNECTED TRANSACTIONS

Reasons for entering into the Maanshan Steel Framework Agreement

Maanshan Steel Group, being one of the largest steel product manufacturers in the PRC, has been a customer for our coke for over a decade. Through the transactions contemplated under the Maanshan Steel Framework Agreement, we will continue to sell coke to Maanshan Steel Group and generate stable and predictable revenue. Hence, our Directors (including the independent non-executive Directors) consider it to be beneficial to us to continue to conduct the transactions under the Maanshan Steel Framework Agreement following the Listing.

Listing Rules implications

As the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under the Maanshan Steel Framework Agreement for each of the three years ending December 31, 2017, 2018 and 2019 exceeds 5% on an annual basis, such transactions will constitute non-exempt continuing connected transactions following the Listing, and will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules following the Listing.

(2) Sale of coke to the Jiangxi PXSteel Group

Background of the connected person and the connected transaction

Jiangxi PXSteel, being principally engaged in the manufacturing and sale of iron and steel products (which requires coke as a raw material, details of which are disclosed in “*Business — Products — Coke*”), was interested in 13.5% of the total issued share capital of our Company as of the Latest Practicable Date. Upon completion of the Global Offering, Jiangxi PXSteel will be interested in approximately 10.12% of the total issued shares of our Company (assuming the Over-allotment Option is not exercised) or 10.00% of the total issued shares of our Company (assuming the Over-allotment Option is exercised in full). As such, upon the Listing, Jiangxi PXSteel will continue to be one of the substantial Shareholders of our Company, and hence, a connected person of our Company under Rule 14A.07 of the Listing Rules.

Historically and during the Track Record Period, before entering into the Jiangxi PXSteel Framework Agreement, our Company entered into separate agreements with Jiangxi PXSteel and its subsidiaries in respect of the sale of coke by our Company to Jiangxi PXSteel Group. In order to comply with the requirements under Chapter 14A of the Listing Rules after the Listing, we streamlined the abovementioned arrangements and entered into a framework agreement with Jiangxi PXSteel in respect of the sale of coke by our Company (and/or other Group Companies) to Jiangxi PXSteel Group (the “**Jiangxi PXSteel Framework Agreement**”).

CONTINUING CONNECTED TRANSACTIONS

Principal terms of the Jiangxi PXSteel Framework Agreement

Date: September 18, 2017

Parties: (1) Our Company
(2) Jiangxi PXSteel

Term: January 1, 2017 to December 31, 2019

The Jiangxi PXSteel Framework Agreement provides for the sale of coke by us to Jiangxi PXSteel Group during the term of the Jiangxi PXSteel Framework Agreement. Jiangxi PXSteel Group will from time to time place purchase orders with us, specifying the amount of coke required by Jiangxi PXSteel Group, the requisite product specifications, as well as the expected delivery schedule; and following our acceptance of the orders, we will 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. Jiangxi PXSteel Group shall bear the costs of transportation of coke from our production facilities to the depot designated by Jiangxi PXSteel Group. The payment to us in respect of the sale of coke will be settled by Jiangxi PXSteel Group on a monthly basis.

The price of the coke shall be determined according to the following mechanism: our sales department will regularly monitor the movements and trends of the futures price of coke and determine the prevailing price range of coke after considering the prices and market inventory levels of coke published by specialized online information platforms as well as the factory gate prices recommended by the China Coking Industry Association together with other associations in principal coke production regions. We will also regularly convene internal price analysis meetings to determine the factory gate price of our coke after considering the above factors. We will then determine the final sale price after arm's length negotiations with Jiangxi PXSteel Group. Regarding coke with special specifications requested by our customers (including Jiangxi PXSteel Group), we 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.

Furthermore, pursuant to the Jiangxi PXSteel Framework Agreement, Jiangxi PXSteel Group shall purchase at least 400,000 tons of coke from us annually for each of the three years ending December 31, 2017, 2018 and 2019. Jiangxi PXSteel has also agreed that if the terms of the sale of coke provided by third parties are not more favorable than those provided by us, Jiangxi PXSteel Group shall place its sourcing orders for coke with us.

The term of the Jiangxi PXSteel Framework Agreement commenced on January 1, 2017 and shall end on December 31, 2019.

CONTINUING CONNECTED TRANSACTIONS

Proposed annual caps

The table below summarizes the actual transaction amounts for each of the three years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 for the transactions between our Company and Jiangxi PXSteel Group with regard to the sale of coke to Jiangxi PXSteel Group:

	Year ended December 31,			Four months ended April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amount	615,806	414,342	436,651	407,665

For each of the three years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, our Company sold around 670,000 tons, 590,000 tons, 380,000 tons and 260,000 tons of coke to Jiangxi PXSteel Group. As disclosed above, Jiangxi PXSteel Group has been purchasing coke from us as a raw material for its manufacturing of iron and steel. In late 2015 and the first half of 2016, Jiangxi PXSteel took the opportunity to undertake an overhaul exercise during market downturn. Hence, there was then a decrease in demand for our coke, resulting in a drop in the supply of coke to Jiangxi PXSteel Group for the year ended December 31, 2016. Nonetheless, with the gradual recovery of the market conditions since mid-2016, the completion of Jiangxi PXSteel's overhaul exercise and the recovery of the demand and purchase of our coke by Jiangxi PXSteel Group since the second half of 2016, it is expected that the demand of our coke by Jiangxi PXSteel Group will return to the original level in 2017. Although it is expected that certain policies will be launched in the PRC to consolidate the production capacity in the iron and steel industry, with the expected 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 Jiangxi PXSteel Group will remain stable during the three years ending December 31, 2017, 2018 and 2019. In light of the above, based on Jiangxi PXSteel Group's historical demand for our coke, we estimate that we will sell up to 600,000 tons of coke to Jiangxi PXSteel Group for each of the three years ending December 31, 2017, 2018 and 2019.

Due to the expected recovery of the iron and steel industry as a result of an increase in investments in infrastructure as mentioned above, notwithstanding the implementation of the abovementioned policies in the PRC for industry consolidation in the coming years as well as the technological upgrade of coking enterprises, Frost and Sullivan estimates, and our Directors concur, that the average market price (net of VAT) of coke will increase mildly from approximately RMB1,500 per ton for the year ending December 31, 2017, to approximately RMB1,550 and RMB1,570 per ton, respectively, for the years ending December 31, 2018 and 2019. Hence, with an expected stable supply of coke to Jiangxi PXSteel Group, our Company expects that the sales amount for such transactions will increase mildly during the term of the Jiangxi PXSteel Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS

The table below summarizes the proposed annual caps for the continuing connected transactions set out in this sub-section (2) for each of the three years ending December 31, 2017, 2018 and 2019:

	Year ending December 31,		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual cap	900,000	930,000	942,000

Reasons for entering into the Jiangxi PXSteel Framework Agreement

Jiangxi PXSteel Group has been one of the main customers for our coke since 2004. Through the transactions contemplated under the Jiangxi PXSteel Framework Agreement, we will continue to sell coke to Jiangxi PXSteel Group and generate stable and predictable revenue. Hence, our Directors (including the independent non-executive Directors) consider it to be beneficial to us to continue to conduct the transactions under the Jiangxi PXSteel Framework Agreement following the Listing.

Listing Rules implications

As the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under the Jiangxi PXSteel Framework Agreement for each the three years ending December 31, 2017, 2018 and 2019 exceed 5% on an annual basis, such transactions will constitute non-exempt continuing connected transactions following the Listing, and will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules following the Listing.

(3) *Purchase of coal tar, crude benzene and coal gas from Yugang Coking*

Background of the connected person

As of the Latest Practicable Date, Yugang Coking was held as to approximately 88.03% by Golden Fair Chemicals (Holdings) Limited which was in turn held as to 65.92% by Mr. Wang Xuezhong. Mr. Wang was a controlling shareholder of Henan Jinsu Shiye Co., Ltd., which was in turn a substantial shareholder of Jinning Energy, a member of our Group. As such, Yugang Coking is a connected person of our Company under Rule 14A.07 of the Listing Rules. Yugang Coking is principally engaged in the production of coke and coking by-products.

(a) *Purchase of coal tar from Yugang Coking*

Historically and during the Track Record Period, before entering into the Coal Tar Purchase Framework Agreement, Bohigh Chemical entered into separate agreements with Yugang Coking in respect of the purchase of coal tar by Bohigh Chemical from Yugang Coking. As disclosed in "*History, Development and Reorganization — Acquisition of a 71% Interest in Bohigh Chemical*," Bohigh Chemical became our wholly owned subsidiary in October 2016. In order to comply with the

CONTINUING CONNECTED TRANSACTIONS

requirements under Chapter 14A of the Listing Rules after the Listing, we had streamlined the abovementioned arrangements and entered into a framework agreement with Yugang Coking in respect of the purchase of coal tar by Bohigh Chemical (and/or other Group Companies) from Yugang Coking (the “**Coal Tar Purchase Framework Agreement**”).

Principal terms of the Coal Tar Purchase Framework Agreement

Date: September 18, 2017

Parties: (1) Bohigh Chemical
(2) Our Company
(3) Yugang Coking

Term: January 1, 2017 to December 31, 2019

The Coal Tar Purchase Framework Agreement provides for the principal terms under which Bohigh Chemical (and/or other Group Companies) can purchase the coal tar produced by Yugang Coking. Bohigh Chemical (and/or other Group Companies) will from time to time place purchase orders with Yugang Coking specifying the amount of coal tar required by us, the requisite product specifications, as well as the expected delivery schedule. Yugang Coking will sell the coal tar 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. Bohigh Chemical (and/or other Group Companies) shall bear the costs of transportation of coal tar from the production facilities of Yugang Coking to the depot designated by Bohigh Chemical (and/or other Group Companies). The payment to Yugang Coking in respect of the purchase of coal tar will be settled by Bohigh Chemical (and/or other Group Companies) on a monthly basis.

The price of the coal tar shall be determined according to the following mechanism: our supplies department will regularly monitor the movements and trends of the futures price of coal tar and determine the prevailing price range of coal tar after comparing quotes obtained from third parties. Based on such prevailing price range and the purchase price of coal tar from our other independent suppliers, and having taking into account the historical average delivered duty paid price of Yugang Coking’s coal tar and the relevant transportation fees, we will agree with Yugang Coking on the final price after arm’s length negotiations with Yugang Coking.

The term of the Coal Tar Purchase Framework Agreement commenced on January 1, 2017 and shall end on December 31, 2019.

Proposed annual caps

Subsequent to Bohigh Chemical becoming our wholly owned subsidiary in October 2016, for the two months ended December 31, 2016 and the four months ended April 30, 2017, the actual transaction amounts for the purchase of coal tar from Yugang Coking by Bohigh Chemical were approximately RMB4,753,000 and RMB16,672,000, respectively.

CONTINUING CONNECTED TRANSACTIONS

For each of the three years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, Bohigh Chemical purchased approximately 21,300 tons, 18,800 tons, 18,600 tons and 7,400 tons of coal tar from Yugang Coking, respectively. In light of the above, based on Bohigh Chemical's historical demand for coal tar, Yugang Coking's historical production capacity for coal tar and on the assumption that such demand for and Yugang Coking's supply of coal tar would remain stable, we estimate that we would purchase up to 21,000 tons of coal tar from Yugang Coking for each of the three years ending December 31, 2017, 2018 and 2019.

The average price of coal tar (net of VAT) purchased by us during the six months ended April 30, 2017 amounted to approximately RMB2,100 per ton. Taking into account such average price and having considered the prevailing market price of coal tar in April 2017, RMB2,100 per ton was set as the estimated annual average price of coal tar for the year ending December 31, 2017. Due to an expected shortage of supply in coal tar in the market for the years ending December 31, 2017, 2018 and 2019 in view of the anticipated launch of policies in the PRC to eliminate enterprises with outdated technology, environmental protection measures or production facilities, our Directors consider that the average prevailing market price of the coal tar is expected to rise steadily from approximately RMB2,100 per ton for the year ending December 31, 2017, to approximately RMB2,210 and RMB2,320 per ton, respectively, for the years ending December 31, 2018 and 2019. Hence, we estimate that the purchase amount of coal tar from Yugang Coking would increase steadily during the term of the Coal Tar Purchase Framework Agreement.

The table below summarizes the proposed annual caps for the continuing connected transactions set out in this sub-section (3)(a) for each of the three years ending December 31, 2017, 2018 and 2019:

	Year ending December 31,		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual cap	44,100	46,410	48,720

(b) *Purchase of crude benzene from Yugang Coking*

Historically and during the Track Record Period, before entering into the Crude Benzene Purchase Framework Agreement, Jinyuan Chemicals entered into separate agreements with Yugang Coking in respect of the purchase of crude benzene by Jinyuan Chemicals from Yugang Coking. As disclosed in "*History, Development and Reorganization — Acquisition of 100% Interest in Jinyuan Chemicals*," Jinyuan Chemicals became our wholly owned subsidiary in May 2015. In order to comply with the requirements under Chapter 14A of the Listing Rules after the Listing, we had streamlined the abovementioned arrangements and entered into a framework agreement with Yugang Coking in respect of the purchase of crude benzene by Jinyuan Chemicals (and/or other Group Companies) from Yugang Coking (the "**Crude Benzene Purchase Framework Agreement**").

CONTINUING CONNECTED TRANSACTIONS

Principal terms of the Crude Benzene Purchase Framework Agreement

Date: September 18, 2017

Parties: (1) Jinyuan Chemicals
(2) Our Company
(3) Yugang Coking

Term: January 1, 2017 to December 31, 2019

The Crude Benzene Purchase Framework Agreement provides for the principal terms under which Jinyuan Chemicals (and/or other Group Companies) can purchase crude benzene produced by Yugang Coking. Jinyuan Chemicals (and/or other Group Companies) will from time to time place purchase orders with Yugang Coking specifying the amount of crude benzene required by us, the requisite product specifications, as well as the expected delivery schedule. Yugang Coking will sell the crude benzene 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. Jinyuan Chemicals (and/or other Group Companies) shall bear the costs of transportation of crude benzene from the production facilities of Yugang Coking to the depot designated by Jinyuan Chemicals (and/or other Group Companies). The full payment to Yugang Coking in respect of the purchase of crude benzene will be settled by Jinyuan Chemicals (and/or other Group Companies) on a monthly basis.

The price of the crude benzene shall be determined according to the following mechanism: our supplies department will regularly monitor the movements and trends of the futures price of crude benzene and determine the prevailing price range of crude benzene after comparing quotes obtained from third parties. Based on such prevailing price range, and having taking into account the historical average delivered duty paid price of Yugang Coking's crude benzene and the relevant transportation fees, we will agree with Yugang Coking on the final price after arm's length negotiations with Yugang Coking.

The term of the Crude Benzene Purchase Framework Agreement commenced on January 1, 2017 and shall end on December 31, 2019.

Proposed annual caps

Subsequent to Jinyuan Chemicals becoming our wholly owned subsidiary in May 2015, for the seven months ended December 31, 2015, the year ended December 31, 2016 and the four months ended April 30, 2017, the actual transaction amounts for the purchase of crude benzene from Yugang Coking by Jinyuan Chemicals were approximately RMB12,694,000, RMB24,846,000 and RMB12,242,000, respectively.

For each of the three years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, Jinyuan Chemicals purchased approximately 8,000 tons, 7,000 tons, 7,000 tons and 2,500 tons of crude benzene from Yugang Coking, respectively. In light of the above, based on Jinyuan

CONTINUING CONNECTED TRANSACTIONS

Chemical's historical demand for crude benzene, Yugang Coking's historical production capacity for crude benzene and on the assumption that such demand for and Yugang Coking's supply of crude benzene would remain stable, we estimate that we would purchase up to 7,000 tons of crude benzene from Yugang Coking for each of the three years ending December 31, 2017, 2018 and 2019.

The average price of crude benzene (net of VAT) purchased by us during the six months ended April 30, 2017 amounted to approximately RMB4,700 per ton. Taking into account such average price and having considered the prevailing market price of crude benzene in April 2017, RMB4,700 per ton was set as the estimated annual average price of crude benzene for the year ending December 31, 2017. Due to an expected shortage of supply in crude benzene in the market for the years ending December 31, 2017, 2018 and 2019 in view of the anticipated launch of policies in the PRC to eliminate enterprises with outdated technology, environmental protection measures or production facilities, our Directors consider that the average prevailing market price of the crude benzene is expected to rise steadily from approximately RMB4,700 per ton for the year ending December 31, 2017, to approximately RMB4,940 and RMB5,190 per ton, respectively, during the years ending December 31, 2018 and 2019, respectively. Hence, we estimate that the purchase amount for this continuing connected transaction would increase steadily during the term of the Crude Benzene Purchase Framework Agreement.

The table below summarizes the proposed annual caps for the continuing connected transactions set out in this sub-section (3)(b) for each of the three years ending December 31, 2017, 2018 and 2019.

	Year ending December 31,		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual cap	32,900	34,580	36,330

(c) *Purchase of coal gas from Yugang Coking*

Historically and during the Track Record Period, before entering into the Coal Gas Purchase Framework Agreement, Jinning Energy entered into separate agreements with Yugang Coking in respect of the purchase of coal gas by Jinning Energy from Yugang Coking. As disclosed in "*History, Development and Reorganization — Acquisition of 51% Interest in Jinning Energy*," Jinning Energy became our subsidiary in December 2016. In order to comply with the requirements under Chapter 14A of the Listing Rules after the Listing, we had streamlined the abovementioned arrangements and entered into a framework agreement with Yugang Coking in respect of the purchase of coal gas by Jinning Energy (and/or other Group Companies) from Yugang Coking (the "**Coal Gas Purchase Framework Agreement**").

CONTINUING CONNECTED TRANSACTIONS

Principal terms of the Coal Gas Purchase Framework Agreement

Date:	September 18, 2017
Parties:	(1) Jinning Energy (2) Our Company (3) Yugang Coking
Term:	January 1, 2017 to December 31, 2019

The Coal Gas Purchase Framework Agreement provides for the principal terms under which Jinning Energy can purchase the coal gas produced by Yugang Coking. Jinning Energy (and/or other Group Companies) will from time to time place purchase orders with Yugang Coking specifying the amount of coal gas required by us, the requisite product specifications, as well as the expected delivery schedule. Yugang Coking will sell the coal gas 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. Yugang Coking shall bear the costs of transportation of coal gas from the production facilities of Yugang Coking to the destination designated by Jinning Energy. The payment to Yugang Coking in respect of the purchase of coal gas will be settled by Jinning Energy on a monthly basis.

The price of the coal gas shall be determined according to the following mechanism: our supplies department will determine the prevailing price range of coal gas after taking into account of the reference price of coal gas as announced by the Jiyuan Municipal Development and Reform Commission from time to time. Based on such prevailing price range, we will agree with Yugang Coking on the final price after arm's length negotiations with Yugang Coking.

The term of the Coal Gas Purchase Framework Agreement commenced on January 1, 2017 and shall end on December 31, 2019.

Proposed annual caps

For the four months ended April 30, 2017, the actual transaction amount for the purchase of coal gas from Yugang Coking by Jinning Energy was approximately RMB5,521,000.

For each of the three years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, Jinning Energy purchased around 46,907,000 m³, 28,600,000 m³, 33,311,000 m³ and 10,399,000 m³ of coal gas from Yugang Coking, respectively. Based on Jinning Energy's historical demand for coal gas and on the assumption that our demands for coal gas from Yugang Coking would remain stable, we estimate that we would purchase up to 37,900,000 m³ of coal gas from Yugang Coking for the year ending December 31, 2017. From 2018 onwards, as it is expected that Jinrui Energy would have commenced operations, our Directors estimate that our demands for coal gas from Yugang Coking would increase. Hence, it is estimated that we would purchase 40,000,000 m³ of coal gas from Yugang Coking for each of the two years ending December 31, 2018 and 2019, respectively.

CONTINUING CONNECTED TRANSACTIONS

As the reference price of coal gas as announced by the Jiyuan Municipal Development and Reform Commission had remained relatively stable during the Track Record Period, our Directors consider that the prevailing market price of coal gas is expected to remain stable and the average purchase price of coal gas from Yugang Coking would remain at the current level of approximately RMB0.53 per m³ (net of VAT) during each of the years ending December 31, 2017, 2018 and 2019. Hence, with an expected increase in demand of coal gas from Yugang Coking, we estimate that the purchase amount for this continuing connected transaction would increase accordingly during the term of the Coal Gas Purchase Framework Agreement.

The table below summarizes the proposed annual caps for the continuing connected transactions set out in this sub-section (3)(c) for each of the three years ending December 31, 2017, 2018 and 2019:

	Year ending December 31,		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual cap	20,087	21,200	21,200

Reasons

Yugang Coking has been providing coal tar, crude benzene and coal gas to Bohigh Chemical, Jinyuan Chemicals and Jinning Energy, respectively, prior to and during the Track Record Period. Through the transactions contemplated under the Coal Tar Purchase Framework Agreement, the Crude Benzene Purchase Framework Agreement and the Coal Gas Purchase Framework Agreement (collectively referred to as the “**Yugang Purchase Framework Agreements**”), we believe that we will continue to obtain these raw materials for our onward processing business from a source which is convenient in terms of transportation and has all along been able to produce products with a stable quality at a prevailing market price. Hence, our Directors (including the independent non-executive Directors) consider it to be beneficial to our Company to continue to conduct the transactions under the Yugang Purchase Framework Agreements following the Listing.

Listing Rules implications

Having considered that all the transactions under the Yugang Purchase Framework Agreements involve the purchase of raw materials by us from the same connected person, our Directors consider that the fees payable by us to Yugang Coking under the Yugang Purchase Framework Agreements shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The table below summarizes the proposed aggregated annual caps for all of the continuing connected transactions set out in this sub-section (3) for each of the three years ending December 31, 2017, 2018 and 2019:

	Year ending December 31,		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Aggregated proposed annual cap	97,087	102,190	106,250

As the highest applicable percentage ratio, on aggregate basis, for the purpose of Chapter 14A of the Listing Rules in respect of the fees payable by us under the Yugang Purchase Framework Agreements for each of the three years ending December 31, 2017, 2018 and 2019 exceeds 5% on an annual basis, such transactions will constitute non-exempt continuing connected transactions following the Listing, and will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules following the Listing.

(4) *Sale of coal to Yugang Coking*

During the Track Record Period, before entering into the Yugang Sale Framework Agreement, Shanghai Jinma, being a company engaged in the trading of coal, entered into separate agreements with Yugang Coking in respect of the sale of coal by Shanghai Jinma to Yugang Coking. As disclosed in "*History, Development and Reorganization — Acquisition of a 75% Interest in Shanghai Jinma,*" Shanghai Jinma became our subsidiary in May 2014. In order to comply with the requirements under Chapter 14A of the Listing Rules after the Listing, Shanghai Jinma had streamlined the abovementioned arrangements and entered into a framework agreement with Yugang Coking in respect of the sale of coal by Shanghai Jinma to Yugang Coking (the "**Yugang Sale Framework Agreement**").

Principal terms of the Yugang Sale Framework Agreement

Date:	September 18, 2017
Parties:	(1) Shanghai Jinma (2) Yugang Coking
Term:	January 1, 2017 to December 31, 2019

The Yugang Sale Framework Agreement provides for the principal terms under which Shanghai Jinma can sell its coal to Yugang Coking. Yugang Coking will from time to time place purchase orders with Shanghai Jinma specifying the amount of coal required by Yugang Coking, the requisite product specifications, as well as the expected delivery schedule. Following the acceptance of the orders by Shanghai Jinma, Shanghai Jinma will sell the coal at the 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 payment to Shanghai Jinma in respect of the sale of coal will be settled by Yugang Coking on a monthly basis.

CONTINUING CONNECTED TRANSACTIONS

The price of the coal shall be determined according to the following mechanism: our sales department will regularly monitor the movements and trends of the futures price of coal and determine the prevailing price range of coal after considering the prices and market inventory levels of coal published by specialized online information platforms. We will also take into account the relevant product specifications and the costs of purchasing the coal, and determine the final sale price after arm's length negotiations with Yugang Coking.

The term of the Yugang Sale Framework Agreement commenced on January 1, 2017 and shall end on December 31, 2019.

Proposed annual caps

Subsequent to Shanghai Jinma becoming our subsidiary in May 2014, for the eight months ended December 31, 2014, each of the two years ended December 31, 2015 and 2016 and the four months ended April 30, 2017, the actual transaction amounts for the sale of coal from Shanghai Jinma to Yugang Coking were approximately RMB92,271,000, RMB123,902,000, RMB163,952,000 and RMB22,461,000, respectively.

For each of the three years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, we sold approximately 232,100 tons, 286,200 tons, 274,600 tons and 23,100 tons of coal to Yugang Coking, respectively. To diversify our revenue sources, we estimate that we will sell less coal to Yugang Coking starting from 2017, and hence, we estimate that we would sell up to 120,000 tons of coal to Yugang Coking for each of the three years ending December 31, 2017, 2018 and 2019, respectively.

Based on the Frost & Sullivan Report, having taken into account the type of coal expected to be sold to Yugang Coking and in view of the anticipated reformation of the supply of coal and the launch of policies in the PRC to resolve excessive production capacity, our Directors consider that the average market price of coal to be sold by Shanghai Jinma to Yugang Coking is expected to remain stable at approximately RMB1,000 per ton during the years ending 31 December, 2017, 2018 and 2019. Hence, with an expected stable supply of coal to Yugang Coking, we expect that the sales amount for such transactions will remain stable during the term of the Yugang Sale Framework Agreement.

The table below summarizes the proposed annual caps for the continuing connected transactions set out in this sub-section (4) for each of the three years ending December 31, 2017, 2018 and 2019:

	Year ending December 31,		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual cap	120,000	120,000	120,000

CONTINUING CONNECTED TRANSACTIONS

Reasons for entering into the Yugang Sale Framework Agreement

Shanghai Jinma is principally engaged in the trading of coal and coal equipment. Throughout the Track Record Period, Shanghai Jinma has been in cooperation with a number of customers in its coal trading business, and Yugang Coking has been one of its main customers since 2013. As discussed in “*Business — Trading,*” other than generating revenue, trading of coal also allows us to enhance our cost advantage from bulk purchase of coal. Further, through the transactions contemplated under the Yugang Sale Framework Agreement, our Directors consider that we will continue to sell coal to Yugang Coking, a coking enterprise with stable operation and demand for coal, and generate stable and predictable revenue. Hence, our Directors (including the independent non-executive Directors) consider it to be beneficial to our Company to continue to conduct the transactions under the Yugang Sale Framework Agreement following the Listing.

Listing Rules implications

As the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under the Yugang Sale Framework Agreement for each the three years ending December 31, 2017, 2018 and 2019 exceed 5% on an annual basis, such transactions will constitute non-exempt continuing connected transactions following Listing, and will be subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules following the Listing.

OPINION OF OUR DIRECTORS

Our Directors (including our independent non-executive Directors) have confirmed that all the continuing connected transactions mentioned above have been entered into and are in the ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable to our Group and are in the interests of our Shareholders as a whole. Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of all of the non-exempt continuing connected transactions referred to under “— *Continuing Connected Transactions*” above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SPONSOR

After (i) reviewing the relevant agreements in respect of the above non-exempt continuing connected transactions and the historical figures provided by us, and (ii) discussing with our Directors on the terms and annual caps in respect of the relevant non-exempt continuing connected transactions, the Sponsor is of the opinion that (i) the above non-exempt continuing connected transactions have been entered into or will be carried out in the ordinary and usual course of business of our Company and on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps for the above non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

WAIVER FROM THE STOCK EXCHANGE

As the applicable percentage ratios under the Listing Rules for the non-exempt continuing connected transactions included in this prospectus under the paragraphs headed “— *Continuing Connected Transactions — B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders’ approval requirements*” above are, on an annual basis, more than 5%, such transactions are subject to the reporting, announcement, annual review and independent Shareholders’ approval requirements set out in Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.105 of the Listing Rules, the Stock Exchange may grant a waiver from the announcement, circular and independent Shareholders’ approval requirements in relation to the continuing connected transactions entered into by a new applicant. Given details of the non-exempt continuing connected transactions have been included in this prospectus under the paragraphs headed “—*Continuing Connected Transactions — B. Continuing connected transactions subject to annual review, disclosure and independent Shareholders’ approval requirements*” above, our Directors consider that strict compliance with the requirements set out in Rule 14A.35, 14A.36 and 14A.46 of the Listing Rules would be unduly burdensome and add additional and unnecessary costs to our Company.

Accordingly, the Sponsor has applied, on behalf of our Company, to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, and (where applicable) circular and independent shareholders’ approval requirements of the Listing Rules in respect of the non-exempt continuing connected transactions that have been included in “— *Continuing Connected Transactions*” above.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Directors and Supervisors

Our Board currently consists of nine Directors, of whom three are executive Directors, three are non-executive Directors and three are independent non-executive Directors. The Directors are appointed by our Shareholders for a term of three years, and may be appointed for consecutive terms. The Board shall be responsible for and shall have general power to manage and develop the Company's business.

Our Supervisory Committee currently consists of six Supervisors, of whom two are Shareholder representatives, two are external Supervisors and two are employee representatives. Shareholder representative Supervisors and external Supervisors are elected by our Shareholders and employee representative Supervisors are elected by employee representatives. The Supervisors shall serve for a term of three years and may be appointed for consecutive terms. The Supervisory Committee is responsible for overseeing our Board and senior management in discharging their responsibilities and reviewing our financial statements.

The following table sets out information regarding our Directors and Supervisors.

Executive Directors

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Time of joining our Group</u>	<u>Time of appointment</u>	<u>Responsibilities</u>	<u>Relationship with other Director(s), Supervisor(s), and/or senior management</u>
Mr. Yiu Chiu Fai (饒朝暉)	49	Chairman of our Board and executive Director	May 2006	July 2016	Responsible for formulating our corporate and operational strategies and making major corporate and operational decisions	None
Mr. Wang Mingzhong (王明忠)	54	CEO of our Group and executive Director	February 2003	July 2016	Responsible for formulating our development plans and operational strategies and the overall daily business operation and management	None
Mr. Li Tianxi (李天喜)	53	Executive Director and executive deputy general manager	April 2003	December 2016	Responsible for our technological, environmental and construction developments	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Directors

Name	Age	Position	Time of joining our Group	Time of appointment	Responsibilities	Relationship with other Director(s), Supervisor(s), and/or senior management
Mr. Lu Kecong (陸克從)	53	Deputy chairman of our Board, Non-executive Director	March 2014	July 2016	Participating in the formulation of our corporate and operational strategies	None
Mr. Hu Xiayu (胡夏雨)	55	Non-executive Director	May 2014	July 2016	Participating in the formulation of our corporate and operational strategies	None
Mr. Wang Zhiming (王志明)	44	Non-executive Director	July 2016	July 2016	Participating in the formulation of our corporate and operational strategies	None

Independent non-executive Directors

Name	Age	Position	Time of joining our Group	Time of appointment	Responsibilities	Relationship with other Director(s), Supervisor(s), and/or senior management
Mr. Zheng Wenhua (鄭文華)	75	Independent non-executive Director	September 2017	September 2017	Supervising our compliance and corporate governance issues and providing independent opinion and advice to our Board	None
Mr. Liu Yuhui (劉煜輝)	46	Independent non-executive Director	September 2017	September 2017	Supervising our compliance and corporate governance issues and providing independent opinion and advice to our Board	None
Mr. Wu Tak Lung (吳德龍)	52	Independent non-executive Director	September 2017	September 2017	Supervising our compliance and corporate governance issues and providing independent opinion and advice to our Board	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Supervisors

Name	Age	Position	Time of joining our Group	Time of appointment	Responsibilities	Relationship with other Director(s), Supervisor(s), and/or senior management
Mr. Wong Tsz Leung (黃梓良)	53	Chairman of the Supervisory Committee, Shareholder representative Supervisor	February 2012	July 2016	Overseeing the affairs of the Supervisory Committee; supervising our operations and financial activities	None
Mr. Zhang Qiangxian (張強弦)	36	Shareholder representative Supervisor	October 2014	July 2016	Supervising our operations and financial activities	None
Mr. Zhou Tao, David (周韜)	46	External Supervisor	September 2017	September 2017	Supervising our operations and financial activities	None
Ms. Tian Fangyuan (田方遠)	29	External Supervisor	September 2017	September 2017	Supervising our operations and financial activities	None
Mr. Li Zhongge (李中革)	45	Employee representative Supervisor	December 2004	July 2016	Supervising our operations and financial activities	None
Ms. Hao Yali (郝亞莉)	44	Employee representative Supervisor	September 2004	September 2017	Supervising our operations and financial activities	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Senior Management

Members of our senior management are responsible for the day-to-day operation of our business. For the biographical details of Directors who form part of the senior management, please see “— *Directors*” above. The table below set forth certain information concerning our senior management, apart from those who serve as the Directors:

Name	Age	Position	Time of joining our Group	Time of appointment to the current position	Responsibilities	Relationship with other Director(s), Supervisor(s), and/or senior management
Mr. Jin Daoqiang (金道強)	60	Chief financial officer and deputy general manager	April 2012	April 2012	Overseeing our financial and accounting management and coordination, implementation of our financial strategic planning	None
Mr. Fan Jianguo (范建國)	50	Deputy general manager	March 2005	March 2005	Overseeing our sales	None
Mr. Ju Lixing (琚理興)	41	Deputy general manager	October 2007	April 2012	Overseeing our procurement	None
Mr. Kong Deming (孔德明)	54	Labor union chairman	August 2003	December 2009	Maintaining the communication between us and our employees	None
Mr. Wang Yongxin (王永新)	42	Deputy general manager	January 2004	November 2013	Overseeing our production	None
Mr. Wang Zhaofeng (王兆峰)	40	Secretary to the Board	March 2008	December 2016	Providing support to our Board, our administrative management and general affairs	None
Mr. Wong Hok Leung (王學良)	64	Head of capital markets and company secretary	January 2017	January 2017	Overseeing our corporate governance, company secretarial and capital market matters	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Yiu Chiu Fai (饒朝暉), aged 49, was appointed as our executive Director and the chairman of our Board in July 2016. Mr. Yiu is a director and chairman of the board of directors of Jinyuan Chemicals, a subsidiary of our Company. Mr. Yiu is also a director of Jinma HK, Jinma Coking and Golden Star, all of which are members of our Controlling Shareholder Group. Mr. Yiu joined us in May 2006 as a director of our Predecessor. As chairman of our Board, Mr. Yiu is mainly responsible for formulating our corporate and operational strategies and making major corporate and operational decisions.

Prior to joining us, Mr. Yiu was a department manager of Xiamen Commercial Foreign Trade Corporation from around August 1990 to September 1993, a director and deputy general manager of Shangxiang Minmetals Investment Ltd. from December 1993 to June 1997, an executive director of Central China Enterprises Limited, a company listed in Hong Kong, (stock code: 351) from June 1998 to September 2000, and the chairman of Yugang Coking from June 2002 to July 2012. Mr. Yiu has over 20 years of experience in corporate management.

Mr. Yiu was a director of Sino System Limited, a private company limited by shares incorporated in Hong Kong, which never commenced any operation and was dissolved by way of striking off on August 9, 2002. Mr. Yiu was also a director of 河南太屋電力有限公司(Henan Taiwu Electricity Co., Ltd.*), a company incorporated in the PRC, with its business scope covering production and sale of electricity. The said company's business license was revoked on December 26, 2003 as it did not carry out its annual inspection as required under the relevant PRC regulations. Mr. Yiu confirmed that the aforementioned companies were solvent at the time of dissolution and that there was no misconduct or misfeasance on his part as a director of the company that had led to its dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Mr. Yiu obtained a bachelor's degree in law from Xiamen University in July 1990. He also obtained a master's degree in business administration from the University of South Australia in April 2003 through long distance learning.

Mr. Wang Mingzhong (王明忠), aged 54, was appointed as our CEO and our executive Director in July 2016. Mr. Wang is currently a director of Jinyuan Chemicals, a subsidiary of our Company, and also a director of Jinrui Energy and a general manager and a director of Jinrui Gas, subsidiaries of our Company. Mr. Wang is also a director of Jinma Xingye, our substantial Shareholder. Mr. Wang joined us as a director of our Predecessor since its establishment in February 2003 and has served as the general manager of our Company (and our Predecessor) since April 2003. He is mainly responsible for formulating our development plans and operational strategies and the overall daily business operation and management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Prior to joining us, Mr. Wang was a manager in 河南省濟源市石油液化氣公司 (Henan Jiyuan Liquefied Petroleum Gas Company*) from December 1993 to December 1995 . He also served as the general manager and the deputy secretary of the party committee of Yugang Coking from January 1996 to February 2003. Mr. Wang has over 20 years of experience in the petroleum and coking industry.

Mr. Wang was a director of 濟源市金博源炭黑有限公司(Jiyuan Jinboyuan Carbon Black Co., Ltd.*), a company incorporated in the PRC, with its business scope covering the sale of carbon black and rubber material but never commenced any operation, which was dissolved by way of members' resolution on October 8, 2013. Mr. Wang confirmed that the aforementioned company was solvent at the time of dissolution and that there was no misconduct or misfeasance on his part as a director of such company that had led to its dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Mr. Wang obtained the qualification of senior economist in November 2010.

Mr. Li Tianxi (李天喜), aged 53, was appointed as our executive Director in December 2016. Mr. Li is currently our executive deputy general manager and also a director of Bohigh Chemical, a subsidiary of our Company. Mr. Li is also a director of Jinma Xingye, our substantial Shareholder. Mr. Li joined us in April 2003 as our executive deputy general manager, chief engineer and the secretary to our Board. He is mainly responsible for our technological, environmental and construction developments.

Prior to joining us, Mr. Li worked in Yugang Coking from February 1996 to October 2002 and served as a deputy general manager and the chief engineer. Mr. Li was qualified as a senior engineer since September 2005 and was awarded with a metallurgy science technology second class award by 中國鋼鐵工業協會 (China Iron and Steel Association*) and The Chinese Society for Metals in August 2009, recognized as a metallurgy industry expert in Henan province by 河南省鋼鐵工業協會 (Henan Iron and Steel Association*) and 河南省金屬學會 (Henan Society for Metals*) in December 2006 and recognized as a coking expert by Henan Iron and Steel Association in September 2016. Mr. Li obtained a bachelor's degree in Chemical Engineering and Technology from Henan University in January 2010.

Mr. Li was a general manager of 濟源市金博源炭黑有限公司 (Jiyuan Jinboyuan Carbon Black Co., Ltd.*), a company incorporated in the PRC, with its business scope covering the sale of carbon black and rubber material but never commenced any operation, which was dissolved by way of members' resolution on October 8, 2013. Mr. Li confirmed that the aforementioned company was solvent at the time of dissolution and that there was no misconduct or misfeasance on his part as a general manager of such company that had led to its dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Non-executive Directors

Mr. Lu Kecong (陸克從), aged 53, was appointed as the deputy chairman of our Board and our non-executive Director in July 2016. Mr. Lu is also a director of Jinyuan Chemicals, a subsidiary of our Company. Mr. Lu joined us as a director of our Predecessor in March 2014. Mr. Lu is mainly responsible for participating in the formulation of our corporate and operational strategies.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Lu joined Maanshan Steel (and its predecessor) since March 1991 and served as the assistant to the factory director and director of productions, a deputy manager and subsequently the general manager and the deputy secretary to the general party committee (黨總支副書記) of the international trading arm of Maanshan Steel. Since July 2011, Mr. Lu has been serving as the deputy general manager of Maanshan Steel.

Mr. Lu obtained a bachelor's degree in engineering from 華東冶金學院 (East China University of Metallurgy*) in July 1988 and a master's degree in engineering from the University of Science and Technology Beijing in January 1991. Mr. Lu also obtained a doctor's degree in engineering from Shanghai Maritime University in March 2012.

Mr. Hu Xiayu (胡夏雨), aged 55, was appointed as our non-executive Director in July 2016. Mr. Hu is also a director of Jinyuan Chemicals, a subsidiary of our Company. Mr. Hu joined us as a director of our Predecessor in May 2014. Mr. Hu is mainly responsible for participating in the formulation of our corporate and operational strategies.

Mr. Hu joined Maanshan Steel (and its predecessor) since July 1983 and served in various positions, including, the head of the quality control center, head of the product development center and the director of the iron-making technology division in Maanshan Steel. Since April 2016, Mr. Hu was appointed as the head of the raw fuels center of Maanshan Steel.

Mr. Hu graduated from the metallurgy engineering program from 馬鞍山鋼鐵學院 (Maanshan Iron and Steel Institute*) in July 1983 and graduated from the postgraduate business administration program from 中共安徽省委黨校 (Party School of Anhui Committee of C.P.C.*) in July 2005.

Mr. Wang Zhiming (王志明), aged 44, was appointed as our non-executive Director in July 2016. Mr. Wang is also a director of Jinyuan Chemicals, a subsidiary of our Company. Mr. Wang joined us as a director of our Predecessor in July 2016. Mr. Wang is mainly responsible for participating in the formulation of our corporate and operational strategies.

Mr. Wang joined Jiangxi PXSteel Group since July 1993 and served in various positions, including the head of the financial inspection division, the head of the audit inspection division, a deputy factory manager of the steel plant and the head of the planning and investment development division. Further, since April 2016, Mr. Wang has been serving as a supervisor and the assistant to the general manager of 萍鄉萍鋼安源鋼鐵有限公司 (Ping Xiang Ping Gang Anyuan Steel Co., Ltd.*), a subsidiary of Jiangxi PXSteel.

Mr. Wang was a supervisor of 萍鄉萍鋼鋼鐵有限公司 (Pingxiang Pinggang Steel Co., Ltd.*), a company incorporated in the PRC, with its business scope covering production and sale of metal products and sale of mineral products. Following the internal restructuring of the Jiangxi PXSteel Group, the said company was deregistered on July 5, 2016. Mr. Wang confirmed that the said company was solvent at the time of dissolution and that there was no misconduct or misfeasance on his part as a supervisor of such company that had led to its dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang graduated from 上海冶金高等專科學校 (Shanghai College of Metallurgy*) in July 1993 specializing in metallurgy and he graduated from an undergraduate program of the Jiangxi University of Science and Technology in January 2009 specializing in metallurgical engineering.

Independent non-executive Directors

Mr. Zheng Wenhua (鄭文華), aged 75, was appointed as our independent non-executive Director in September 2017. He is responsible for supervising our compliance and corporate governance issues and providing independent opinion and advice to our Board.

Mr. Zheng has extensive experience in the coking industry and is a member of the expert committee of the Chinese Society for Metals, the honorary committee chairman of China Metal Association Coking Chemical Professional Committee, the chief expert of the China Coking Industry Association and a member of the editorial committee of 《中國冶金》 (“China Metallurgy”). Mr. Zheng also published numerous articles relating to coke in various journals, including 《鋼鐵》 (“Iron & Steel*”) and 《燃料與化工》 (“Fuel and Chemical Processes”). Mr. Zheng is also one of the editors of 《現代焦化生產技術手冊》 (“The Modern Technology of Coking Production Manual*”).

Mr. Zheng was a director of 上海新耐宇設備成套工程有限公司 (Shanghai Xin Nai Yu Equipment Engineering Co., Ltd.*), a company incorporated in the PRC, with its business scope covering manufacturing of chemical equipments. The said company’s business license was revoked on March 21, 2005 as it did not carry out its annual inspection in 2003 as required under the relevant PRC regulations. Mr. Zheng confirmed that the aforementioned company was solvent at the time of dissolution and that there was no misconduct or misfeasance on his part as a director of such company that had led to its dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Mr. Zheng graduated from 河北唐山礦冶學院 (Hebei Tangshan Institute of Mining and Metallurgy*) in June 1965 specializing in chemical engineering. Mr. Zheng was a professor-grade senior engineer of 冶金工業部鞍山焦化耐火材料設計研究院 (Department of Metallurgical Industry Anshan Coking Refractories Design and Research Institute*) from December 1992 to December 2002.

Mr. Liu Yuhui (劉煜輝), aged 46, was appointed as our independent non-executive Director in September 2017. He is responsible for supervising our compliance and corporate governance issues and providing independent opinion and advice to our Board.

Mr. Liu holds various positions, including a professor of Graduate School of Chinese Academy of Social Sciences and he is one of the participants at the China Chief Economist Forum. He has also been the chief economist of 天風證券股份有限公司 (Tianfeng Securities Co., Ltd.) since September 2016.

Mr. Liu currently serves as an independent director of Bank of Jiangsu Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600919), Central China Land Media Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000719) and Shenzhen Keybridge Communications Co., Ltd (a company listed on the Shenzhen Stock Exchange, stock code: 002316).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liu was an independent director of Bank of Hangzhou Co. Ltd. (a company listed on the Shanghai Stock Exchange, stock code 600926) until February 2017 and an independent director of Xiangtan Electric Manufacturing Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600416) until May 2015.

Mr. Liu obtained a doctor's degree of quantitative economics from the Graduate School of Chinese Academy of Social Sciences in July 2003.

Mr. Wu Tak Lung (吳德龍), aged 52, was appointed as our independent non-executive Director in September 2017. Mr. Wu is responsible for supervising our compliance and corporate governance issues and providing independent opinion and advice to our Board. Mr. Wu currently serves as an independent non-executive director of Beijing Media Corporation Limited (stock code: 1000), Sinomax Group Limited (stock code: 1418), China Machinery Engineering Corporation (stock code: 1829), Kam Hing International Holdings Limited (stock code: 2307), and Sinotrans Shipping Limited (stock code: 0368), all listed companies in Hong Kong, and First Tractor Company Limited (stock code: 0038), a company listed in both Hong Kong and Shanghai. He is also currently an independent director of Olympic Circuit Technology Co., Ltd. (stock code: 603920), a company listed in Shanghai.

During the past three years, Mr. Wu served as an independent non-executive director of Valuetronics Holdings Limited, a listed company in Singapore, and Aupu Group Holding Limited, which was a listed company in Hong Kong and was delisted on September 30, 2016. Mr. Wu worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years.

Mr. Wu was a director of Multi-Asia Property Development Limited, a private company limited by shares incorporated in Hong Kong, which was an investment holding vehicle and was dissolved by way of deregistration on October 24, 2003. Mr. Wu confirmed that the aforementioned company was solvent at the time of dissolution by striking off and that there was no misconduct or misfeasance on his part as a director of such company that had led to its dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Mr. Wu is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Securities and Investment Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, and the Hong Kong Institute of Chartered Secretaries. In addition, Mr. Wu is a member of the Jiangsu Provisional Committee of the Chinese People's Political Consultative Committee, honorary court member of Hong Kong Baptist University, honorary president of North Kwai Chung District Scout Council of Scout Association of Hong Kong and executive vice-chairman of Hong Kong - Guangdong Youth Exchange Promotion Association. Mr. Wu was also appointed as an honorary director of The China Certified Tax Agents Association in August 2016. He is also a past chairman of the Association of Chartered Certified Accountants and a past president of the Taxation Institute of Hong Kong.

Mr. Wu obtained a bachelor's degree of business administration in accounting from the Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in December 1993 and a master's degree of business administration (MBA) jointly issued by the University of Manchester and the University of Wales in February 2001.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed above and in “*Appendix VI — Statutory and General Information*,” as of the Latest Practicable Date, none of the Directors (i) had any interests in Shares within the meaning of Part XV of the SFO; (ii) had any relationship with any other Directors, any Supervisors, any senior management member of our Group, our substantial Shareholders or our Controlling Shareholders; or (iii) held any directorship in any public companies the securities of which were listed on any securities market in Hong Kong or overseas (apart from our Company) in the last three years immediately preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules as of the Latest Practicable Date.

SUPERVISORS

Mr. Wong Tsz Leung (黃梓良), aged 53, was appointed as our shareholder representative Supervisor in July 2016 and was elected as the chairman of the Supervisory Committee of our Company in July 2016. Mr. Wong is also the chairman of the supervisory committee of Jinyuan Chemicals, a subsidiary of our Company. Mr. Wong joined us in February 2012 as a supervisor of our Predecessor. Mr. Wong is currently the financial manager of Jinma HK, our substantial Shareholder. He is mainly responsible for overseeing the affairs of the Supervisory Committee and supervising our operations and financial activities. Mr. Wong has been serving as an executive director and the chief financial officer of Smart-Core Holdings Limited (stock code: 2166), a listed company in Hong Kong, since October 2016.

Mr. Wong has approximately 20 years of experience in financial strategic planning and management. He was the financial controller of OSSIMA Publishing Group Limited, a company engaged in travel media business, from January 1995 to September 2005. Mr. Wong was a director of Samsung Drycleaning Company Limited, a private company limited by shares incorporated in Hong Kong, which was engaged in the dry cleaning services business and was dissolved by way of striking off on September 19, 2003. Mr. Wong was also a director of The Golden Key Hotels of the World Limited, a private company limited by shares incorporated in Hong Kong, which was engaged in the provision of consultation and training services for hotel operations and was dissolved by way of deregistration on June 17, 2005. Mr. Wong confirmed that the aforementioned companies were solvent at the time of dissolution by striking off or deregistration and that there was no misconduct or misfeasance on his part as a director of both companies that had led to the companies' dissolutions, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions.

Mr. Wong obtained a master's degree in business administration from the University of Wales in December 2011 via its distance learning program.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang Qiangxian (張強弦), aged 36, was appointed as our shareholder representative Supervisor in July 2016. Mr. Zhang is also a supervisor of Jinyuan Chemicals, a subsidiary of our Company. He is currently an assistant accountant of Maanshan Steel. Mr. Zhang joined us in October 2014 as a supervisor of our Predecessor. He is mainly responsible for supervising our operations and financial activities.

Prior to joining our Group, Mr. Zhang joined Maanshan Steel in July 2006 and served as the deputy director of the capital operations department from May 2012 to May 2013 and has served as the deputy director and director of the finance department since June 2016. Mr. Zhang obtained a bachelor's degree in Economics from Anhui Agricultural University in July 2006.

Mr. Zhou Tao David (周韜), aged 46, joined us in September 2017 when he was appointed as our external supervisor. Mr. Zhou is mainly responsible for supervising our operations and financial activities. He has been serving as the company secretary of OP Financial Investments Limited (a company listed in Hong Kong, stock code: 1140) since November 2016 during which, he also acts as the head of legal and compliance. Mr. Zhou is also currently an independent director of 天地壹號飲料股份有限公司 (Tian Di No. 1 Beverage Inc.), a company quoted on the National Equities Exchange and Quotations System in the PRC.

Mr. Zhou has approximately 12 years of experience in handling legal and compliance matters in financial institutions in Hong Kong. Mr. Zhou is qualified as a Hong Kong solicitor and obtained lawyer qualification in the PRC. He is also an arbitrator of the South China International Economics and Trade Arbitration Commission. Mr. Zhou obtained a bachelor of laws degree from Xiamen University in July 1992 and a Bachelor of Laws degree from the Manchester Metropolitan University in July 2007 through a long distance learning program.

Mr. Zhou was a director of Zhong You (China) Design Company Limited, a private company limited by shares incorporated in Hong Kong, which never commenced any operation and was dissolved by way of deregistration on June 25, 2004. Mr. Zhou confirmed that the aforementioned company was solvent at the time of dissolution and that there was no misconduct or misfeasance on his part as a director of such company that had led to its dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Ms. Tian Fangyuan (田方遠), aged 29, joined us in September 2017 when she was appointed as our external Supervisor. Ms. Tian is mainly responsible for supervising our operations and financial activities.

Ms. Tian has over five years of experience in the finance and accounting. She worked in KBL Mining Ltd., a company listed on the Australian Stock Exchange from July 2011 to September 2016 and served as a manager of the financial department. She is also a member of CPA Australia. Ms. Tian obtained a bachelor's degree in commerce from the University of Melbourne in December 2009.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Zhongge (李中華), aged 45, was elected as our employee representative Supervisor in July 2016. Mr. Li is also a supervisor of Jinrui Energy and Jinrui Gas, subsidiaries of our Company. He joined us in December 2004 and served in various positions, including the deputy administrative manager, and the head of the enterprise management division. He is currently the head of the enterprise management division, a member of the party committee and the head of the party committee office, and he is mainly responsible for supervising our operations and financial activities.

Prior to joining us, Mr. Li served as the deputy head of the enterprise management department and as the deputy manager of the materials procurement department of Yugang Coking from September 1996 to November 2004.

Mr. Li was certified as a senior professional manager by China Enterprise Confederation and China Enterprise Directors Association in August 2008. Mr. Li obtained a bachelor's degree in finance from 中央廣播電視大學 (Central Radio and TV University*) in July 2011 and a master's degree in management from the Australian National University in December 2015.

Ms. Hao Yali (郝亞莉), aged 44, was elected as our employee representative Supervisor in September 2017. Ms. Hao joined us in September 2004 and was promoted to the position of the deputy manager of the materials procurement department of our Predecessor in July 2005. Since December 2009, Ms. Hao has also served as a member of the labor union committee and the head of the female employee committee. She is mainly responsible for supervising our operations and financial activities.

Prior to joining our Group, Ms. Hao worked in the finance, enterprise management, operations and supply divisions of Yugang Coking from November 1996 to September 2004. Ms. Hao was certified as a senior professional manager by China Enterprise Confederation and the China Enterprise Directors Association in August 2008. Ms. Hao graduated from the finance postgraduate program from Henan University in June 2015.

Save as disclosed above, as of the Latest Practicable Date, none of the Supervisors (i) had any interests in Shares within the meaning of Part XV of the SFO; (ii) had any relationship with any Directors, any other Supervisors, any senior management member of our Group, our substantial Shareholders or our Controlling Shareholders; or (iii) held any directorship in any public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Supervisors that needed to be brought to the attention of our Shareholders and there was no information relating to our Supervisors that was required to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules as of the Latest Practicable Date.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Jin Daoqiang (金道強), aged 60, joined us in April 2012 and was appointed as the chief financial officer and deputy general manager of our Predecessor since January 2013. He is currently our chief financial officer and deputy general manager and is mainly responsible for overseeing our financial and accounting management and coordination, implementation of financial strategic planning. Mr. Jin is also the financial manager of Jinyuan Chemicals and the financial deputy general manager of Jinrui Energy.

Prior to joining us, Mr Jin worked at 馬鞍山鋼鐵公司 (Maanshan Steel Co.*), the predecessor of Maanshan Steel, from June 1979 to April 2012, and served in various positions, including the deputy head and head of the finance division of the steel factory and the head of the tax division. Mr. Jin obtained a postgraduate's degree in finance from 中共安徽省委黨校 (Party School of Anhui Committee of C.P.C*) in July 2007 and obtained the qualification of senior accountant in December 2008.

Mr. Fan Jianguo (范建國), aged 50, joined us in March 2005 as our deputy general manager. He has also been the general manager of Jinyuan Chemicals since January 2015. He is currently our deputy general manager and is mainly responsible for overseeing our sales.

Prior to joining us, Mr. Fan worked in Yugang Coking from July 1998 to March 2005, and served as the deputy head of the sales division, the head of the operation division, the deputy general manager and manager of the sales arm of Yugang Coking. Mr. Fan obtained a master's degree in management from the Australian National University in December 2016.

Mr. Ju Lixing (琚理興), aged 41, joined us in October 2007 as the assistant to the general manager of our Predecessor. Since April 2012, he has served as our deputy general manager and is in charge of the procurement operations. Mr. Ju is also a director and the chairman of the board of directors of Shanghai Jinma, a subsidiary of our Company. Mr. Ju is mainly responsible for overseeing our procurement.

Prior to joining us, Mr. Ju had joined Yugang Coking group and served as the deputy head of the operations division of Yugang Coking in September 2001, the deputy manager of the raw materials procurement department in December 2002 and the executive deputy manager of the materials procurement department in November 2003. Mr. Ju obtained a master's degree in business management from 華中科技大學 (Huazhong University of Science and Technology) in June 2015.

Mr. Ju was a supervisor of 河南省遠德工貿發展有限公司 (Henan Yuande Industry and Trade Development Co., Ltd.*), a trading company incorporated in the PRC. The said company's business license was revoked on July 12, 2008 as it did not carry out its annual inspection in 2005 as required under the relevant PRC regulations. Mr. Ju confirmed that the aforementioned company was solvent at the time of dissolution and that there was no misconduct or misfeasance on his part as a supervisor of such company that had led to its dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Kong Deming (孔德明), aged 54, joined us in August 2003 as the assistant to the general manager of our Predecessor. Mr. Kong has been serving as our labor union chairman since December 2009. Mr. Kong is a director of Jinning Energy and the deputy general manager of Bohigh Chemical, subsidiaries of our Company. He is mainly responsible for maintaining the communication between us and our employees.

Prior to joining us, Mr. Kong served as the office manager of 河南省濟源市石油液化氣公司 (Henan Jiyuan Petroleum LPG Company*) from January 1992 to February 1996. He served as the deputy head and head of the supply division, deputy manager of the procurement arm, secretary of the party committee and the deputy chairman of the labor union of Yugang Coking from May 1996 to July 2003.

Mr. Wang Yongxin (王永新), aged 42, joined us in January 2004 as a deputy director of the electrical instrument workstation of our Predecessor and was appointed as the director of such workstation in March 2007. Mr. Wang was subsequently promoted to the position of the director of the workstation of our Predecessor in January 2008 and the head of the production department of our Predecessor in February 2011. Since October 2013, Mr. Wang has served as the deputy general manager of our Predecessor and he is mainly responsible for overseeing our production. Mr. Wang is also a director and the chairman of the board of directors of Jinning Energy, our subsidiary and a director of Jinma Xingye, our substantial Shareholder.

Prior to joining us, Mr. Wang worked at Yugang Coking from August 1997 to January 2002 and held positions including the leader of the electricity team. Mr. Wang obtained a bachelor's degree in chemical engineering and craftsmanship from Henan Institute of Science and Technology in July 2015.

Mr. Wang Zhaofeng (王兆峰), aged 40, joined us in March 2008. Mr. Wang was subsequently promoted to the position of the deputy office manager and the deputy director of the human resources department of our Predecessor in September 2012 and the manager of the investment department of our Predecessor in January 2015. Since December 2016, Mr. Wang has also been serving as the secretary to our Board and is mainly responsible for providing support to our Board, our administrative management and general affairs. Mr. Wang is also the secretary to the board of directors of Jinrui Energy.

Mr. Wang obtained a bachelor's degree in management from Shenyang University of Technology in July 2000 and a master's degree in corporate management from Shenyang University of Technology in April 2003.

Mr. Wong Hok Leung (alias Wong Hok Leung Paul) (王學良), aged 64, joined us and was appointed as our head of capital markets and company secretary on January 1, 2017. Mr. Wong is responsible for our corporate governance, company secretarial and capital markets matters.

Prior to joining us, from August 2002 to April 2008, Mr. Wong served in the Sun Hung Kai Properties Group as the group head of financial control and business development, and served as the chairman of Sun Hung Kai Logistics Holdings Limited. From May 2008 to November 2009, Mr. Wong was a director of China Metal Recycling (Holdings) Limited (stock code: 773), which was delisted from the Main Board in 2016. Mr. Wong was the chief corporate officer of IMC Industrial Pte Ltd.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(formerly known as IMC Corp Pte Ltd) from January 2010 to August 2011. From August 2011 to February 2016, Mr. Wong served as the head of Asia Pacific of Scholz AG (now known as Scholz Holding GmbH) and was responsible for its business development in the PRC and Asian region. Mr. Wong has over 20 years of experience in banking, finance, IT and retail banking, and his last position in banking was in Singapore, as the head of distribution channels for DBS Bank.

Mr. Wong was a director of Sino Unity Investments Limited, a private company limited by shares incorporated in Hong Kong, which was an investment holding vehicle and was dissolved by way of deregistration on October 4, 2002. Mr. Wong was also a director of SPS Invest & Trade Limited, a private company limited by shares incorporated in Hong Kong for the purpose of trading in metals and metal scrap but never commenced any operation, and was dissolved by way of deregistration on December 5, 2014. Mr. Wong was a supervisor of 舒爾茨再生資源貿易(上海)有限公司 (Schurz Renewable Energy Trade (Shanghai) Co., Ltd.*), a company incorporated in the PRC, with its business scope covering trading in metal scrap, which was dissolved by way of members' resolution on July 11, 2016. Mr. Wong confirmed that the aforementioned companies were solvent at the time of dissolution and that there was no misconduct or misfeasance on his part as a director of these companies that had led to the companies' dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions.

Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Chartered Association of Certified Accountants and obtained his accounting qualification experience in Price Waterhouse Lowe Bingham & Matthews. Mr. Wong obtained a bachelor's degree in science from the University of Hong Kong in November 1975.

Save as disclosed above, as of the Latest Practicable Date, none of the senior management members of our Group (i) had any interests in the Shares within the meaning of Part XV of the SFO; (ii) had any relationship with any Directors, another senior management member of our Group or substantial Shareholders or Controlling Shareholders; or (iii) held any directorship in any public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Wong Hok Leung (alias Wong Hok Leung Paul) (王學良) is the company secretary of the Company. His biographical details are set out under the paragraph headed “— *Senior management*” above.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, pension-defined contribution, allowances, benefits in kind and discretionary bonuses) which were paid to our Directors and Supervisors for the years ended December 31, 2014, 2015, 2016 and the four months ended April 30, 2017 was approximately RMB644,000, RMB646,000, RMB643,000 and RMB215,000, respectively. The aggregate amount of compensation (including fees, salaries, contributions to social insurance funds, allowances, benefits in kind and discretionary bonuses) which were paid to our senior management (excluding our Directors) for the years ended December 31, 2014, 2015, 2016 and the

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

four months ended April 30, 2017 was approximately RMB923,000, RMB930,000, RMB925,000 and RMB310,000, respectively. For additional information on Directors' and Supervisors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please see the Accountant's Report set out in Appendix I to this prospectus.

Our Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses linked to the performance of our Group. We also reimburse our Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for providing services to us or discharging their duties in relation to our operations. When reviewing and determining the specific remuneration packages for our Directors, Supervisors and senior management, we take into consideration factors such as their individual performance, qualification, experience and seniority, salaries paid by comparable companies, time commitment and responsibilities of our Directors, Supervisors and senior management, their employment within our Group and desirability of performance-based remuneration.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us. No compensation was paid by our Group to, or receivable by, our Directors, Supervisors or the five highest paid individuals or past Directors or Supervisors for each of the three years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 for the loss of any office in connection with the management of the affairs of any member of our Group. Furthermore, no other payments have been made or are payable, in respect of the Track Record Period, by us or any of our subsidiaries to or on behalf of any of our Directors or Supervisors. There has been no arrangement under which a Director or Supervisor has waived or agreed to waive any emoluments during the Track Record Period.

Going forward, our remuneration committee will review and determine the remuneration and compensation of our Directors, Supervisors and senior management with reference to the salaries paid by comparable companies, the time commitment and responsibilities of our Directors, Supervisors and senior management and the performance of our Group. Under the arrangements presently in force, we estimate the aggregate remuneration, excluding discretionary bonuses, of our Directors and Supervisors payable for the year ending December 31, 2017 will be approximately RMB930,000.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. We have formed three board committees, being the audit committee, the nomination committee and the remuneration committee.

Audit Committee

Our Board has established an audit committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. Written terms of reference in compliance with Code C.3 of the CG Code as set out in Appendix 14 to the Listing Rules have been adopted. The primary duties of our audit committee are to review and consider the application of the financial reporting, risk management and internal control

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

principles by our Company, and to maintain an appropriate relationship with our Company's auditor. Our audit committee currently consists of two independent non-executive Directors and one non-executive Director. The members currently are Mr. Wu Tak Lung, Mr. Liu Yuhui and Mr. Lu Kecong. It is currently chaired by Mr. Wu Tak Lung, an independent non-executive Director.

Remuneration Committee

Our Board has established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. Written terms of reference in compliance with Code B.1 of the CG Code as set out in Appendix 14 of the Listing Rules have been adopted. The primary duties of our remuneration committee are to make recommendations to the Board on our Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing such remuneration policy. Our remuneration committee currently comprises two independent non-executive Directors and one executive Director. The members currently are Mr. Zheng Wenhua, Mr. Wu Tak Lung and Mr. Wang Mingzhong. It is currently chaired by Mr. Zheng Wenhua, an independent non-executive Director.

Nomination Committee

Our Board has established a nomination committee in compliance with the CG Code. Written terms of reference in compliance with Codes A.5 of the CG Code as set out in Appendix 14 of the Listing Rules have been adopted. The primary duties of our nomination committee are to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy. Our nomination committee currently comprises two independent non-executive Directors and one executive Director. The members currently are Mr. Yiu Chiu Fai, Mr. Liu Yuhui and Mr. Zheng Wenhua. It is currently chaired by Mr. Yiu Chiu Fai, the chairman of the Board.

COMMITTEE OF THE COMMUNIST PARTY

Pursuant to the PRC Company Law and "The Constitution of the Communist Party of China" (中國共產黨章程), we have established a committee of the communist party (the "Party Committee") in 2009. Our Party Committee plays a political role and serves to implement the principles and policies of the Communist Party of China which involve the monitoring of compliance of the relevant PRC rules and regulations, guiding organizations such as labor unions, unifying interests of our staff members, protecting the legal rights of all parties and striving for a healthy development of our Company.

As confirmed by the PRC Legal Advisor, despite the establishment of the Party Committee, pursuant to the relevant PRC laws and the Articles of Association, our Shareholders are empowered to govern our Company's affairs and decision making through Shareholders' meetings and shall exercise their functions and powers in accordance with the relevant PRC laws and the Articles of Association.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed Haitong International Capital Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, during the period of appointment, our Company must consult with, and if necessary, seek advice from the compliance advisor on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that set out in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

Pursuant to Rule 19A.06 of the Listing Rules, the compliance advisor will inform us on a timely basis of any amendment or supplement to the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to us. Without limiting the generality of Chapter 3A of the Listing Rules, the compliance advisor will provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations. Further, the compliance advisor will also act as our additional channel of communication with the Stock Exchange in Hong Kong.

The compliance adviser's term of appointment shall be for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier.

COMPLIANCE WITH THE CODE PROVISIONS OF APPENDIX 14 TO THE LISTING RULES

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the code provisions set out in the CG Code after the Listing.

SHARE CAPITAL

As of the date of this prospectus, the registered share capital of our Company is RMB400,000,000, divided into 238,000,000 Domestic Shares and 162,000,000 Unlisted Foreign Shares, with a nominal value of RMB1.00 each. All of such Shares have been fully paid up.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be increased to RMB533,334,000 and set out as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
238,000,000	Domestic Shares ⁽¹⁾	44.62%
162,000,000	Unlisted Foreign Shares ⁽²⁾	30.37%
133,334,000	H Shares to be issued by our Company under the Global Offering	25.00%
<u>533,334,000</u>		<u>100%</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be increased to RMB540,000,000 and set out as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
238,000,000	Domestic Shares ⁽¹⁾	44.07%
162,000,000	Unlisted Foreign Shares ⁽²⁾	30.00%
140,000,000	H Shares to be issued by our Company under the Global Offering	25.93%
<u>540,000,000</u>		<u>100%</u>

- (1) As of the date of this prospectus, these Domestic Shares are held by Maanshan Steel, Jiangxi PXSteel and Jinma Xingye.
- (2) As of the date of this prospectus, these Unlisted Foreign Shares are held by Jinma HK. These Unlisted Foreign Shares will not be converted into H Shares upon completion of the Global Offering.

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalisation at the time of listing of not less than HK\$50 million.

SHARE CAPITAL

Based on the information set out in the tables above, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full).

OUR SHARES

Our Domestic Shares, Unlisted Foreign Shares and H Shares are all ordinary shares in the share capital of the Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Apart from certain qualified domestic investors in the PRC or via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. H Shares and Unlisted Foreign Shares maybe subscribed for and traded in foreign currency, on the other hand, Domestic Shares may only be subscribed for and traded in Renminbi. We must pay all dividends in respect of H Shares, and Unlisted Foreign Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi. As advised by the PRC Legal Advisers, holders of the Unlisted Foreign Shares will be treated as if they are in the same class as the holders of Domestic Shares upon completion of the Global Offering. As of the date of this prospectus, the only shareholder holding Unlisted Foreign Shares in our Company is Jinma HK. These Unlisted Foreign Shares will be treated as Domestic Shares upon completion of the Global Offering and as a result, Jinma HK and its subsequent transferees will attend the class meeting for holders of Domestic Shares.

As of the Latest Practicable Date, our Promoters hold all existing Domestic Shares and Unlisted Foreign Shares as promoter shares (as defined in the PRC Company Law). The PRC Company Law provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the Listing. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this restriction and shall not be transferred for a period of one year from the Listing Date.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix V to this prospectus, our Domestic Shares, Unlisted Foreign Shares and H Shares will rank *pari passu* with each other in all respects in relation to rights of Shareholders and, in particular, will rank equally for all dividends or distributions to be declared, paid or made after the date of this prospectus.

However, the transfer of Domestic Shares or Unlisted Foreign Shares is subject to such restrictions as the PRC laws may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the date of this prospectus. We have not approved any share issue plan other than the Global Offering.

SHARE CAPITAL

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Conversion of Domestic Shares and Unlisted Foreign Shares

As mentioned above, upon the completion of the Global Offering, holders of the Unlisted Foreign Shares will be treated as if they are in the same class as the holders of Domestic Shares, and hence, we will have two classes of ordinary shares, H Shares as one class of Shares, and Domestic Shares and the Unlisted Foreign Shares together as another class of Shares. As of the date of this prospectus, the Domestic Shares and Unlisted Foreign Shares are unlisted Shares which are not listed or traded on any stock exchange. The Domestic Shares and Unlisted Foreign Shares will not be converted into H Shares, and therefore will not be listed on the Stock Exchange, upon the completion of the Global Offering.

The terms “unlisted Shares” are used to describe whether certain Shares are listed on a stock exchange and are not specific definitions under the PRC laws. Given the above, our PRC Legal Advisors have advised us that the use of the term “unlisted Shares” in the Articles of Association does not contravene, and is not inconsistent with, any PRC laws or regulations (including the Special Regulations and Mandatory Provisions).

According to the stipulations by the State Council’s securities regulatory authority and the Articles of Association, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted H Shares any requisite internal approval processes, including approval by our Shareholders, shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council’s securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the listing of such converted H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice of the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

SHARE CAPITAL

Mechanism and Procedure for Conversion

After all requisite approvals as set out above have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) the H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares will not be listed as H Shares.

So far as our Directors are aware, none of our Promoters currently proposes to convert any of the Domestic Shares or Unlisted Foreign Shares held by it into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE LISTING DATE

The PRC Company Law provides that in relation to the public offering of a company, the shares issued by a company prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register and deposit its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 working days upon listing.

CONVENING OF GENERAL AND CLASS MEETINGS

See “*Appendix V — Summary of Articles of Association*” in this prospectus for details of the circumstances under which general meetings and class meetings of our Company are required.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, each of the following persons was, directly or indirectly, interested in 10% or more of our Shares:

Name	Nature of interest	Class of securities	Number of Shares held ^(Note 1)	Approximate percentage of shareholding in the total share capital of our Company
Jinma HK	Beneficial owner	Unlisted Foreign Shares	162,000,000 (L)	40.5%
Jinma Coking	Interest in a controlled corporation ^(Note 2)	Unlisted Foreign Shares	162,000,000 (L)	40.5%
Golden Star	Interest in a controlled corporation ^(Note 3)	Unlisted Foreign Shares	162,000,000 (L)	40.5%
Mr. Yiu Chiu Fai (饒朝暉)	Interest in a controlled corporation ^(Note 4)	Unlisted Foreign Shares	162,000,000 (L)	40.5%
Ms. Lam Yuk Wai (林育慧)	Interest of spouse ^(Note 5)	Unlisted Foreign Shares	162,000,000 (L)	40.5%
Maanshan Steel	Beneficial owner	Domestic Shares	144,000,000 (L)	36.0%
馬鋼(集團)控股有限公司 (Magang (Group) Holdings Co., Ltd)	Interest in a controlled corporation ^(Note 6)	Domestic Shares	144,000,000 (L)	36.0%
Jiangxi PXSteel	Beneficial owner	Domestic Shares	54,000,000 (L)	13.5%
遼寧方大集團實業有限公司 (Liaoning Fangda Group Industrial Co., Ltd.)	Interest in a controlled corporation ^(Note 7)	Domestic Shares	54,000,000 (L)	13.5%
北京方大國際實業投資有限公司 (Beijing Fangda International Enterprise Investment Co., Ltd.)	Interest in a controlled corporation ^(Note 8)	Domestic Shares	54,000,000 (L)	13.5%
Mr. Fang Wei (方威)	Interest in a controlled corporation ^(Note 9)	Domestic Shares	54,000,000 (L)	13.5%

SUBSTANTIAL SHAREHOLDERS

Name	Nature of interest	Class of securities	Number of Shares held ^(Note 1)	Approximate percentage of shareholding in the total share capital of our Company
Jinma Xingye	Beneficial owner	Domestic Shares	40,000,000 (L)	10.0%
Mr. Wang Lijie (王利杰)	Interest in a controlled corporation ^(Note 10)	Domestic Shares	40,000,000 (L)	10.0%
Ms. Zheng Jing (鄭菁)	Interest of spouse ^(Note 11)	Domestic Shares	40,000,000 (L)	10.0%

So far as our Directors are aware, immediately following completion of the Global Offering, the following persons will have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of SFO, or, directly or indirectly, be 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 our Company.

Name	Nature of interest	Class of securities	Number of Shares held ^(Note 1)	Immediately after the completion of the Global Offering (assuming no exercise of the Over-allotment Option)		Immediately after the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	
				Approximate percentage of shareholding in the relevant class of shares of our Company ^(Note 12)	Approximate percentage of shareholding in the total share capital of our Company ^(Note 13)	Approximate percentage of shareholding in the relevant class of shares of our Company ^(Note 14)	Approximate percentage of shareholding in the total share capital of our Company ^(Note 15)
Jinma HK	Beneficial owner	Domestic Shares	162,000,000 (L)	40.50%	30.37%	40.50%	30.00%
Jinma Coking	Interest in a controlled corporation ^(Note 2)	Domestic Shares	162,000,000 (L)	40.50%	30.37%	40.50%	30.00%
Golden Star	Interest in a controlled corporation ^(Note 3)	Domestic Shares	162,000,000 (L)	40.50%	30.37%	40.50%	30.00%
Mr. Yiu Chiu Fai (饒朝暉)	Interest in a controlled corporation ^(Note 4)	Domestic Shares	162,000,000 (L)	40.50%	30.37%	40.50%	30.00%
Ms. Lam Yuk Wai (林育慧)	Interest of spouse ^(Note 5)	Domestic Shares	162,000,000 (L)	40.50%	30.37%	40.50%	30.00%
Maanshan Steel	Beneficial owner	Domestic Shares	144,000,000 (L)	36.00%	27.00%	36.00%	26.67%

SUBSTANTIAL SHAREHOLDERS

Name	Nature of interest	Class of securities	Number of Shares held ^(Note 1)	Immediately after the completion of the Global Offering (assuming no exercise of the Over-allotment Option)		Immediately after the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	
				Approximate percentage of shareholding in the relevant class of shares of our Company ^(Note 12)	Approximate percentage of shareholding in the total share capital of our Company ^(Note 13)	Approximate percentage of shareholding in the relevant class of shares of our Company ^(Note 14)	Approximate percentage of shareholding in the total share capital of our Company ^(Note 15)
馬鋼(集團)控股有限公司 (Magang (Group) Holdings Co., Ltd)	Interest in a controlled corporation ^(Note 6)	Domestic Shares	144,000,000 (L)	36.00%	27.00%	36.00%	26.67%
Jiangxi PXSteel	Beneficial owner	Domestic Shares	54,000,000 (L)	13.50%	10.12%	13.50%	10.00%
遼寧方大集團實業有限公司 (Liaoning Fangda Group Industrial Co., Ltd.)	Interest in a controlled corporation ^(Note 7)	Domestic Shares	54,000,000 (L)	13.50%	10.12%	13.50%	10.00%
北京方大國際實業投資有限公司 (Beijing Fangda International Enterprise Investment Co., Ltd.)	Interest in a controlled corporation ^(Note 8)	Domestic Shares	54,000,000 (L)	13.50%	10.12%	13.50%	10.00%
Mr. Fang Wei (方威)	Interest in a controlled corporation ^(Note 9)	Domestic Shares	54,000,000 (L)	13.50%	10.12%	13.50%	10.00%
Jinma Xingye	Beneficial owner	Domestic Shares	40,000,000 (L)	10.00%	7.50%	10.00%	7.41%
Mr. Wang Lijie (王利杰)	Interest in a controlled corporation ^(Note 10)	Domestic Shares	40,000,000 (L)	10.00%	7.50%	10.00%	7.41%
Ms. Zheng Jing (鄭菁)	Interest of spouse ^(Note 11)	Domestic Shares	40,000,000 (L)	10.00%	7.50%	10.00%	7.41%

Notes:

- The letter “L” denotes the entity’s/person’s long position in such Shares.
- Jinma HK is wholly owned by Jinma Coking. Accordingly, Jinma Coking is deemed to be interested in Jinma HK’s interest in our Company by virtue of the SFO.
- Jinma Coking is held as to 96.3% by Golden Star. Accordingly, Golden Star is deemed to be interested in Jinma Coking’s, and in turn, Jinma HK’s interest in our Company by virtue of the SFO.
- Mr. Yiu Chiu Fai (an executive Director) is the legal and beneficial owner of the entire issued share capital of Golden Star. Accordingly, Mr. Yiu is deemed to be interested in Golden Star’s interest in our Company by virtue of the SFO.
- Ms. Lam Yuk Wai is the wife of Mr. Yiu Chiu Fai, and thus, she is deemed interested in the same amount of Shares as Mr. Yiu.

SUBSTANTIAL SHAREHOLDERS

6. 馬鋼(集團)控股有限公司 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 our Company by virtue of the SFO.
7. As per their confirmations, while 遼寧方大集團實業有限公司 (Liaoning Fangda Group Industrial Co., Ltd.) ("**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 our Company by virtue of the SFO.
8. 北京方大國際實業投資有限公司 (Beijing Fangda International Enterprise Investment Co., Ltd.) ("**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 our Company by virtue of the SFO.
9. 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 our Company by virtue of the SFO.
10. 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 our Company by virtue of the SFO.
11. 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.
12. As advised by the PRC Legal Advisers, holders of the Unlisted Foreign Shares will be treated as if they are in the same class as the holders of Domestic Shares upon completion of the Global Offering. The calculation is based on the total number of 400,000,000 Domestic Shares and Unlisted Foreign Shares in issue and 133,334,000 H Shares in issue immediately after completion of the Global Offering (without taking into account any H Shares that may be issued upon any exercise of Over-allotment Option).
13. The calculation is based on the total number of 533,334,000 Shares in issue immediately after completion of the Global Offering (without taking into account any H Shares that may be issued upon any exercise of Over-allotment Option).
14. As advised by the PRC Legal Advisers, holders of the Unlisted Foreign Shares will be treated as if they are in the same class as the holders of Domestic Shares upon completion of the Global Offering. The calculation is based on the total number of 400,000,000 Domestic Shares and Unlisted Foreign Shares in issue and 140,000,000 H Shares in issue immediately after completion of the Global Offering (including such number of H Shares to be issued assuming the exercise of Over-allotment Option in full).
15. The calculation is based on the total number of 540,000,000 Shares in issue immediately after completion of the Global Offering (including such number of H Shares to be issued assuming the exercise of Over-allotment Option in full).

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group.

FINANCIAL INFORMATION

You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in “Appendix I — Accountants’ Report of the Group” to this prospectus. The consolidated financial information has been prepared in accordance with IFRS issued by the International Accounting Standards Board.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided in the sections headed “Forward-Looking Statements” and “Risk Factors” in this prospectus.

OVERVIEW

We are a leading coke producer and processor of coking by-products in the coking chemical industry in Henan province. We operate 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. According to Frost & Sullivan, we are 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, we are 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. Our vertically integrated business model enables us to maximize the value of our coking by-products, thereby allowing us to achieve a high recovery and re-utilization business model. Capitalizing on our years of operations in the coking chemical industry and our long-term relationships with coal suppliers, we also engage in the trading of principally coal and coal mining equipment mainly through our trading company. As a continuing effort in extending our vertical integration business model and expanding our product portfolio along the coking chemical value chain, we intend to engage in the production and sale of LNG.

During the Track Record Period, our revenue was mainly generated from the following major business segments:

- **Coke:** which involves the production and sale of coke;
- **Coking by-products:** which involves the recovery of coking by-products generated from our coking process, mainly crude benzene, coal tar and crude oven gas, and the sale of crude benzene and coal tar;
- **Refined chemicals:** which involves the processing of coking by-products into a series of benzene based and coal tar based refined chemicals and sale of these chemicals;

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- **Energy products:** which involves the processing of crude oven gas into coal gas and the sale of coal gas; and
- **Trading:** which mainly involves the trading of coal and coal mining equipment.

For the years ended December 31, 2014, 2015 and 2016, our revenue was approximately RMB2,563.7 million, RMB2,244.7 million, RMB3,298.6 million, respectively, representing a CAGR of approximately 13.4% from 2014 to 2016. Our revenue increased from approximately RMB699.6 million for the four months ended April 30, 2016 to approximately RMB1,760.8 million for the four months ended April 30, 2017. Our gross profit for the years ended December 31, 2014, 2015 and 2016 was approximately RMB177.8 million, RMB125.4 million and RMB435.2 million, respectively, representing a CAGR of approximately 56.5% from 2014 to 2016. Our gross profit increased from approximately RMB32.7 million for the four months ended April 30, 2016 to approximately RMB282.3 million for the four months ended April 30, 2017. Our gross profit margin for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017 was approximately 6.9%, 5.6%, 13.2%, 4.7% and 16.0%, respectively. Our net profit margin for the same periods was approximately 4.1%, 1.1%, 8.1%, 0.5% and 9.8%, respectively.

GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Our Company was established by Yugang Coking, Maanshan Steel and Jiangxi PXSteel in 2003. After a series of equity transfer, Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye have been our Shareholders since August 2011, holding 40.5%, 36%, 13.5% and 10% of our equity interests as of the Latest Practicable Date, respectively.

We established our vertically integrated business model during the Track Record Period through acquisition and establishment of companies as below:

- On May 6, 2014, we acquired a 75.0% interest in Shanghai Jinma. Thereafter, Shanghai Jinma became our non-wholly owned subsidiary. We began to develop our trading business since the acquisition.
- On May 29, 2015, we acquired the entire interests in Jinyuan Chemicals from our Existing Shareholders. Thereafter, Jinyuan Chemicals became our wholly owned subsidiary and we began to consolidate its sales of benzene based chemicals. Our sales of crude benzene to Jinyuan Chemicals have been eliminated as intra-group transactions since the acquisition.
- Jinrui Energy was established as our wholly owned subsidiary in May 2016 with a registered capital of RMB51.0 million. In December 2016, the registered capital of Jinrui Energy increased by RMB49.0 million, in which RMB29.0 million was injected by independent third parties. Thereafter, Jinrui Energy became our non-wholly owned subsidiary. We plan to develop our LNG business through Jinrui Energy.
- On October 20, 2016, we acquired the remaining 71.0% equity interest in Bohigh Chemical, our associate before the completion of the acquisition. Thereafter, Bohigh Chemical became our wholly owned subsidiary and we began to consolidate its sales of coal tar based chemicals. Our sales of coal tar to Bohigh Chemical have been eliminated as intra-group transactions since the acquisition.

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- On December 29, 2016, we acquired a 51.0% interest in Jinning Energy. Therefore, Jinning Energy became our non-wholly owned subsidiary and our coal gas has been sold externally to customers through Jinning Energy.

Acquisitions of the businesses above are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the (i) acquisition-date fair values of the assets transferred by us, (ii) liabilities incurred by us to the former owners of the target businesses and (iii) the equity interests issued by us in exchange for control of the target businesses. Acquisition-related costs are generally recognized in profit or loss as incurred. Our historical financial information has been prepared based on the accounting policies set out in Note 4 to the Accountants' Report of the Group in Appendix I, which conform with IFRSs issued by the IASB. For more details, please see "*History, Development and Reorganization.*"

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations are affected by a number of factors. Set forth below is a discussion of the most significant factors we believe may affect our results of operations in the future as well as those factors that have affected our results of operations and may continue to have such impact. Factors other than those set forth below could also have significant impact on our results of operations and financial condition in the future.

General Economic Conditions and the Demand in Downstream Industries

We sell all of our products in the PRC. General economic conditions of the PRC affect the market prices and demands for our products, as well as the prices of coal, the primary raw material for the production of our coke and refined chemicals. During economic downturns, the average selling prices of our products may decrease and we may need to adjust our purchase and sale strategies to adapt to such conditions, such as reducing our purchase of raw materials or engaging in more financing activities to strengthen our working capital. Our trading activities may also decrease during economic downturns. When economic conditions recover, we may increase the selling prices of our products along with the increase in the market demands and raw material prices. In addition, we may increase our prepayments for raw materials in order to secure raw material supplies and reduce our financing activities. Our trading activities may also increase as the demands for coal and coal mining equipment increase as economic conditions recover. The market for our coke deteriorated in 2015 due to market downturn, and it recovered substantially in 2016. Our results of operations, working capital position, as well as operating cash flows changed substantially as a result.

Sale of our products depend primarily on domestic consumption of coke and refined chemicals by the iron and steel industry and the chemical industry. Coke is a key raw material used in the production of iron and steel, while refined chemicals are mainly used as raw materials in the chemical industries for the production of materials for various downstream industries such as rubber, textile and pharmaceutical industries. Coking refined chemicals are often taken as a cost-competitive substitute for petroleum-based refined chemicals in China as it has rich coal resource, which is relatively cheaper than petroleum resource. Therefore, the demand and pricing for our refined chemicals are also affected by the petroleum price and the development in the petrochemical industry.

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Prices of Our Raw Materials and Products

We are exposed to movements in the market prices of our products and coal, as well as changes in the spread between those prices. We generally sell our products based on the prevailing market prices in the regions where we sell our products, by reference to various other factors applicable to individual customers. Market forces of supply and demand generally determine the pricing of our products. Historically, market prices for coke and refined chemicals have fluctuated as a result of alternating periods of increased and decreased demand. The prices of our products are affected by a number of factors including:

- supply of and demand for our products, which is mainly driven by the PRC laws, regulations and policies affecting the coal, coking and iron and steel industries, the demands in the iron, steel and chemical industries and the PRC domestic as well as global economic cycles;
- price of our principal raw material, coal, which is affected by the supply of and demand for coal and subject to the PRC domestic as well as global economic cycles;
- our product characteristics and quality (as different types of coke command different prices in the market);
- prices of chemicals in the international market; and
- our transportation costs, the availability of transportation capacity and means of transportation.

In addition, as most of our refined chemicals, such as pure benzene, toluene, coal asphalt and industrial naphthalene, can be produced from both coking by-products and petroleum, prices of our products are also affected by the fluctuations in petroleum price. Historically, when petroleum price went down, the prices of our products usually decreased. For example, the prices of our refined chemicals decreased significantly in the second half of 2015 when petroleum price dropped.

We generally price our products according to the prevailing market prices in the region where we sell our products, the raw material price, the specifications of our products, the supply and demand in downstream industries and the availability of regional transportation capacity. The prices of our coke and refined chemicals are subject to frequent negotiation and adjustment, in some cases several times a month in response to market price fluctuations. During the Track Record Period, the average monthly selling price of our coke reached the lowest point of RMB518.8 per ton (net of VAT) in January 2016. It rebounded significantly in 2016 to reach the highest point of RMB1,764.2 per ton (net of VAT) in December 2016.

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The following table sets forth the average selling price (net of VAT) of each of our principal products during the Track Record Period according to our internal records. For the latest price trend of coal and coke in May 2017, please see “*Summary — Recent Developments.*”

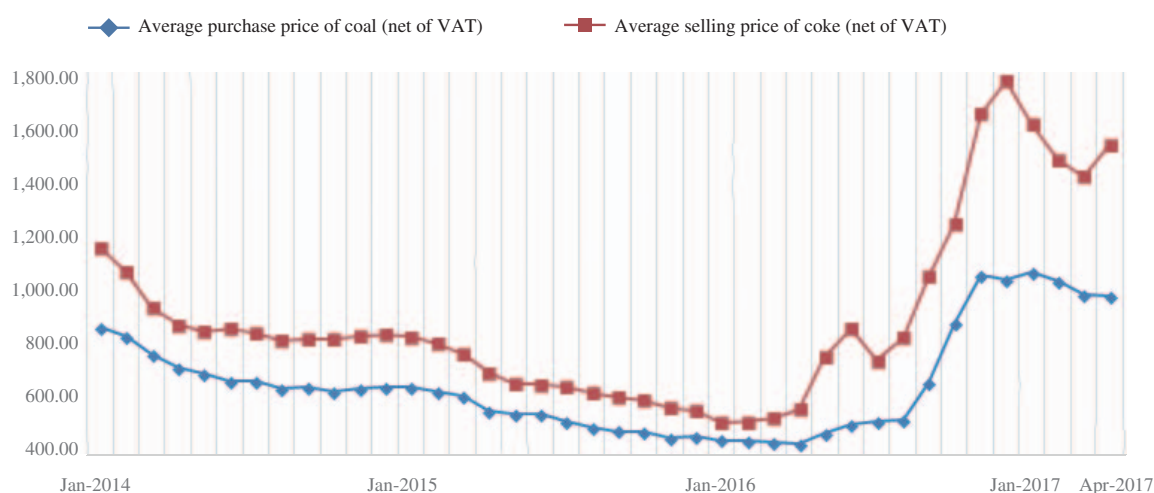
	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	Average selling price ⁽¹⁾	Average selling price ⁽¹⁾	Average selling price ⁽¹⁾	Average selling price ⁽¹⁾	Average selling price ⁽¹⁾
	<i>RMB/ton</i>	<i>RMB/ton</i>	<i>RMB/ton</i>	<i>RMB/ton</i>	<i>RMB/ton</i>
	<i>(except coal gas in RMB/m³)</i>	<i>(except coal gas in RMB/m³)</i>	<i>(except coal gas in RMB/m³)</i>	<i>(except coal gas in RMB/m³)</i>	<i>(except coal gas in RMB/m³)</i>
Coke	882.6	665.4	917.1	535.8	1,509.4
Coke	901.0	679.9	958.6	554.2	1,573.5
Coke breeze	654.4	494.0	526.2	365.4	900.1
Coking By-Products					
Crude benzene	5,564.9	3,454.7	—	—	—
Coal tar	2,085.1	1,490.1	1,348.5	1,212.6	—
Refined Chemicals					
Benzene based chemicals	—	3,837.8	4,244.5	3,713.5	5,696.7
Pure benzene	—	3,935.3	4,502.2	3,902.1	6,253.6
Toluene	—	4,383.6	4,233.5	4,008.3	4,707.3
Coal tar based chemicals	—	—	1,911.0	—	2,661.5
Coal asphalt	—	—	1,831.2	—	2,669.2
Anthracene oil	—	—	1,477.2	—	2,315.1
Industrial naphthalene	—	—	3,095.7	—	3,329.8
Energy Products	0.44	0.48	0.42	0.40	0.63
Coal gas	0.44	0.48	0.42	0.40	0.63

(1) Calculated by dividing the revenue of each relevant product by the sales volume of such product (on a moist basis for coke) (except that the average selling prices of the coke segment, benzene based chemicals and coal tar based chemicals represent the weighted average of the prices of relevant products in the segment or category, respectively), after intra-group elimination.

Coal is the primary raw material for our products. Coal prices affect our raw material costs and are also one of the factors which affect prices of our products. We do not normally enter into long-term purchase contracts with our suppliers. We purchase coal based on our production schedule. The purchase price is agreed between us and the suppliers based on arm’s-length negotiation with reference to prevailing market prices at the time we place the orders. The supply of coal is also a factor in the results of our operations. Tightened environmental regulations or an increased industry consolidation driven by the government in the coal industry could reduce the supply or increase the price of coal. A fluctuation in coal supply may increase the prices of coal, which in turn will increase the costs of operating our business.

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Increases or decreases in the prices of coal may not immediately result in changes in the prices for our products or vice versa. In a rising market for our products, we may benefit from the widening spread between the prices of raw materials and our products, while in a falling market for our products, we may suffer from the narrowing spread. In the second half of 2016, our profitability benefited from the wide spread between the prices at which we were able to purchase raw materials, mainly coal, and the prices at which we were able to sell our products when compared to that in 2015. By contrast, in 2015, we experienced the opposite trend, which adversely affected our profitability. The following chart shows the average purchase price of our coal and the average selling price of our coke during the Track Record Period according to our internal records:



We believe that the prevailing market prices of coal and our products are generally driven by market forces of supply and demand. Since we sell our products and procure our coal based on prevailing market prices and the prices of coal typically move in tandem, though at different speed and magnitude, with the prices of coke and iron and steel, we believe we are generally able to negotiate the prices of our products and raw materials taking into account market price fluctuations. For more details on our price risk control policy and inventory control policy, please see “*Business — Pricing policy*” and “*Business — Inventory.*”

Acquisition and Integration of New Businesses

During the Track Record Period, we have established our vertically integrated business model mainly through acquisition. We have successfully diversified our businesses to include trading business by acquiring Shanghai Jinma in May 2014, and production and sale of benzene based and coal tar based chemicals by acquiring Jinyuan Chemicals in May 2015 and Bohigh Chemical in October 2016, respectively. We are currently planning the development of our LNG business and we expect the sale of LNG will become a new earnings driver in the near future. How we manage our acquisitions and new business will have a significant impact on our results of operations over the next few years. We expect to face a range of challenges in integrating our downstream businesses, such as the need to coordinate raw material procurement and sales and marketing activities, to manage additional customer and supplier relationships, to deal with new government regulations governing different products, and to reconcile possible differences in disparate company policies and practices.

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Production Capacity and Sales Volume

During the Track Record Period, the fluctuations of our results of operations were mainly driven by the changes in the average selling prices of our products and the average purchase price of coal, while the sales volume of our products was mainly determined by our production capacity. During the Track Record Period, we operated at nearly full capacity and we sold substantially all the coke that we produced. As of April 30, 2017, our production capacity for coke was approximately 2.1 million tons (on a moist-free basis) per annum, and our processing capacity for crude benzene and coal tar was approximately 120,000 tons and 180,000 tons per annum, respectively. As of the same date, we were able to produce approximately 1,000 million m³ of coal gas per annum. For details on our annual capacity, production or processing volume and utilization rates of our main production lines during the Track Record Period, please see “*Business — Production Facilities.*” For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, we sold approximately 2.2 million tons, 2.3 million tons, 2.2 million tons and 0.8 million tons of coke (on a moist basis), respectively. The sales volume of our products was primarily capped by our production capacity during the Track Record Period. We are currently constructing our LNG facilities. We expect that our LNG production facilities, once completed, will achieve an annual production capacity of approximately 123.0 million m³ of LNG.

Access To and Cost of Financing

In addition to cash generated from our operations, we financed our operations and capital expenditures primarily through bank and financial institution borrowings during the Track Record Period. Our interest-bearing borrowings as of December 31, 2014, 2015 and 2016 and April 30, 2017 were approximately RMB705.6 million, RMB616.0 million, RMB720.5 million and RMB751.0 million, respectively. Our finance costs for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017 were approximately RMB73.8 million, RMB53.0 million, RMB47.7 million, RMB14.6 million and RMB18.4 million, respectively, accounting for approximately 2.9%, 2.3%, 1.4%, 2.1% and 1.0% of our total revenue for the respective periods. Our ability to pay the interest incurred with respect to our borrowings, or repay or refinance our borrowings could have an impact on our financial condition and our results of operations.

Performance of Our Business Segments

Our coking segment had been our largest business segment in terms of revenue during the Track Record Period, which contributed to approximately 74.9%, 67.8%, 62.4%, 57.5% and 65.1% of our total revenue for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, respectively. The segment gross profit margin of our coking segment was approximately 1.7%, 0.6%, 14.6% and 19.3% for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively.

We recorded a segment gross loss margin of 6.6% for our coking segment for the four months ended April 30, 2016 mainly due to the decreasing spread between the average selling price of coke and the average purchase price of coal, as the decrease in the price of coal generally lagged behind and was not as significant as the decrease in the price of coke during this period. Although the average selling price of coke during the four months ended April 30, 2016 of RMB535.8 per ton was higher

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than the average purchase price of coal of RMB444.5 per ton for the same period, our coking segment recorded a loss during this period mainly because (i) we required approximately 1.330 ton of coal when producing one ton of coke during the period, which was consistent with our coal input to coke output ratio during other periods in the Track Record Period, and (ii) our manufacturing overhead remained stable as we maintained similar volume of production of coke to meet the requirements of our customers. We sold approximately 0.8 million tons of coke during each of the four months ended April 30, 2016 and 2017.

As a result of the increase in the average selling price of coke from approximately RMB535.8 per ton during the four months ended April 30, 2016 to approximately RMB1,509.4 per ton in the comparable period in 2017 (both on a net of VAT basis), our segment gross profit and gross profit margin significantly increased for the four months ended April 30, 2017. We believe that our coking segment will continue to be one of the important revenue and gross profit drivers going forward.

We mainly sold our crude benzene and coal tar to Jinyuan Chemicals and Bohigh Chemical, respectively, before we acquired these two companies. We continue to supply coking by-products internally to these companies after the acquisitions and the purchases and sales have been eliminated as intra-group transactions upon consolidation of the Group's financials. The contribution of our coking by-products segment had therefore been decreasing during the Track Record Period. We consolidated the sales of benzene based chemicals and coal tar based chemicals from June 2015 and November 2016, respectively, after we completed our acquisitions of Jinyuan Chemicals and Bohigh Chemical. Our refined chemicals segment became our second largest business segment in terms of revenue in 2016.

The revenue generated by our trading segment remained relatively stable in 2014 and 2015 and increased in 2016. The revenue continued to increase in the four months ended April 30, 2017 compared to the same period in 2016. Our trading business supplements our manufacturing business by enhancing our cost advantage from bulk purchase and expanding our procurement network. It also helps us to explore new revenue streams by trading different products. The table below sets forth our segment revenue and gross profit (after elimination of inter-segment sales) for each of our business segments during the Track Record Period:

	Year ended December 31,					Four months ended April 30,				
	2014		2015		2016	2016		2017		
	Segment revenue	Segment gross profit	Segment revenue	Segment gross profit	Segment revenue	Segment gross profit	Segment revenue	Segment gross profit / (loss)	Segment revenue	Segment gross profit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>									
Coke	1,919,231	31,692	1,522,290	9,352	2,058,932	301,607	402,470	(26,415)	1,146,733	221,699
Coking By-Products	332,045	111,768	170,071	29,939	102,504	11,030	36,319	4,136	3,775	1,314
Refined Chemicals	—	—	236,730	30,473	599,207	54,654	142,466	18,082	413,399	35,503
Energy Products	133,126	31,332	126,872	45,739	176,690	69,675	58,806	35,133	92,189	26,883
Trading	173,897	6,588	179,937	10,110	353,155	6,124	55,297	1,929	100,223	3,103

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Going forward, we will further extend our involvement in the coking chemical value chain by producing downstream energy products, mainly LNG. We expect to commence the production and sale of LNG in the first quarter of 2018. We expect that our energy segment and its contribution to our revenue and gross profit will continue to grow after we include the sale of LNG in the future.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our historical financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our Group's financial statements. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 4 and 5 to the Accountants' Report of the Group in Appendix I to this prospectus.

Basis of Consolidation

Our historical financial information incorporates the financial statements of our Company and our subsidiaries. Consolidation of a subsidiary begins when we obtain control over the subsidiary and ceases when we lose control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date we gain control until the date when we cease to control the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between our Group companies are eliminated in full on consolidation.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when the goods are delivered and titles have passed. Dividend income from investments is recognized when the shareholders' right to receive payment has been established. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government Grants

Government grants are not recognized until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which we recognize as expenses

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the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognized in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the historical financial information and the corresponding tax bases used in the computation of taxable profit. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value of inventories represents the estimated selling prices less any estimation costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. We reassess these estimations at the end of each reporting period. As of December 31, 2014, 2015 and 2016 and April 30, 2017, the carrying amounts of our inventories are approximately RMB208.6 million, RMB106.8 million, RMB159.8 million and RMB144.1 million, respectively (net of allowance for inventories of nil, approximately RMB2.3 million, RMB2.4 million and RMB0.3 million, respectively).

Allowance for Doubtful Debts

When there is objective evidence of impairment loss, we would estimate the future cash flows from trade and other receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, namely, the effective interest rate computed at initial recognition. As of December 31, 2014, 2015 and 2016 and April 30, 2017, the carrying amounts of our trade and other receivables are approximately RMB212.0 million, RMB156.7 million, RMB386.7 million and RMB483.5 million, respectively (net of allowance for doubtful debts of approximately RMB2.3 million, RMB2.7 million, RMB2.6 million and RMB1.0 million, respectively).

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Property, Plant and Equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The management estimates useful lives of property, plant and equipment based on their experience and historical production statistics. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of property, plants and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Fair Value Assessment on the Financial Guarantee

For the fair value of the financial guarantee contracts provided to the guaranteed counterparties, assumptions are made by our management at date of initial recognition, based on the guaranteed amount and the credit spread of the guaranteed counterparties, of which was determined according to their estimated default probability with reference to their credit ratings. The credit spread and risk of default were, therefore, of significant estimation uncertainty. The financial guarantee contracts are subsequently measured at the higher of the amount of obligation under the contract as determined in accordance with IAS 37 and the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies. As of December 31, 2014, 2015 and 2016 and April 30, 2017, the carrying amounts of our financial guarantee obligations amounted to approximately RMB21.7 million, RMB10.1 million, RMB3.3 million and nil, respectively.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, we review the carrying amounts of our tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, we estimate the recoverable amount of the asset in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

SELECTED FINANCIAL DATA

The following tables present our selected historical consolidated financial information for the periods indicated. The selected items of our consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, together with the selected items of our consolidated statements of financial position as of December 31, 2014, 2015 and 2016 and April 30, 2017, are derived from, and should be read in conjunction with, the consolidated financial information set forth in the Accountants' Report of our Group set out in Appendix I to this prospectus.

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Selected Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Revenue	2,563,674	2,244,731	3,298,634	699,550	1,760,803
Cost of sales	(2,385,867)	(2,119,342)	(2,863,413)	(666,836)	(1,478,473)
Gross profit	177,807	125,389	435,221	32,714	282,330
Other income	5,845	8,953	4,379	1,444	2,352
Other gains and losses	74,255	8,790	29,038	2,663	4,254
Selling and distribution expenses	(12,931)	(18,222)	(30,795)	(7,524)	(18,865)
Administrative expenses	(33,068)	(36,912)	(43,912)	(13,115)	(19,328)
Finance costs	(73,842)	(53,006)	(47,729)	(14,617)	(18,408)
Listing expenses	—	—	(5,540)	—	(3,500)
Share of result in a joint venture	—	(1,208)	4,001	2,257	1,722
Share of result in associates	1,935	(888)	1,374	431	—
Profit before tax	140,001	32,896	346,037	4,253	230,557
Income tax expense	(34,741)	(8,739)	(79,205)	(437)	(57,700)
Profit and total comprehensive income for the year/ period	<u>105,260</u>	<u>24,157</u>	<u>266,832</u>	<u>3,816</u>	<u>172,857</u>
Profit and total comprehensive income for the year/ period attributable to:					
- Owners of the Company	104,390	23,631	265,939	3,575	166,778
- Non-controlling interests	870	526	893	241	6,079
	<u>105,260</u>	<u>24,157</u>	<u>266,832</u>	<u>3,816</u>	<u>172,857</u>
Earnings per share (RMB) ⁽¹⁾					
- Basic	<u>0.38</u>	<u>0.07</u>	<u>0.66</u>	<u>0.01</u>	<u>0.42</u>
Non-IFRS Measures					
Adjusted net profit/ (loss)	45,725	17,553	228,290	(822)	168,660
Adjusted EBITDA	197,790	147,103	429,556	37,087	276,828

(1) When calculating the equivalent number of shares before becoming a joint stock company on August 3, 2016, we calculated the weighted average number of shares for the acquisition of Jinyuan Chemicals on a pro-rata basis, which have been retrospectively adjusted for the joint stock reorganization on August 3, 2016.

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Selected Items of Consolidated Statements of Financial Position

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	675,359	815,898	886,178	873,671
Prepaid lease payments	37,650	36,668	52,551	90,585
Intangible assets	—	—	93,502	88,555
Goodwill	—	—	8,001	8,001
Interest in a joint venture	34,300	47,792	51,793	53,515
Interests in associates	22,136	49,321	31,560	41,460
Advance to an associate	—	60,940	60,940	60,940
Deferred tax assets	8,827	6,916	8,510	3,301
Deposit for acquisition of mining right	72,000	—	—	—
Deposit for acquisition of property, plant and equipment	7,626	3,294	2,103	48,002
	<u>857,898</u>	<u>1,020,829</u>	<u>1,195,138</u>	<u>1,268,030</u>
CURRENT ASSETS				
Inventories	208,637	106,776	159,797	144,141
Prepaid lease payments	982	982	1,527	2,153
Trade and other receivables	211,974	156,741	386,682	483,543
Amounts due from Shareholders	76,877	160,022	276,863	276,004
Amounts due from related parties	278,891	165,701	95,498	42,347
Dividend receivables from associate	1,847	—	—	—
Tax recoverable	—	1,764	—	—
Restricted bank balances	135,715	122,247	140,071	95,231
Bank balances and cash	48,265	30,693	106,740	172,114
	<u>963,188</u>	<u>744,926</u>	<u>1,167,178</u>	<u>1,215,533</u>
CURRENT LIABILITIES				
Borrowings	705,614	518,379	348,251	422,000
Provisions	21,700	10,100	3,300	—
Dividend payable	17,550	81,046	13,123	102,417
Trade and other payables	502,028	431,194	484,944	456,654
Amounts due to shareholders	27,765	—	100,000	41,437
Amounts due to related parties	460	3,912	619	13,516
Tax payable	2,172	379	26,258	23,866
	<u>1,277,289</u>	<u>1,045,010</u>	<u>976,495</u>	<u>1,059,890</u>
NET CURRENT (LIABILITIES) ASSETS	<u>(314,101)</u>	<u>(300,084)</u>	<u>190,683</u>	<u>155,643</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>543,797</u>	<u>720,745</u>	<u>1,385,821</u>	<u>1,423,673</u>
CAPITAL AND RESERVES				
Paid-in capital/Share capital	222,220	326,730	400,000	400,000
Reserves	312,534	288,165	480,834	547,612
Equity attributable to owners of the Company	534,754	614,895	880,834	947,612
Non-controlling interests	5,870	5,246	65,100	90,179
TOTAL EQUITY	<u>540,624</u>	<u>620,141</u>	<u>945,934</u>	<u>1,037,791</u>
NON-CURRENT LIABILITIES				
Borrowings	—	97,658	372,295	329,000
Long term payable	—	—	30,340	19,600
Deferred revenue	3,173	2,946	6,458	7,849
Deferred tax liabilities	—	—	30,794	29,433
	<u>3,173</u>	<u>100,604</u>	<u>439,887</u>	<u>385,882</u>
	<u>543,797</u>	<u>720,745</u>	<u>1,385,821</u>	<u>1,423,673</u>

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DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

We generate our revenue from our major manufacturing segments, namely, the coke, coking by-products, refined chemicals and energy products segments and our trading segment. The revenue from the sale of our products is recognized when the goods are delivered and titles have passed and net of VAT during the relevant periods. In 2014, our revenue principally comprised revenue from the sales of coke, coking by-products and energy products and from trading. We commenced our trading business in May 2014 when we acquired Shanghai Jinma. Shanghai Jinma was established in November 2013 and has gradually expanded its business during the Track Record Period by diversifying its customer base and product lines.

Since 2015, our revenue from the sales of coking by-products has gradually decreased. We sold our coking by-products to Jinyuan Chemicals and Bohigh Chemical before we acquired them in May 2015 and October 2016, respectively. Our sales and their purchases of these products have been eliminated as intra-group transactions since the respective acquisition date. After the acquisition, we consolidated the sales of benzene based chemicals and coal tar based chemicals of Jinyuan Chemicals and Bohigh Chemical, respectively.

Since 2016, we have primarily generated revenue from the sales of coke, refined chemicals and energy products and from trading. The following table sets forth a breakdown of our revenue by segment during the Track Record Period:

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Coke	1,919,231	74.9	1,522,290	67.8	2,058,932	62.4	402,470	57.5	1,146,733	65.1
Coke	1,812,674	70.7	1,434,337	63.9	1,945,640	59.0	375,692	53.7	1,081,636	61.4
Coke breeze	106,557	4.2	87,953	3.9	113,292	3.4	26,778	3.8	65,097	3.7
Coking By-Products	332,045	13.0	170,071	7.6	102,504	3.1	36,319	5.2	3,775	0.2
Crude benzene	148,048	5.8	36,684	1.6	—	—	—	—	—	—
Coal tar	173,833	6.8	120,558	5.4	92,039	2.8	32,359	4.6	—	—
Other coking by-products ⁽¹⁾	10,164	0.4	12,829	0.6	10,465	0.3	3,960	0.6	3,775	0.2
Refined Chemicals	—	—	236,730	10.5	599,207	18.2	142,466	20.4	413,399	23.5
Benzene based chemicals										
Pure benzene	—	—	183,257	8.1	429,738	13.0	108,396	15.6	217,028	12.3
Toluene	—	—	30,975	1.4	62,522	1.9	19,736	2.8	26,573	1.5
Other benzene based chemicals ⁽²⁾	—	—	22,498	1.0	45,114	1.4	14,334	2.0	20,289	1.2

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	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Coal tar based chemicals										
Coal asphalt	—	—	—	—	30,871	0.9	—	—	78,431	4.5
Anthracene oil	—	—	—	—	13,674	0.4	—	—	33,596	1.9
Industrial naphthalene	—	—	—	—	10,356	0.3	—	—	20,928	1.2
Other coal tar based chemicals ⁽³⁾	—	—	—	—	6,932	0.3	—	—	16,554	0.9
Energy Products	133,126	5.2	126,872	5.7	176,690	5.4	58,806	8.4	92,189	5.2
Coal gas	131,780	5.1	119,544	5.3	153,387	4.7	51,577	7.4	85,189	4.8
Other energy products ⁽⁴⁾	1,346	0.1	7,328	0.4	23,303	0.7	7,229	1.0	7,000	0.4
Trading⁽⁵⁾	173,897	6.8	179,937	8.0	353,155	10.7	55,297	7.9	100,223	5.7
Others⁽⁶⁾	5,375	0.1	8,831	0.4	8,146	0.2	4,192	0.6	4,484	0.3
Total	<u>2,563,674</u>	<u>100.0</u>	<u>2,244,731</u>	<u>100.0</u>	<u>3,298,634</u>	<u>100.0</u>	<u>699,550</u>	<u>100.0</u>	<u>1,760,803</u>	<u>100.0</u>

(1) Other coking by-products mainly include ammonium sulfate.

(2) Other benzene based chemicals mainly include xylene, heavy benzene and non-aromatic hydrocarbons.

(3) Other coal tar based chemicals mainly include wash oil.

(4) Other energy products mainly include heat generated from coke production process.

(5) Trading mainly involves the trading of coal and coal mining equipment.

(6) We provide certain services such as fire prevention and management services to companies located in the Huling Industrial Chemical Park, such as Jinyuan Chemicals, Bohigh Chemical and Jinning Energy before we acquired them and our joint venture company, Jinjiang Refinery. We recognized the fees in relation to these services as other revenue.

Cost of Sales

Our cost of sales, which consists of cost of sales of our manufacturing segments and trading segment, represented approximately 93.1%, 94.4%, 86.8%, 95.3% and 84.0% of our total revenue for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, respectively. The largest component of our cost of sales is the cost of raw materials, mainly coal, crude benzene and coal tar, accounting for approximately 91.4%, 89.2%, 89.8%, 88.7% and 93.3% of our total cost of production for manufacturing segments for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, respectively.

The cost of sales for our manufacturing segments primarily consists of fixed and variable costs associated with our production. It mainly comprises cost of raw materials, direct labors and manufacturing overhead (mainly including utility expenses, low value consumables and depreciation and amortization expenses). Our cost of sales relating to our trading segment primarily includes purchase costs in relation to the products that we sell. The following table sets forth, for the periods indicated, the components of our cost of sales:

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	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Cost of sales for manufacturing segments⁽¹⁾:					
Cost of raw materials	2,059,690	1,690,092	2,232,309	537,507	1,286,509
<i>Coal</i>	2,059,690	1,555,340	1,857,872	432,524	1,020,696
<i>Crude benzene</i>	—	134,752	347,581	104,983	191,974
<i>Coal tar</i>	—	—	26,856	—	68,318
<i>Coal gas</i>	—	—	—	—	5,521
Direct labors	47,711	49,979	66,467	18,385	20,372
Manufacturing overhead	146,419	154,702	187,172	50,164	72,382
Total cost of production for manufacturing segments	2,253,820	1,894,773	2,485,948	606,056	1,379,263
Changes in finished goods	(44,209)	45,688	14,419	3,069	(8,565)
Total	2,209,611	1,940,461	2,500,367	609,125	1,370,698
Cost of sales for trading segment	167,309	169,828	347,032	53,369	97,120
Others ⁽²⁾	8,947	9,053	16,014	4,342	10,655
Total cost of sales	2,385,867	2,119,342	2,863,413	666,836	1,478,473

(1) Include coke, coking by-products, refined chemicals and energy products manufacturing segments.

(2) Mainly include expenses which are unable to be allocated among different segments, such as various PRC taxes.

Gross Profit and Gross Margin

The gross profit for an individual business segment is calculated as the revenue of the relevant segment after deducting cost of sales of such segment. Our total gross profit represents the sum of each individual business segment's gross profit after deduction of unallocated expenses. The gross margin of each business segment is calculated by dividing gross profit of the segment by revenue from such segment for the relevant years.

The annual production volume of our coke remained stable at approximately 2.1 million tons during the years ended December 31, 2014, 2015 and 2016. As a result of our stable production and in view of the need to sustain continuing coke production considering that suspension of production would damage our coking furnaces, we incurred a relatively stable fixed manufacturing cost during the Track Record Period. During the Track Record Period, the changes in our profit margin of each business segment were mainly driven by (i) the changes in the spread between the average selling prices of our products and the average purchase prices of the main raw materials used in that segment, (ii) the consolidation of the results of our acquired businesses and the elimination of intra-group sales and purchases and (iii) our relatively stable fixed manufacturing cost, mainly manufacturing overhead, regardless of changes in revenue. For details regarding our gross profit and gross profit margin by business segment, please see “— *Factors Affecting Our Results of Operations and Financial Condition — Performance of our business segments.*”

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Other Income

Our other income consists primarily of interest income generated from the deposits we maintained at our bank accounts, government grant and subsidies and rental income. The government grant represents various amounts we received from local government from time to time, including those in relation to the recognition and encouragement of advanced enterprises and implementation of desulfurization and denitrification facilities. We also received government subsidies from the local government in relation to the construction and installation of certain plants and equipment. Such amounts have been deferred and recognized as release of assets-related government subsidies in our other income on a systematic basis over the useful life of the relevant assets.

Our rental income mainly represents the rental from leases of our assets such as land to Jinyuan Chemicals before we acquired it. In addition, when we are engaged to provide fire prevention or management services to other companies, we imposed penalties on the companies which violated any applicable internal requirements to enhance overall compliance. The penalties were recorded under “others” in other income. The following table sets forth the breakdown of our other income:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Interest income on bank balance	4,420	5,604	3,251	1,227	416
Release of assets-related government subsidies	227	227	270	76	169
Government grants	546	1,499	661	5	1,641
Rental income	648	470	—	—	—
Others	4	1,153	197	136	126
	5,845	8,953	4,379	1,444	2,352

Other Gains and Losses

Our other gains and losses primarily consist of allowance for or reversal of allowance for doubtful debts, allowance for inventories, loss on disposal of property plant and equipment, gain on release of and loss on initial recognition of obligations on financial guarantee contracts, bargain purchase on acquisition of a subsidiary, gain on deemed disposal of interest in an associate, donations and others.

During the Track Record Period, we provided financial guarantees to Independent Third Parties (including Jinjiang Refinery, our joint venture company) mainly to secure their bank borrowings. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by us are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the amount of the obligation under the contract, as determined in accordance with IAS 37, and the amount initially recognized less, where appropriate, cumulative

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amortization recognized over the guarantee period. We derecognize financial liabilities when our obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized as other gains and losses.

For the fair value of the financial guarantee contracts provided to the guaranteed counterparties, assumptions are made by our management on the date of initial recognition, based on the guaranteed amount and the credit spread of the guaranteed counterparties, of which was determined according to their estimated default probability with reference to their credit ratings. The credit spread and risk of default were, therefore, of significant estimation uncertainty. The financial guarantee contracts are subsequently measured at the higher of the amount of obligation under the contract as determined in accordance with IAS 37 and the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

As of December 31, 2014, 2015 and 2016 and April 30, 2017, the total amount of guarantees provided by us was RMB910.0 million, RMB842.0 million, RMB455.0 million and RMB55.0 million, respectively. As of the Latest Practicable Date, all the financial guarantees that we provided to third parties were discharged, cancelled or have expired.

We recognize bargain purchase on acquisition of a subsidiary when the fair value of identifiable net assets acquired exceeds the sum of (i) the consideration transferred, (ii) the amount of any non-controlling interests in the target businesses and (iii) the fair value of the acquirer's previously held interest in the target businesses (if any). Such excessive amount is recognized immediately in profit or loss as a bargain purchase gain.

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
(Allowance for) reversal of allowance for doubtful debts	(1,585)	(459)	151	—	1,630
Allowance for inventories	—	(2,325)	(2,375)	—	(346)
Loss on disposal of property, plant and equipment	(958)	(41)	(3,202)	—	—
Gain on release of financial guarantee contracts	94,000	26,600	6,800	2,600	3,300
Loss on initial recognition of financial guarantee contracts	(17,200)	(15,000)	—	—	—
Bargain purchase on acquisition of a subsidiary	—	—	24,043	—	—
Gain on deemed disposal of interest in an associate	—	—	4,024	—	—
Donations	(953)	(1,200)	(1,363)	(48)	(176)
Others	951	1,215	960	111	(154)
	74,255	8,790	29,038	2,663	4,254

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Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of transportation costs of delivering our products to our customers, staff cost of our sales and marketing personnel, depreciation, traveling expenses, business development expenses and others. The following table sets forth the breakdown of our selling and distribution expenses:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Transportation	11,043	15,984	26,863	6,846	15,542
Staff cost	843	707	1,053	255	1,903
Depreciation	47	46	46	6	48
Traveling	280	336	429	106	134
Business development expenses	549	615	943	270	455
Others	169	534	1,461	41	783
Total	<u>12,931</u>	<u>18,222</u>	<u>30,795</u>	<u>7,524</u>	<u>18,865</u>

Administrative Expenses

Our administrative expenses primarily consist of staff costs of administrative personnel, environmental expenses, depreciation and amortization of our office buildings and equipment, legal and professional fees, traveling and business development expenses, office expenses, taxes and others. The following table sets forth the breakdown of our administrative expenses:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Staff cost	13,096	11,455	14,861	3,903	6,068
Environmental expenses	2,131	2,808	4,205	1,399	2,394
Depreciation and amortization	4,330	4,828	5,199	1,744	1,931
Legal and professional fees	1,119	2,160	2,988	1,241	1,314
Traveling and business development expenses	3,133	3,289	4,285	1,161	1,892
Office expenses	2,480	2,912	2,004	668	1,901
Other taxes	6,687	7,172	7,841	2,363	3,002
Others	92	2,288	2,529	636	826
Total	<u>33,068</u>	<u>36,912</u>	<u>43,912</u>	<u>13,115</u>	<u>19,328</u>

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Finance Costs

Our finance costs consist primarily of interest payments on bank loans and other financial institution borrowing and interest payments in relation to discounting bills.

Share of Result in a Joint Venture

Our share of result in a joint venture consists primarily of our share of result in Jinjiang Refinery. We hold 49.0% interest of Jinjiang Refinery, which is engaged in the manufacturing and sale of hydrogen and methane products. Pursuant to the joint venture arrangement, all the financial and operational decisions require unanimous consent by both of the joint venture partners. Jinjiang Refinery was at the development stage as of December 31, 2014 and no significant profit or loss was recognized until October 2015. Jinjiang Refinery recorded approximately RMB9.8 million and RMB181.3 million of revenue and approximately RMB2.5 million of loss and approximately RMB8.2 million of profit in 2015 and 2016, respectively. Jinjiang Refinery recorded approximately RMB72.3 million and RMB65.2 million of revenue and approximately RMB4.6 million and RMB3.5 million of profit for the four months ended April 30, 2016 and 2017, respectively.

Share of Result in Associates

Our share of result in associates consists primarily of our share of result in our associates, Bohigh Chemical, before we acquired it in October 2016, and Yilong Coal in which we hold approximately 33.0% of interest. Bohigh Chemical recorded approximately RMB471.7 million, RMB317.0 million and RMB242.0 million of revenue in 2014, 2015 and the period before the acquisition by us in 2016, respectively. It recorded approximately RMB6.7 million of profit, approximately RMB3.1 million of loss and approximately RMB4.7 million of profit in 2014, 2015 and the period before the acquisition by us in 2016, respectively. Yilong Coal has not commenced operation and we have not recorded any share of profit or loss from this associate.

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit/(loss) and adjusted EBITDA as additional financial measures. We present these financial measures because they are used by our management to evaluate our operating performance. We also believe that these non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

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Adjusted Net Profit/(Loss)

We defined our adjusted net profit/(loss) as our profit, excluding share of result in a joint venture, share of results in associates, bargain purchase on acquisition of a subsidiary, gain on deemed disposal of interest in an associate, gain on release of financial guarantee contracts (net of tax) and loss on initial recognition of financial guarantee contracts (net of tax). The term of adjusted net profit/(loss) is not defined under IFRS. The use of adjusted net profit/(loss) has material limitations as an analytical tool, as adjusted net profit/(loss) does not include all items that impact our net profit for a particular year. Adjusted net profit/(loss) eliminates the effect of non-recurring or non-core items which may recur in the future.

Adjusted EBITDA

Adjusted EBITDA, as we present it, represents profit before tax, adding back finance cost, depreciation of property, plant and equipment, and amortization of intangible assets, further adjusted to exclude share of result in a joint venture, share of result in associates, bargain purchase on acquisition of a subsidiary, gain on deemed disposal of interest in an associate, gain on release of financial guarantee contracts and loss on initial recognition of financial guarantee contracts.

The use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expenses that affect our operations. Items excluded from adjusted EBITDA are significant components in understanding and assessing our operating and financial performance. Finance cost, depreciation and amortization expenses, income tax, share of result in a joint venture, share of result in associates, bargain purchase on acquisition of a subsidiary, gain/(loss) on deemed disposal of interest in an associate, gain on release of financial guarantee contracts and loss on initial recognition of financial guarantee contracts have been and may continue to be incurred in our business and are not reflected in the presentation of adjusted EBITDA. Each of these items should also be considered in the overall evaluation of our results. Additionally, adjusted EBITDA does not consider changes in working capital, capital expenditures and other investing activities and should not be considered as a measure of our liquidity. The term of adjusted EBITDA is not defined under IFRS, and adjusted EBITDA is not a measure of profit and total comprehensive income or liquidity presented in accordance with IFRS.

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Calculation of Non-IFRS Measures

We compensate for these limitations by reconciling the non-IFRS financial measures to the nearest IFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our adjusted net profit/(loss) and adjusted EBITDA for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit and total comprehensive income for a particular year/period:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Profit for the year	105,260	24,157	266,832	3,816	172,857
Less:					
Share of result in a joint venture	—	(1,208)	4,001	2,257	1,722
Share of result in associates	1,935	(888)	1,374	431	—
Bargain purchase on acquisition of a subsidiary	—	—	24,043	—	—
Gain on deemed disposal of interest in an associate	—	—	4,024	—	—
Gain on release of financial guarantee contracts	94,000	26,600	6,800	2,600	3,300
Loss on initial recognition of financial guarantee contracts	(17,200)	(15,000)	—	—	—
Add back: income tax effects ⁽¹⁾	19,200	2,900	1,700	650	825
Adjusted net profit/(loss)	45,725	17,553	228,290	(822)	168,660
Profit before tax	140,001	32,896	346,037	4,253	230,557
Add:					
Finance cost	73,842	53,006	47,729	14,617	18,408
Depreciation of plant, property and equipment	62,682	70,705	76,032	23,505	27,938
Amortization of intangible assets	—	—	—	—	4,947
EBITDA	276,525	156,607	469,798	42,375	281,850
Share of result in a joint venture	—	(1,208)	4,001	2,257	1,722
Share of result in associates	1,935	(888)	1,374	431	—
Bargain purchase on acquisition of a subsidiary	—	—	24,043	—	—
Gain on deemed disposal of interest in an associate	—	—	4,024	—	—
Gain on release of financial guarantee contracts	94,000	26,600	6,800	2,600	3,300
Loss on initial recognition of financial guarantee contracts	(17,200)	(15,000)	—	—	—
Adjusted EBITDA	197,790	147,103	429,556	37,087	276,828

(1) Represents 25% of the sum of (a) gain on release of financial guarantee contracts and (b) loss on initial recognition of financial guarantee contracts. Share of result in a joint venture, share of result in associates, bargain purchase on acquisition of a subsidiary and gain on deemed disposal of interest in an associate are all non-taxable.

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In light of the foregoing limitations for other financial measures, when assessing our operating and financial performance, you should not consider adjusted net profit/(loss) or adjusted EBITDA in isolation or as a substitute for our profit and total comprehensive income for a particular year or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

REVIEW OF HISTORICAL OPERATING RESULTS

Four Months Ended April 30, 2017 Compared to Four Months Ended April 30, 2016

Revenue

Our revenue increased by approximately RMB1,061.2 million or approximately 151.7% from approximately RMB699.6 million for the four months ended April 30, 2016 to approximately RMB1,760.8 million for the four months ended April 30, 2017. The increase was primarily due to an increase in the revenue from the sales of coke, refined chemicals and energy products and an increase in our trading business, which was partially offset by the intra-group elimination of our sales of coking by-products for the four months ended April 30, 2017.

Coke Segment. The revenue from the sales of our coke increased by approximately RMB744.2 million or approximately 184.9% from approximately RMB402.5 million for the four months ended April 30, 2016 to approximately RMB1,146.7 million for the four months ended April 30, 2017. The increase in the revenue from the sales of coke during the period was primarily due to an increase in the average selling price of coke by approximately 181.7% from approximately RMB535.8 per ton for the four months ended April 30, 2016 to approximately RMB1,509.4 per ton for the four months ended April 30, 2017 (both on a net of VAT basis), mainly driven by the continuous recovery of iron and steel and construction industries in 2017.

Coking By-Products Segment. The revenue from the sales of our coking by-products decreased by approximately RMB32.5 million or approximately 89.5% from approximately RMB36.3 million for the four months ended April 30, 2016 to approximately RMB3.8 million for the four months ended April 30, 2017. The decrease was mainly because we no longer carried the sale of any of our main coking by-products to external customers during the four months ended April 30, 2017 after we completed the acquisition of Bohigh Chemical in December 2016.

Refined Chemical Segment. The revenue from the sales of our refined chemicals increased by approximately RMB270.9 million or approximately 190.1% from approximately RMB142.5 million for the four months ended April 30, 2016 to approximately RMB413.4 million for the four months ended April 30, 2017. The increase was primarily due to the consolidation of the sale of coal tar based chemicals of approximately RMB149.5 million since we acquired Bohigh Chemical at the end of 2016. The increase was also attributable to an increase in the average selling prices of benzene based chemicals by 53.4% from approximately RMB3,713.5 per ton during the four months ended April 30, 2016 to approximately RMB5,696.7 per ton during the four months ended April 30, 2017, primarily

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driven by strong market demand and the increase in crude oil prices. The demand for and the market price of coal tar based chemicals had demonstrated a strong growth during the four months ended April 30, 2017, mainly because of the increasing demand for coal tar from electrolytic aluminium industry for the manufacturing of graphite electrodes, and the overall decreasing coal tar processing capacity in China driven by the government's efforts in enhancing environmental protection by eliminating outdated production processes.

Energy Products Segment. The revenue from the sales of our energy products increased by approximately RMB33.4 million or approximately 56.8% from approximately RMB58.8 million for the four months ended April 30, 2016 to approximately RMB92.2 million for the four months ended April 30, 2017. The increase was primarily due to an increase in the average selling price of our coal gas from approximately RMB0.40 per m³ for the four months ended April 30, 2016 to approximately RMB0.63 per m³ for the four months ended April 30, 2017, which was mainly because we sold our coal gas directly to end users upon the consolidation of Jinning Energy at the end of 2016.

Trading Segment. Our trading revenue increased by approximately RMB44.9 million or approximately 81.2% from approximately RMB55.3 million for the four months ended April 30, 2016 to approximately RMB100.2 million for the four months ended April 30, 2017. The increase was primarily due to an increase in the revenue generated from the trading of coal, principally driven by an increase in the average selling price of coal.

Cost of Sales

Cost of sales increased by approximately RMB811.7 million or approximately 121.7% from approximately RMB666.8 million for the four months ended April 30, 2016 to approximately RMB1,478.5 million for the four months ended April 30, 2017. This was due to an increase in the cost of sales for manufacturing segments and trading segment. The increase in the cost of production for our manufacturing segments for the four months ended April 30, 2017 was primarily due to the increase in the cost of raw materials, mainly coal and crude benzene.

Our cost of coal for our manufacturing segments increased by approximately 136.0% from approximately RMB432.5 million for the four months ended April 30, 2016 to approximately RMB1,020.7 million for the four months ended April 30, 2017. The increase in the cost of coal for our manufacturing segments was principally driven by an increase in the average purchase price of coal from approximately RMB444.5 per ton for the four months ended April 30, 2016 to approximately RMB1,011.3 per ton for the four months ended April 30, 2017 as a result of government policy in controlling coal supply by limiting the number of days that coal mines can operate in a year.

Our cost of crude benzene also increased from approximately RMB105.0 million for the four months ended April 30, 2016 to approximately RMB192.0 million for the four months ended April 30, 2017, primarily due to the increase in the average purchase price of crude benzene from approximately RMB3,197.2 per ton for the four months ended April 30, 2016 to approximately RMB4,909.6 per ton for the four months ended April 30, 2017. We incurred approximately RMB68.3 million of cost for coal tar during the four months ended April 30, 2017 subsequent to the consolidation of Bohigh Chemical. We incurred approximately RMB5.5 million of cost for coal gas during the four months ended April 30, 2017, reflecting the purchase of coal gas from Yugang Coking by Jinning Energy.

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Our direct labor cost increased from approximately RMB18.4 million for the four months ended April 30, 2016 to approximately RMB20.4 million for the four months ended April 30, 2017 primarily because of the performance-based bonus to our employees in light of our improving business performance. Our manufacturing overhead increased from approximately RMB50.2 million for the four months ended April 30, 2016 to approximately RMB72.4 million for the four months ended April 30, 2017, primarily due to the consolidation of the overhead of Jinning Energy and Bohigh Chemical after the acquisition in the fourth quarter of 2016.

Our cost of sales for our trading segment increased by approximately RMB43.7 million or approximately 81.8% from approximately RMB53.4 million for the four months ended April 30, 2016 to approximately RMB97.1 million for the four months ended April 30, 2017, mainly because of the increase in the procurement cost of coal mainly driven by the increase in coal price during the period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately RMB249.6 million or approximately 763.3% from approximately RMB32.7 million for the four months ended April 30, 2016 to approximately RMB282.3 million for the four months ended April 30, 2017. Our gross profit margin increased from approximately 4.7% for the four months ended April 30, 2016 to approximately 16.0% for the four months ended April 30, 2017.

Coke Segment. We recorded gross loss for the coke segment in the amount of approximately RMB26.4 million for the four months ended April 30, 2016, compared to gross profit for the coke segment in the amount of approximately RMB221.7 million for the four months ended April 30, 2017. We recorded gross loss margin for the coke segment of approximately 6.6% for the four months ended April 30, 2016, compared to gross profit margin for the coke segment of approximately 19.3% for the four months ended April 30, 2017. The gross loss and gross loss margin for the four months ended April 30, 2016 was primarily due to the decreasing spread between the average selling price of coke and the average purchase price of coal, mainly because the average selling price of coke during the four months ended April 30, 2016 reached a low level to approximately RMB535.8 per ton, while the decrease in the price of coal generally lagged behind and was not as significant as the decrease in the price of coke during this period. Although the average selling price of coke during the four months ended April 30, 2016 of RMB535.8 per ton was higher than the average purchase price of coal of RMB444.5 per ton for the same period, our coking segment recorded a loss during this period mainly because (i) we required approximately 1.330 ton of coal when producing one ton of coke during the period, which was consistent with our coal input to coke output ratio during other periods in the Track Record Period, and (ii) our manufacturing overhead remained stable as we maintained similar volume of production of coke to meet the requirements of our customers. We sold approximately 0.8 million tons of coke during each of the four months ended April 30, 2016 and 2017. As a result of the increase in the average selling price of coke from approximately RMB535.8 per ton during the four months ended April 30, 2016 to approximately RMB1,509.4 per ton in the comparable period in 2017 (both on a net of VAT basis), our segment gross profit and gross profit margin significantly increased for the four months ended April 30, 2017.

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Coking By-Products Segment. Our gross profit for the coking by-products segment decreased by approximately RMB2.8 million from approximately RMB4.1 million for the four months ended April 30, 2016 to approximately RMB1.3 million for the four months ended April 30, 2017. Our segment gross profit margin increased from approximately 11.4% for the four months ended April 30, 2016 to approximately 34.8% for the four months ended April 30, 2017. Our gross profit for this segment significantly decreased during the period as we ceased to sell coal tar but only sold a small amount of other by-products to external customers after we acquired Bohigh Chemical.

Refined Chemicals Segment. Our gross profit for the refined chemicals segment increased by approximately RMB17.4 million or approximately 96.1% from approximately RMB18.1 million for the four months ended April 30, 2016 to approximately RMB35.5 million for the four months ended April 30, 2017. Our segment gross profit margin decreased from approximately 12.7% for the four months ended April 30, 2016 to approximately 8.6% for the four months ended April 30, 2017 primarily because of a decrease in the gross profit margin of benzene based chemicals from approximately 12.7% in the four months ended April 30, 2016 to approximately 6.8% in the comparable period in 2017. The decrease in the segment gross profit margin was because of the decreasing spread between the average selling price of refined chemicals and the average purchase price of coking by-products used in production. The increase in the average purchase price of coking by-products was due to the increase in the cost of coal used in the coking process mainly due to the increasing demand as a result of recovery of iron and steel industry, as well as the limited supply of coal resulting from government policy in controlling coal supply by limiting the number of days that coal mines can operate in a year.

Energy Products Segment. Our gross profit for the energy products segment decreased by approximately RMB8.2 million or approximately 23.4% from approximately RMB35.1 million for the four months ended April 30, 2016 to approximately RMB26.9 million for the four months ended April 30, 2017. Our segment gross profit margin decreased from approximately 59.7% for the four months ended April 30, 2016 to approximately 29.2% for the four months ended April 30, 2017 primarily because of the relatively larger extent of increase in the average purchase price of coal than that of the increase in the average selling price of coal gas in the same period.

Trading Segment. Our gross profit for the trading segment increased by approximately RMB1.2 million or approximately 63.2% from approximately RMB1.9 million for the four months ended April 30, 2016 to approximately RMB3.1 million for the four months ended April 30, 2017. Our segment gross profit margin slightly decreased from approximately 3.5% for the four months ended April 30, 2016 to approximately 3.1% for the four months ended April 30, 2017 primarily because we strategically offered competitive prices to our customers to enhance our competitiveness in the market. As such, while our revenue for the trading segment increased for the four months ended April 30, 2017, our gross profit margin slightly decreased during the same period.

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Other Income

Other income increased by approximately RMB1.0 million or approximately 71.4% from approximately RMB1.4 million for the four months ended April 30, 2016 to approximately RMB2.4 million for the four months ended April 30, 2017. The increase was mainly due to the increase in the amount of our government grants from approximately RMB5,000 for the four months ended April 30, 2016 to approximately RMB1.6 million for the four months ended April 30, 2017 mainly because we had more projects qualified for government grants for the four months ended April 30, 2017.

Other Gains and Losses, Net

Our other gains and losses, net, increased by approximately RMB1.6 million or approximately 59.3% from approximately RMB2.7 million for the four months ended April 30, 2016 to approximately RMB4.3 million for the four months ended April 30, 2017. The net gains in the four months ended April 30, 2017 primarily reflected the increase in reversal of allowance for doubtful debts in the amount of approximately RMB1.6 million.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately RMB11.4 million or approximately 152.0% from approximately RMB7.5 million for the four months ended April 30, 2016 to approximately RMB18.9 million for the four months ended April 30, 2017. The increase was primarily due to change in our billing method with respect to the sales to one customer in the coke segment from an ex-factory basis to a cost-plus-freight basis and that we recorded the relevant transportation cost under our selling and distribution expenses, resulting in an increase in transportation cost in the amount of approximately RMB8.7 million.

Administrative Expenses

Administrative expenses increased by approximately RMB6.2 million or approximately 47.3% from approximately RMB13.1 million for the four months ended April 30, 2016 to approximately RMB19.3 million for the four months ended April 30, 2017. The increase was primarily due to the increase in our staff cost from approximately RMB3.9 million for the four months ended April 30, 2016 to approximately RMB6.1 million for the four months ended April 30, 2017 primarily as a result of the performance-based bonus in light of our improving business performance.

Finance Costs

Finance costs increased by approximately RMB3.8 million or approximately 26.0% from approximately RMB14.6 million for the four months ended April 30, 2016 to approximately RMB18.4 million for the four months ended April 30, 2017. The increase was primarily due to the increase in the average bank borrowings in the four months ended April 30, 2017 compared to the same period in 2016.

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Share of Result in a Joint Venture

Our share of result in a joint venture decreased by approximately RMB0.6 million or approximately 26.1% from approximately RMB2.3 million for the four months ended April 30, 2016 to approximately RMB1.7 million for the four months ended April 30, 2017. This was primarily because Jinjiang Refinery recorded a decrease of approximately RMB1.1 million in profit in the four months ended April 30, 2017 compared to the same period in 2016.

Share of Result in Associates

Our share of result in associates decreased by approximately RMB0.4 million or approximately 100.0% from approximately RMB0.4 million for the four months ended April 30, 2016 to nil for the four months ended April 30, 2017. The decrease was primarily due to the consolidation of Bohigh Chemical which is no longer our associate.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by approximately RMB226.3 million or approximately 5,262.8% from approximately RMB4.3 million for the four months ended April 30, 2016 to approximately RMB230.6 million for the four months ended April 30, 2017.

Income Tax Expense

Income tax expense increased by approximately RMB57.3 million or approximately 14,325.0% from approximately RMB0.4 million for the four months ended April 30, 2016 to approximately RMB57.7 million for the four months ended April 30, 2017. The significant increase was primarily due to the increase in our profit during the same period.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, our profit and total comprehensive income for the period increased by approximately RMB169.1 million or approximately 4,450.0% from approximately RMB3.8 million for the four months ended April 30, 2016 to approximately RMB172.9 million for the four months ended April 30, 2017. Our net profit margin increased from approximately 0.5% for the four months ended April 30, 2016 to approximately 9.8% for the four months ended April 30, 2017.

Adjusted Net Profit and Adjusted EBITDA

As a result of the foregoing, our adjusted net profit increased by approximately RMB169.5 million from an adjusted net loss of approximately RMB0.8 million for the four months ended April 30, 2016 to an adjusted net profit of approximately RMB168.7 million for the four months ended April 30, 2017. Our adjusted EBITDA increased by approximately RMB239.7 million or approximately 646.1% from approximately RMB37.1 million for the four months ended April 30, 2016 to approximately RMB276.8 million for the four months ended April 30, 2017.

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Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by approximately RMB1,053.9 million or approximately 47.0% from approximately RMB2,244.7 million in 2015 to approximately RMB3,298.6 million in 2016. The increase was primarily due to (i) an increase in the revenue from the sales of coke, refined chemicals and energy products and an increase in our trading business, (ii) the consolidation of the full year results of Jinyuan Chemicals in 2016, and (iii) the consolidation of the results of Bohigh Chemical from the date of acquisition, which was partially offset by the intra-group elimination of our sales of coking by-products in 2016.

Coke Segment. The revenue from the sales of our coke increased by approximately RMB536.6 million or approximately 35.2% from approximately RMB1,522.3 million in 2015 to approximately RMB2,058.9 million in 2016. The increase in the revenue from the sales of coke in 2016 was primarily due to an increase in the average selling price of coke by approximately 37.8% from approximately RMB665.4 per ton in 2015 to approximately RMB917.1 per ton in 2016, mainly driven by the overall recovery of iron and steel and construction industries in China.

Coking By-Products Segment. The revenue from the sales of our coking by-products decreased by approximately RMB67.6 million or approximately 39.7% from approximately RMB170.1 million in 2015 to approximately RMB102.5 million in 2016. The decrease was mainly because we eliminated the full year sales of our crude benzene to Jinyuan Chemicals in 2016 while the sales were only eliminated for the period after our acquisition of Jinyuan Chemicals in May 2015. Similarly, revenue from the sales of coal tar decreased in 2016 partly because our sales of coal tar to Bohigh Chemical were eliminated as intra-group transaction upon consolidation after we acquired it in October 2016. The decrease in revenue from the sales of coal tar was also due to a decrease in the average selling price of coal tar from approximately RMB1,490.1 per ton in 2015 to approximately RMB1,348.5 per ton in 2016 mainly due to the fluctuations in market conditions.

Refined Chemicals Segment. The revenue from the sales of our refined chemicals increased by approximately RMB362.5 million or approximately 153.1% from approximately RMB236.7 million in 2015 to approximately RMB599.2 million in 2016. The increase was primarily due to (i) the consolidation of the sales of benzene based chemicals for the full year in an amount of approximately RMB537.4 million in 2016 as compared to the consolidation of such sales for the period after we acquired Jinyuan Chemicals in an amount of approximately RMB236.7 million in 2015, (ii) an increase in the average selling price of benzene based chemicals from approximately RMB3,837.8 per ton in 2015 to approximately RMB4,244.5 per ton in 2016, and (iii) our acquisition of Bohigh Chemical and the consolidation of the sales of coal tar based chemicals after such acquisition. The increase in the average selling price of benzene based chemicals in 2016 was mainly due to the increased demand from downstream industries, and is generally in line with the increase in the petroleum price given that the coking refined chemicals are often sourced as a cost-competitive substitute for petroleum-based refined chemicals.

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Energy Products Segment. The revenue from the sales of our energy products increased by approximately RMB49.8 million or approximately 39.2% from approximately RMB126.9 million in 2015 to approximately RMB176.7 million in 2016. The increase was primarily due to an increase in the volume of coal gas that we sold from approximately 251.3 million m³ in 2015 to approximately 362.5 million m³ in 2016 which was partially offset by a decrease in the average selling price of coal gas from approximately RMB0.48 per m³ in 2015 to approximately RMB0.42 per m³ in 2016. We lowered the selling price of coal gas in November 2015 and February 2016 with reference to the decrease in natural gas gate price announced by the government in November 2015 and considering that we have achieved a considerable scale of operation and can produce the coal gas at lower unit cost. The increase in the volume of coal gas sold by us was indirectly driven by an increase in the demand for coal gas of Jinjiang Refinery in 2016 after it commenced commercial production in October 2015.

Trading Segment. Our trading revenue increased by approximately RMB173.3 million or approximately 96.3% from approximately RMB179.9 million in 2015 to approximately RMB353.2 million in 2016. The increase was primarily due to an increase in the revenue generated from the trading of coal, principally driven by an increase in the average selling price and the trading volume of coal. We gradually expanded the trading business of coal mining equipment in 2016 after we first started such business in 2015, and the trading of coal mining equipment increased in 2016 as we continued to expand our customer base and explore new business opportunities.

Cost of Sales

Cost of sales increased by approximately RMB744.1 million or approximately 35.1% from approximately RMB2,119.3 million in 2015 to approximately RMB2,863.4 million in 2016 primarily due to an increase in the cost of sales for manufacturing segments and trading segment. The increase in the cost of production for our manufacturing segments in 2016 was primarily due to an increase in the cost of raw materials, mainly coal, as well as an increase in direct labor cost and manufacturing overhead.

Our cost of coal for our manufacturing segments increased by approximately RMB302.6 million or approximately 19.5% from approximately RMB1,555.3 million in 2015 to approximately RMB1,857.9 million in 2016. The increase in the cost of coal for our manufacturing segments was principally driven by an increase in the average purchase price of coal of approximately 22.0% from approximately RMB528.0 per ton in 2015 to approximately RMB644.3 per ton in 2016. The increase in the coal price in 2016 was largely driven by a decrease in supply as a result of government policy in controlling coal supply by limiting the number of days that coal mines can operate in a year, as well as an increase in demand as a result of recovery of iron and steel industry. Our cost of crude benzene also increased from approximately RMB134.8 million in 2015 to approximately RMB347.6 million in 2016 mainly due to the full year effect of consolidation of Jinyuan Chemicals in 2016. The cost of our direct labor increased from approximately RMB50.0 million to approximately RMB66.5 million in 2016 as we paid more performance-based bonus to our employees as a result of our improved performance in 2016, and our manufacturing overhead increased from approximately RMB154.7 million to approximately RMB187.2 million in 2016 mainly due to the consolidation of full year costs of sale of Jinyuan Chemicals and an increase in electricity costs as we sold more coal gas externally and generated less electricity for our internal use.

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Our cost of sales for our trading segment increased by approximately RMB177.2 million or 104.4% from approximately RMB169.8 million in 2015 to approximately RMB347.0 million in 2016, mainly reflecting an increase in the coal price and the volume of coal that we traded in 2016.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately RMB309.8 million or approximately 247.0% from approximately RMB125.4 million in 2015 to approximately RMB435.2 million in 2016. Our gross profit margin increased from approximately 5.6% in 2015 to approximately 13.2% in 2016.

Coke Segment. Our gross profit for the coke segment increased by approximately RMB292.2 million or approximately 3,108.5% from approximately RMB9.4 million in 2015 to approximately RMB301.6 million in 2016. Our segment gross margin increased from approximately 0.6% in 2015 to approximately 14.6% in 2016 primarily due to an increase in the spread between the average selling price of coke and the average purchase price of coal. The significant increase in the price of coke was mainly attributable to the recovery of iron and steel and construction industries in 2016.

Coking By-Products Segment. Our gross profit for the coking by-products segment decreased by approximately RMB18.9 million or approximately 63.2% from approximately RMB29.9 million in 2015 to approximately RMB11.0 million in 2016. Our segment gross margin decreased from approximately 17.6% in 2015 to approximately 10.8% in 2016 primarily because we did not sell any crude benzene externally in 2016 and the sale of coal tar typically records a lower margin than the sale of crude benzene.

Refined Chemicals Segment. Our gross profit for the refined chemicals segment increased by approximately RMB24.2 million or approximately 79.3% from approximately RMB30.5 million in 2015 to approximately RMB54.7 million in 2016. Our segment gross margin decreased from approximately 12.9% in 2015 to approximately 9.1% in 2016 primarily because we consolidated the sale of coal tar based chemicals for the period after the acquisition of Bohigh Chemical in 2016. The margin of the sale of coal tar based chemicals was lower than the sale of benzene based chemicals, which caused the margin of our refined chemicals segment to decrease in 2016.

Energy Products Segment. Our gross profit for the energy products segment increased by approximately RMB24.0 million or approximately 52.5% from approximately RMB45.7 million in 2015 to approximately RMB69.7 million in 2016. Our segment gross margin increased from approximately 36.1% in 2015 to approximately 39.4% in 2016 primarily due to a decrease in the unit cost of coal gas resulting from economies of scale from the increase in sales volume.

Trading Segment. Our gross profit for the energy products segment decreased by approximately RMB4.0 million or approximately 39.6% from approximately RMB10.1 million in 2015 to approximately RMB6.1 million in 2016. Our segment gross margin decreased from approximately 5.6% in 2015 to approximately 1.7% in 2016 primarily due to a decrease in the spread between the

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average selling price and average purchase price of coal in our trading segment mainly as a result of intensified market competition. The decrease in the gross profit margin in our trading segment was also because we lowered the pricing of our coal mining equipment with a view to tapping new customers.

Other Income

Other income decreased by approximately RMB4.6 million or approximately 51.1% from approximately RMB9.0 million in 2015 to approximately RMB4.4 million in 2016. The decrease was mainly due to a decrease in interest income on bank balance from approximately RMB5.6 million in 2015 to approximately RMB3.3 million in 2016. We maintained less restricted cash at banks throughout the years for the issue of banks' acceptance bills as we used more cash and less amount of bills to pay for our purchases in 2016. The amount of our government grants also decreased from approximately RMB1.5 million in 2015 to approximately RMB0.7 million in 2016 mainly because we had more projects qualified for government grants in 2015, including those in relation to the recognition and encouragement of advanced enterprises and business development provided by local government.

Other Gains and Losses, Net

Our other gains and losses, net, increased by approximately RMB20.2 million or approximately 229.5% from approximately RMB8.8 million in 2015 to approximately RMB29.0 million in 2016. The net gains in 2016 primarily reflected the bargain purchase on acquisition of Bohigh Chemical in the amount of approximately RMB24.0 million, a net gain recognized on release of the obligations on financial guarantee contracts of approximately RMB6.8 million and the gain on deemed disposal of interest in an associate in relation to the acquisition of Bohigh Chemical of approximately RMB4.0 million.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately RMB12.6 million or approximately 69.2% from approximately RMB18.2 million in 2015 to approximately RMB30.8 million in 2016. The increase was primarily due to an increase in transportation expenses because we paid the transportation cost for the sale of coke to certain new customers. The additional transportation cost was largely reflected in our selling price for relevant products. The increase was also attributable to the consolidation of full year results of Jinyuan Chemicals in 2016, as compared to the consolidation of the results for the period after our acquisition in 2015.

Administrative Expenses

Administrative expenses increased by approximately RMB7.0 million or approximately 19.0% from approximately RMB36.9 million in 2015 to approximately RMB43.9 million in 2016. The increase was primarily due to an increase in performance-based bonus and environmental compliance

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related expenses, such as an increase in the rate of sewage charge imposed by the government. The increase was also a result of the consolidation of the expenses incurred by Jinyuan Chemicals for the whole year in 2016 and, to a lesser extent, the consolidation of the expenses incurred by Bohigh Chemical in 2016.

Finance Costs

Finance costs decreased by approximately RMB5.3 million or approximately 10.0% from approximately RMB53.0 million in 2015 to approximately RMB47.7 million in 2016. The decrease was mainly due to a decrease in the interest expense on bank borrowings, mainly as a result of the decrease in the average bank borrowings, and the amount that we discounted with banks.

Share of Result in a Joint Venture

Our share of result in a joint venture was a loss of approximately RMB1.2 million in 2015 and a gain of approximately RMB4.0 million in 2016. The gain in 2016 was mainly because Jinjiang Refinery generated approximately RMB181.3 million of revenue and approximately RMB8.2 million of profit in 2016 after it passed the initial operation period at the end of 2015.

Share of Result in Associates

Our share of result in associates was a loss of approximately RMB0.9 million in 2015 and a gain of RMB1.4 million in 2016. The gain in 2016 was mainly attributable to the profit from Bohigh Chemical, which recorded approximately RMB242.0 million of revenue and RMB4.7 million of profit for the period before our acquisition in October 2016.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by approximately RMB313.1 million or approximately 951.7% from approximately RMB32.9 million in 2015 to approximately RMB346.0 million in 2016.

Income Tax Expense

Income tax expense increased by approximately RMB70.5 million from approximately RMB8.7 million in 2015 to approximately RMB79.2 million in 2016 mainly as a result of an increase in our profit. Our effective tax rate was 26.4% and 22.9% in 2015 and 2016, respectively. Our effective tax rate was lower in 2016 because we recorded more non-taxable income such as bargain purchase on acquisition of a subsidiary and share of result in Jinjiang Refinery and Bohigh Chemical in 2016.

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Profit and Total Comprehensive Income For the Year

As a result of the foregoing, our profit and total comprehensive income for the year increased by approximately RMB242.6 million or approximately 1,002.5% from approximately RMB24.2 million in 2015 to approximately RMB266.8 million in 2016. Our net profit margin increased from approximately 1.1% in 2015 to approximately 8.1% in 2016.

Adjusted Net Profit and Adjusted EBITDA

As a result of the foregoing, our adjusted net profit increased by approximately RMB210.7 million from approximately RMB17.6 million in 2015 to approximately RMB228.3 million in 2016 and our adjusted EBITDA increased by approximately 192.0% from approximately RMB147.1 million in 2015 to approximately RMB429.6 million in 2016 and our adjusted net profit margin (representing adjusted net profit divided by revenue for the same year) increased from approximately 0.8% in 2015 to approximately 6.9% in 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue

Our revenue decreased by approximately RMB319.0 million or approximately 12.4% from approximately RMB2,563.7 million in 2014 to approximately RMB2,244.7 million in 2015. The decrease in revenue was primarily due to a decrease in the revenue from the sale of coke, which was partially offset by an increase in the revenue from the sale of refined chemicals and an increase in our trading revenue in 2015.

Coke Segment. The revenue from the sale of our coke decreased by approximately RMB396.9 million or approximately 20.7% from approximately RMB1,919.2 million in 2014 to approximately RMB1,522.3 million in 2015. The decrease was primarily due to a decrease in the average selling price of our coke by approximately 24.6% from approximately RMB882.6 per ton in 2014 to approximately RMB665.4 per ton in 2015 while the sales volume of coke remained relatively stable in 2015 as compared to 2014. The decrease in the average selling price was mainly due to a slowdown in the downstream iron and steel industry and tightened regulations and government policies encouraging the industry consolidation in the iron and steel industry, which resulted in a decline in the demand for coke.

Coking By-Products Segment. The revenue from the sale of our coking by-products decreased by approximately RMB161.9 million or approximately 48.8% from approximately RMB332.0 million in 2014 to approximately RMB170.1 million in 2015. Such decrease was mainly because we eliminated the sale and buy of crude benzene with Jinyuan Chemicals as intra-group transactions after we acquired it in May 2015. The decrease in our sale of coking by-products in 2015 was also a result of (i) the decrease in the average selling price of crude benzene by approximately 37.9% from approximately RMB5,564.9 per ton in 2014 to approximately RMB3,454.7 per ton in 2015 and (ii) the decrease in the average selling price of coal tar by approximately 28.5% from approximately RMB2,085.1 per ton in 2014 to approximately RMB1,490.1 per ton in 2015, both mainly due to a decrease in market demand and a decrease in the average petroleum price.

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Refined Chemicals Segment. We did not record any revenue from the sale of refined chemicals in 2014. Our revenue generated from the sale of refined chemicals of approximately RMB236.7 million in 2015 comprised the revenue from the sale of benzene based chemicals after we acquired and consolidated the sales of Jinyuan Chemicals, which is principally engaged in the production and sale of benzene based chemicals.

Energy Products Segment. The revenue from the sale of our energy products decreased by approximately RMB6.2 million or approximately 4.7% from approximately RMB133.1 million in 2014 to approximately RMB126.9 million in 2015. The decrease was mainly due to a decrease in the volume of coal gas that we sold from approximately 301.5 million m³ in 2014 to approximately 251.3 million m³ in 2015. The decrease was indirectly due to weakened demand from the customers of Jinning Energy which was generally affected by the market downturn in 2015, and was partially offset by an increase in the average selling price of coal gas from approximately RMB0.44 per m³ in 2014 to approximately RMB0.48 per m³ in 2015. As a major supplier of coal gas to Jinning Energy, we negotiated with Jinning Energy to increase the price of our coal gas in anticipation of a decrease in its sales volume in order to generate sufficient revenue to justify our operating cost and expenses associated with the production of coal gas.

Trading Segment. Our trading revenue increased by approximately RMB6.0 million or approximately 3.5% from approximately RMB173.9 million in 2014 to approximately RMB179.9 million in 2015. We acquired Shanghai Jinma, which is principally engaged in the trading business, in May 2014. Our trading revenue of coal remained relatively stable in 2015 as compared to 2014. The trading volume of our coal increased in 2015 as we continued to develop our trading market, but the average selling price of coal of our trading segment decreased in 2015 due to a decrease in market demand for coal mainly as a result of downturn in the iron and steel industry. To a lesser extent, the increase in our trading revenue in 2015 was because we began to explore the trading of coal mining equipment in the same year.

Cost of Sales

Cost of sales decreased by approximately RMB266.6 million or approximately 11.2% from approximately RMB2,385.9 million in 2014 to approximately RMB2,119.3 million in 2015, mainly due to a decrease in the cost of sales for our manufacturing segments and trading segment. The decrease in the cost of production for our manufacturing segments in 2015 was mainly due to the decrease in the cost of raw materials, mainly coal, which was partially offset by an increase in direct labor cost and manufacturing overhead.

Our cost of coal for our manufacturing segments decreased by approximately RMB504.4 million or approximately 24.5% from approximately RMB2,059.7 million in 2014 to approximately RMB1,555.3 million in 2015, primarily resulting from a decrease in the average purchase price of coal from approximately RMB687.1 per ton in 2014 to approximately RMB528.0 per ton in 2015. The decrease in coal price in 2015 was mainly due to weakened demand for coke as a result of market downturn, particularly in the iron and steel industry. The increase in our direct labor cost and manufacturing overhead in 2015 was mainly due to the consolidation of the relevant cost of Jinyuan

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Chemicals. Our cost of sale for our trading segment increased by approximately RMB2.5 million or approximately 1.5% from approximately RMB167.3 million in 2014 to approximately RMB169.8 million in 2015, mainly reflecting an increase in the volume of coal that we sold in 2016, which was partially offset by the decrease in the price of coal.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by approximately RMB52.4 million or approximately 29.5% from approximately RMB177.8 million in 2014 to approximately RMB125.4 million in 2015. Our gross profit margin decreased from approximately 6.9% in 2014 to approximately 5.6% in 2015.

Coke Segment. Our gross profit for the coke segment decreased by approximately RMB22.3 million or approximately 70.3% from approximately RMB31.7 million in 2014 to approximately RMB9.4 million in 2015. Our segment gross margin decreased from approximately 1.7% in 2014 to approximately 0.6% in 2015 primarily due to a decrease in the spread between the average selling price of coke and the average purchase price of coal. The decrease in the prices of coke and coal was principally due to weakened market demand in iron and steel industry. The decrease in gross profit margin was also due to our fixed manufacturing cost, mainly manufacturing overhead, which remained stable in spite of the decrease in the revenue from the sales of our coke.

Coking By-Products Segment. Our gross profit for the coking by-products segment decreased by approximately RMB81.8 million or approximately 73.2% from approximately RMB111.8 million in 2014 to approximately RMB29.9 million in 2015. Our segment gross margin decreased from approximately 33.7% in 2014 to approximately 17.6% in 2015 primarily because the average selling price of our coking by-products decreased by a larger degree than the decrease in the average purchase price of our coal in 2015. The decrease in the gross profit margin of coking by-products segment was also due to a decrease in the revenue generated from the sales of crude benzene, which typically renders higher profit margin than the revenue generated from the sales of coal tar, after we eliminated the sales of crude benzene to Jinyuan Chemicals upon consolidation in 2015.

Refined Chemicals Segment. Our gross profit for the refined chemicals segment was approximately RMB30.5 million in 2015. Our gross margin of refined chemicals segment was approximately 12.9% in 2015.

Energy Products Segment. Our gross profit for the energy products segment increased by approximately RMB14.4 million or approximately 46.0% from approximately RMB31.3 million in 2014 to approximately RMB45.7 million in 2015. Our segment gross margin increased from approximately 23.5% in 2014 to approximately 36.1% in 2015 primarily due to an increase in the spread between the average selling price of coal gas and the average purchase price of coal driven by the changes in the prices of these products as disclosed above.

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Trading Segment. Our gross profit for the trading segment increased by approximately RMB3.5 million or approximately 53.0% from approximately RMB6.6 million in 2014 to approximately RMB10.1 million in 2015. Our segment gross margin increased from approximately 3.8% in 2014 to approximately 5.6% in 2015 primarily because we were able to negotiate a better price with our coal suppliers during market downturn, including by making prepayment when purchasing coal.

Other Income

Other income increased by approximately RMB3.2 million or approximately 55.2% from approximately RMB5.8 million in 2014 to approximately RMB9.0 million in 2015. The increase was mainly due to an increase in interest income on bank balance from approximately RMB4.4 million in 2014 to approximately RMB5.6 million in 2015, mainly due to an increase in the average amount of restricted cash that we maintained at banks for the issue of banks' acceptance bills. We received approximately RMB1.5 million of government grants in 2015 mainly in relation to the encouragement of advanced enterprises and business development provided by local government. We received approximately RMB0.5 million of government grant in 2014.

Other Gains and Losses, Net

Our other gains and losses, net, decreased by approximately RMB65.5 million or approximately 88.2% from approximately RMB74.3 million in 2014 to approximately RMB8.8 million in 2015. The changes in 2015 were primarily due to a decrease in the net gain recognized on release of the obligations of financial guarantee contracts from approximately RMB76.8 million in 2014 to approximately RMB11.6 million in 2015. The decrease in 2015 was also due to the provision of allowance for inventories of approximately RMB2.3 million, mainly in relation to coke breeze due to a decrease in price.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately RMB5.3 million or approximately 41.1% from approximately RMB12.9 million in 2014 to approximately RMB18.2 million in 2015. The increase was primarily due to (i) an increase in transportation expenses incurred by Jinyuan Chemicals as a result of the consolidation and (ii) an increase in the transportation expenses incurred by Shanghai Jinma due to an increase in the volume of the trading of coal and the full year effect of the consolidation of Shanghai Jinma in 2015.

Administrative Expenses

Administrative expenses increased by approximately RMB3.8 million or approximately 11.5% from approximately RMB33.1 million in 2014 to approximately RMB36.9 million in 2015. The increase was primarily due to (i) an increase in legal and professional fees in relation to our conversion from a limited liability company to a joint stock limited liability company, (ii) an increase in environmental fees primarily reflecting an increase in the rate of sewage charge, (iii) an increase in depreciation due to an addition of office automation systems and (iv) the consolidation of Jinyuan Chemicals, which was partially offset by a decrease in staff cost primarily due to a decrease in performance-based bonus resulting from a decline of our business.

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Finance Costs

Finance costs decreased by approximately RMB20.8 million or approximately 28.2% from approximately RMB73.8 million in 2014 to approximately RMB53.0 million in 2015. The decrease was mainly due to a decrease in the interest expenses as a result of a decrease in the average bank borrowings and less amount of bills that we discounted with banks.

Share of Result in a Joint Venture

Our share of result in a joint venture was nil in 2014 and a loss of approximately RMB1.2 million in 2015. The loss in 2015 was resulted from our investment in Jinjiang Refinery. Jingjiang Refinery commenced its production towards the end of 2015 and incurred a loss in 2015 during its initial operation period.

Share of Result in Associates

Our share of result in associates was a gain of approximately RMB1.9 million in 2014 and a loss of approximately RMB0.9 million in 2015, which reflected the results of our investment in Bohigh Chemical. Bohigh Chemical incurred a loss in 2015 due to market downturn. We acquired Bohigh Chemical in October 2016.

Profit Before Tax

As a result of the foregoing, our profit before tax decreased by approximately RMB107.1 million or approximately 76.5% from approximately RMB140.0 million in 2014 to approximately RMB32.9 million in 2015.

Income Tax Expense

Income tax expense decreased by approximately RMB26.0 million or approximately 74.9% from approximately RMB34.7 million in 2014 to approximately RMB8.7 million in 2015 mainly as a result of a decrease in our profit. We were subject to an enterprise income tax rate of 25.0% in 2014 and 2015. Our effective tax rate was 24.8% and 26.4% in 2014 and 2015, respectively. Our effective tax rate was higher in 2015 mainly because the losses resulted from our investment in Jinjiang Refinery and Bohigh Chemical are non-taxable.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year decreased by approximately RMB81.1 million or approximately 77.0% from approximately RMB105.3 million in 2014 to approximately RMB24.2 million in 2015. Our net profit margin decreased from approximately 4.1% in 2014 to approximately 1.1% in 2015.

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Adjusted Net Profit and Adjusted EBITDA

As a result of the foregoing, our adjusted net profit decreased by approximately RMB28.1 million from approximately RMB45.7 million in 2014 to approximately RMB17.6 million in 2015 and our adjusted EBITDA decreased by approximately 25.6% from approximately RMB197.8 million in 2014 to approximately RMB147.1 million in 2015 and our adjusted net profit margin decreased from approximately 1.8% in 2014 to approximately 0.8% in 2015.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

During the Track Record Period, we funded our growth principally from proceeds from the sale of our products, shareholders' equity and bank and financial institution borrowings. Our Directors have confirmed that we did not experience any liquidity problems during the Track Record Period.

Our finance department prepares cash flow projections, which are reviewed regularly by our senior management. Specific considerations in determining our appropriate cash position include our forecast working capital and capital expenditure needs and our liquidity ratios, and we also aim to maintain a certain level of excess cash to meet unexpected needs.

Cash Flow

The following table presents selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Net cash from operating activities	348,533	227,971	168,435	46,708	119,619
Net cash used in investing activities	(160,400)	(34,306)	(76,323)	(68,665)	(80,369)
Net cash (used in)/from financing activities	<u>(204,928)</u>	<u>(211,237)</u>	<u>(16,065)</u>	<u>53,876</u>	<u>26,124</u>
Net (decrease)/increase in cash and cash equivalents	(16,795)	(17,572)	76,047	31,919	65,374
Cash and cash equivalents at the beginning of the year/period	65,060	48,265	30,693	30,693	106,740
Cash and cash equivalents at the end of the year/period, representing bank balances and cash	<u>48,265</u>	<u>30,693</u>	<u>106,740</u>	<u>62,612</u>	<u>172,114</u>

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Cash Flow from Operating Activities

Year Ended December 31, 2014. Our net cash from operating activities of approximately RMB348.5 million in 2014 was primarily attributable to (i) our operating cash flows before movements in working capital of approximately RMB196.7 million, (ii) an increase in trade and other payables of approximately RMB250.2 million mainly because we managed to extend our payment terms during the market stagnation towards the end of 2014, and (iii) a decrease in amounts due from Shareholders of approximately RMB94.8 million, mainly reflecting the decrease in the balance of bills that we received from Maanshan Steel and Jiangxi PXSteel for the purchases of our coke, which was partially offset by (i) a decrease in amounts due to Shareholders of approximately RMB72.2 million primarily due to the settlement of bills with banks, and (ii) a decrease in amounts due to related parties of approximately RMB51.5 million, mainly reflecting the delivery of crude benzene and coal gas to Jinyuan Chemicals and Jinning Energy, respectively, which offsets the relevant prepayments.

Year Ended December 31, 2015. Our net cash from operating activities of approximately RMB228.0 million in 2015 was primarily attributable to (i) our operating cash flows before movements in working capital of approximately RMB145.1 million, (ii) a decrease in inventory of approximately RMB119.7 million mainly due to a decrease in the price of coal, (iii) a decrease in trade and other receivables of approximately RMB101.4 million due to a decrease in sales and as a result of our efforts to improve our cash position by endorsing or discounting bills received from our customers, and (iv) a decrease in amounts due from related parties of approximately RMB101.3 million mainly due to a decrease in sales to Jiangxi PXSteel and Jinyuan Chemical, which was partially offset by a decrease in trade and other payables of approximately RMB140.6 million mainly due to a decrease in the amounts payable to our suppliers as a result of a decrease in coal price, and because we made more prepayments to coal suppliers with a view to bargaining for better price for coal.

Year Ended December 31, 2016. Our net cash from operating activities of approximately RMB168.4 million in 2016 was primarily attributable to (i) our operating cash flows before movements in working capital of approximately RMB430.1 million, and (ii) an increase in amounts due to Shareholders of approximately RMB100.0 million representing the prepayment from Maanshan Steel close to the year end for the purchase of coke, which was partially offset by (i) an increase in trade and other receivables of approximately RMB173.1 million mainly due to an increase in sales, and (ii) an increase in amounts due from Shareholders of approximately RMB116.6 million, mainly reflecting an increase in the trade nature receivables driven by the increase in the prices of our products.

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Four Months Ended April 30, 2017. Our net cash from operating activities of approximately RMB119.6 million for the four months ended April 30, 2017 was primarily attributable to (i) our operating cash flows before movements in working capital of approximately RMB275.7 million, and (ii) the decrease in amounts due from related parties of approximately RMB53.2 million mainly representing the accelerated payment made by Jiangxi PXSteel Group, partially offset by (i) the increase in trade and other receivables of approximately RMB95.2 million mainly due to the increase in the sales of our coke resulting from the increase in the prices of coke, and (ii) the decrease in amounts due to shareholders of approximately RMB58.6 million primarily as a result of the sale and delivery of coke to Maanshan Steel that offset the prepayment made before.

Cash Flow from Investing Activities

Year Ended December 31, 2014. Our net cash used in investing activities of approximately RMB160.4 million in 2014 was due to a cash outflow resulted from the net of placement in and withdrawal from restricted bank balances of approximately RMB85.7 million for the issue of banks' acceptance bills, as well as our investment of approximately RMB34.3 million in Jinjiang Refinery. For banks to create a bank's acceptance, we are required to place in restricted cash with the bank as deposits.

Year Ended December 31, 2015. Our net cash used in investing activities of approximately RMB34.3 million in 2015 was due to the purchase of property, plant and equipment of approximately RMB31.5 million, mainly in relation to the purchase of our production and environment protection facilities, the advance of approximately RMB27.5 million to Jinma Xingye, which was partially offset by a cash inflow resulted from the net of withdrawal from and placement in restricted bank balances of approximately RMB22.5 million for the issue of banks' acceptance bills.

Year Ended December 31, 2016. Our net cash used in investing activities of approximately RMB76.3 million in 2016 was due to the purchase of properties, plant and equipment of approximately RMB54.6 million mainly in relation to the implementation of our production and environmental protection facilities, including our LNG and desulfurization and denitrification facilities and our investment in subsidiaries of approximately RMB23.4 million mainly in relation to the acquisition of Bohigh Chemical.

Four Months Ended April 30, 2017. Our net cash used in investing activities of approximately RMB80.4 million for the four months ended April 30, 2017 was primarily due to deposit for acquisition of property, plant and equipment of approximately RMB48.0 million in relation to the implementation of our production and environmental protection facilities, mainly including our LNG production facilities and desulfurization and denitrification facilities, purchase of prepaid lease payments of approximately RMB39.4 million mainly in relation to our LNG project, and the payment for acquisition of Jinning Energy in 2016 of approximately RMB28.6 million, which was partly offset by the withdrawal of approximately RMB82.4 million from restricted bank balances.

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Cash Flow from Financing Activities

Year Ended December 31, 2014. Our net cash used in financing activities of approximately RMB204.9 million in 2014 was due to repayment of borrowings of approximately RMB1,299.5 million and interest paid in the amount of approximately RMB73.8 million, which was partially offset by new borrowings raised in the amount of approximately RMB1,198.1 million.

Year Ended December 31, 2015. Our net cash used in financing activities of approximately RMB211.2 million in 2015 was due to repayment of borrowings of approximately RMB1,180.1 million and interest paid in the amount of approximately RMB53.0 million, which was partially offset by new borrowings raised in the amount of approximately RMB1,030.5 million.

Year Ended December 31, 2016. Our net cash used in financing activities of approximately RMB16.1 million in 2016 was due to repayment of borrowings of approximately RMB1,026.0 million, dividends paid in the amount of approximately RMB72.1 million and interest paid of approximately RMB47.7 million, which was partially offset by new borrowings raised in the amount of approximately RMB1,120.5 million and the capital injection of RMB10.0 million by the minority shareholder of Jinrui Energy.

Four Months Ended April 30, 2017. Our net cash from financing activities of approximately RMB26.1 million for the four months ended April 30, 2017 was primarily due to (i) increase in borrowings raised of approximately RMB161.0 million, and (ii) capital contribution from non-controlling interests of Jinrui Energy of approximately RMB19.0 million, partially offset by repayment of borrowings of approximately RMB130.5 million.

Working Capital

Our Directors are of the opinion that, taking into account the estimated net proceeds from the Global Offering and the financial resources available to our Group (including, among other things, internally generated funds and available banking facilities), the working capital available to our Group is sufficient for our present requirements for at least the next 12 months from the date of this prospectus. After making reasonable inquiries with us about our working capital requirement, there is nothing that has caused the Sole Sponsor to disagree with our view.

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Net Current Assets/Liabilities

The table below sets forth our current assets, current liabilities and net current liabilities as of the dates indicated.

	As of December 31,			As of April 30,	As of August 31,
	2014	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
CURRENT ASSETS					
Inventories	208,637	106,776	159,797	144,141	88,934
Prepaid lease payments	982	982	1,527	2,153	2,268
Trade and other receivables	211,974	156,741	386,682	483,543	559,992
Amounts due from Shareholders	76,877	160,022	276,863	276,004	238,923
Amounts due from related parties	278,891	165,701	95,498	42,347	106,243
Dividend receivables from associate	1,847	—	—	—	—
Tax recoverable	—	1,764	—	—	—
Restricted bank balances	135,715	122,247	140,071	95,231	20,010
Bank balances and cash	48,265	30,693	106,740	172,114	176,426
	<u>963,188</u>	<u>744,926</u>	<u>1,167,178</u>	<u>1,215,533</u>	<u>1,192,796</u>
CURRENT LIABILITIES					
Borrowings	705,614	518,379	348,251	422,000	410,000
Provisions	21,700	10,100	3,300	—	—
Dividend payable	17,550	81,046	13,123	102,417	—
Trade and other payables	502,028	431,194	484,944	456,654	378,032
Amounts due to Shareholders	27,765	—	100,000	41,437	87,573
Amounts due to related parties	460	3,912	619	13,516	14,204
Tax payable	2,172	379	26,258	23,866	16,824
	<u>1,277,289</u>	<u>1,045,010</u>	<u>976,495</u>	<u>1,059,890</u>	<u>906,633</u>
NET CURRENT (LIABILITIES) ASSETS	<u>(314,101)</u>	<u>(300,084)</u>	<u>190,683</u>	<u>155,643</u>	<u>286,163</u>

Our net current liabilities decreased by approximately RMB14.0 million or approximately 4.5% from approximately RMB314.1 million as of December 31, 2014 to approximately RMB300.1 million as of December 31, 2015. The decrease was primarily due to a decrease in our short-term borrowings from approximately RMB705.6 million as of December 31, 2014 to approximately RMB518.4 million as of December 31, 2015, as a result of our effort to adjust our debt structure to increase the proportion of our long-term borrowings, the effects of which were partially offset by (i) a decrease from approximately RMB278.9 million as of December 31, 2014 to approximately RMB165.7 million as of December 31, 2015 in amounts due from related parties, mainly Jinyuan Chemicals and the subsidiaries of Jiangxi PXSteel, principally driven by a decrease in the prices of crude benzene and coke, respectively and (ii) a decrease in our inventory from approximately RMB208.6 million as of December 31, 2014 to approximately RMB106.8 million as of December 31, 2015, mainly due to a decrease in the prices of coal and coke.

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Our net current assets increased by approximately RMB490.8 million, from net current liabilities of approximately RMB300.1 million as of December 31, 2015 to net current assets of approximately RMB190.7 million as of December 31, 2016. The increase was primarily due to: (i) an increase in our trade and other receivables from approximately RMB156.7 million as of December 31, 2015 to approximately RMB386.7 million as of December 31, 2016, mainly resulting from an increase in the sales of our coke, refined chemicals and energy products and an increase in our trading revenue, and (ii) a decrease in our short-term borrowings from approximately RMB518.4 million as of December 31, 2015 to approximately RMB348.3 million as of December 31, 2016, as a result of our continuing effort in optimizing our debt structure to include more long-term borrowings, the effects of which were partially offset by an increase in amounts due to Shareholders from nil as of December 31, 2015 to approximately RMB100.0 million as of December 31, 2016, mainly reflecting the prepayment made by Maanshan Steel for its purchase of coke.

Our net current assets decreased by approximately RMB35.1 million from approximately RMB190.7 million as of December 31, 2016 to approximately RMB155.6 million as of April 30, 2017. The decrease was primarily due to: (i) an increase in our dividends payable from approximately RMB13.1 million as of December 31, 2016 to approximately RMB102.4 million as of April 30, 2017 in connection with a special dividend in the amount of RMB100.0 million declared on March 17, 2017. The special dividend of RMB100.0 million had been fully settled by June 2017; (ii) an increase in our borrowings from approximately RMB348.3 million as of December 31, 2016 to approximately RMB422.0 million as of April 30, 2017 to satisfy the funding need of our LNG project and other general working capital; and (iii) a decrease in amounts due from related parties from approximately RMB95.5 million as of December 31, 2016 to approximately RMB42.3 million as of April 30, 2017 mainly due to the accelerated payment made by Jiangxi PXSteel Group. The decrease in our net assets as of April 30, 2017 was partially offset by: (i) an increase in trade and other receivables from approximately RMB386.7 million as of December 31, 2016 to approximately RMB483.5 million as of April 30, 2017 mainly reflecting the increase in coke sales resulting from the increase in the prices of coke; and (ii) an increase in bank balances and cash from approximately RMB106.7 million as of December 31, 2016 to approximately RMB172.1 million as of April 30, 2017 primarily due to the increase in our sales.

Our net current liabilities or net current assets during the Track Record Period also reflect the effect of consolidation of the financial position of Shanghai Jinma in 2014, Jinyuan Chemicals in 2015, and Bohigh Chemical and Jinning Energy in 2016. We incurred net current liabilities as of December 31, 2014 and 2015 primarily because we used more short-term bank borrowings to finance our working capital requirements. Our Directors expect that after giving effect to, among other things, the net proceeds from the Global Offering, the cash generated from our business operations, and our continuing effort in optimizing our debt structure by maintaining a certain portion of long-term borrowings in our total borrowings, our working capital position will continue to improve.

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Inventory

The following table sets forth a summary of our inventory balances as of the dates indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	142,109	80,537	143,973	119,641
Finished goods	66,528	26,239	15,824	24,500
	<u>208,637</u>	<u>106,776</u>	<u>159,797</u>	<u>144,141</u>

The majority of our inventory balances consists of raw materials, with the rest being finished goods. The decrease in our inventory of raw materials as of December 31, 2015 as well as the increase in such inventory as of December 31, 2016 were mainly driven by the changes in coal price. The average purchase price of coal in December 2014, 2015 and 2016 was approximately RMB687.1 per ton, RMB528.0 per ton and RMB644.3 per ton, respectively. The decrease in our inventory of finished goods as of December 31, 2015 was mainly due to a decrease in the price of coke, and the decrease as of December 31, 2016 was a result of a quick turnover of our finished goods to meet strong market demand. The decrease in our inventory of raw materials as of April 30, 2017 was mainly because we controlled the coal inventory level in anticipation of the sheltered coal storage yard construction scheduled in May 2017. The increase in our inventory of finished goods as of April 30, 2017 was mainly because of the increase in inventory of our benzene based chemicals as we increased our inventory level in anticipation of the periodic maintenance of Jinyuan Chemical scheduled in May 2017, partially offset by the decrease in our inventory of coke mainly due to strong market demand.

When prices of our products decrease, the market value of our inventories will decrease. When the cost of ending inventories is greater than their recoverable value, we will mark our inventory to market value at the end of period, which we would record as an impairment loss. For the years ended December 31, 2015 and 2016 and the four months ended April 30, 2017, we provided approximately RMB2.3 million, RMB2.4 million and RMB0.3 million of inventory provision, respectively, mainly for our inventory of coke breeze and coal tar, respectively, due to the decrease in the prices of these products.

The following table sets forth a summary of our inventory turnover days for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2014	2015	2016	2017
	Inventory turnover days ⁽¹⁾	31	27	17

(1) Inventory turnover days equal average inventory for the relevant year divided by cost of sales for the relevant year and then multiplied by 365 days for the years ended December 31, 2014, 2015 and 2016, and by 120 days for the four months ended April 30, 2017.

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We closely monitor the size of orders placed by our customers, typically on a monthly or weekly basis, to plan our production. We believe that the demand for our products was relatively stable during the Track Record Period and we were generally able to maintain a low level of inventory for our finished goods.

Our inventory turnover days have decreased from approximately 31 days in 2014 to approximately 27 days in 2015, and further decreased to approximately 17 days in 2016. Our inventory turnover days further decreased to 12 days for the four months ended April 30, 2017. The decrease in inventory turnover days in 2015 compared to 2014 was primarily due to a decrease in coal price and our efforts in maintaining our inventory at a reasonable level to reduce our exposure to the volatility of price of our coal and products and to sustain our production without interruption. The decrease in inventory turnover days in 2016 compared to 2015 was primarily because our cost of sales, which reflected the significant increase in sales in 2016, increased by a larger degree than the increase in our inventory, which mainly reflected the increase in coal price and coke price. The decrease in inventory turnover days for the four months ended April 30, 2017 compared to 2016 was primarily a result of the quick turnover due to strong market demand.

As of August 31, 2017, approximately 97.0% of our balances of our raw materials and 100.0% of our finished goods as of April 30, 2017 had all been used in production or sold to our customers, respectively.

Trade and Other Receivables

Our trade and bills receivables represent receivables from the sale of our products. Our prepayments to suppliers are made in relation to our purchases of raw materials, mainly coal and crude benzene, and our prepaid other taxes and charges represent prepayment of income tax. During the Track Record Period, our other receivables mainly comprised the deposits we placed for our borrowings from a finance leasing company or to our customers as performance bond required under the relevant contracts. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bills receivables	73,800	40,508	175,348	214,109
Trade receivables	70,049	65,529	82,821	150,815
Less: Allowance for doubtful debts	—	(459)	(229)	—
	<u>70,049</u>	<u>65,070</u>	<u>82,592</u>	<u>150,815</u>
Other receivables	10,005	17,064	28,416	19,188
Less: Allowance for doubtful debts	(2,272)	(2,272)	(2,351)	(950)
	<u>7,733</u>	<u>14,792</u>	<u>26,065</u>	<u>18,238</u>
Prepayments to suppliers	55,163	34,343	102,206	92,836
Prepaid other taxes and charges	5,229	2,028	471	7,545
	<u><u>211,974</u></u>	<u><u>156,741</u></u>	<u><u>386,682</u></u>	<u><u>483,543</u></u>

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Trade and Bills Receivables

The balance of our trade and bills receivables (less allowance for doubtful debts) decreased from December 31, 2014 to December 31, 2015 primarily due to a decrease in sales driven by a decline in the price of coke. Such balance increased as of December 31, 2016 and April 30, 2017 mainly due to an increase in sales driven by an increase in the prices of our products. Our bills receivables represent receivables evidenced by bills issued by licensed banks registered in the PRC. We allow our customers to use banks' acceptance bills (which typically mature within approximately 180 days) to settle their purchases with us. These bills, once received by us, may be discounted to cash with banks prior to their maturity dates subject to the payment of discount interest, or endorsed by us to settle our payables. Our bills receivables as of December 31, 2014, 2015 and 2016 and April 30, 2017 were approximately RMB73.8 million, RMB40.5 million, RMB175.3 million and RMB214.1 million, respectively. Our bills receivables as of December 31, 2015 decreased due to a decrease in our sales, and as a result of our efforts to improve our cash position by discounting or endorsing bills received from our customers.

Trade Receivables Turnover Days

The following table sets forth a summary of our trade receivables turnover days for the periods indicated:

	Year ended December 31,			Four months
	2014	2015	2016	ended April 30,
				2017
Trade receivables turnover days ⁽¹⁾	31	37	22	10

(1) Trade receivables turnover days equal average trade receivables for the relevant period plus the average trade nature receivables from related parties and Shareholders for the relevant period (excluding (i) prepayment we made to Shareholders and related parties for our purchases, and (ii) bills receivables from Shareholders and related parties for the relevant year) divided by revenue for the relevant period and then multiplied by 365 days for 2014, 2015 and 2016, and by 120 days for the four months ended April 30, 2017.

Our trade receivables turnover days increased from approximately 31 days in 2014 to approximately 37 days in 2015. This increase was primarily due to slow payment by our customers as a result of market deterioration. Our trade receivables turnover days decreased from approximately 37 days in 2015 to approximately 22 days in 2016 and approximately 10 days in the four months ended April 30, 2017 primarily because we required more prepayment, instead of accepting receivables, for our products in the fourth quarter of 2016 and the four months ended April 30, 2017 due to an increase in demand.

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Aging Analysis of Trade Receivables and Doubtful Debts

The table below sets forth an aging analysis of our trade receivables (net of allowance for doubtful debts) based on invoice dates as of dates indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	65,433	62,734	80,620	143,026
91 - 180 days	362	—	825	6,471
181 - 365 days	4,254	1,264	613	1,318
Over 365 days	—	1,072	534	—
	70,049	65,070	82,592	150,815

As of December 31, 2014, 2015 and 2016 and April 30, 2017, the balance of allowance for doubtful debts in relation to our trade receivables was nil, approximately RMB0.5 million, RMB 0.2 million and nil, respectively. In determining the recoverability of our trade receivables, we consider any change in the credit quality of the receivables since the credit was granted and up to the reporting date. Our Directors believe that no further allowance was required in excess of the above-stated amounts as of the relevant dates.

We review the financial ability and assess the potential customer's credit quality before we determine the credit limits and credit periods applicable to the customers. Credit limits and credit periods attributed to customers are reviewed every year and are also dependent on the length of time the customer has done business with us, the nature of the customer's business and the payment history of the customer. For more details on our payment terms, please see "*Business — Sales and Marketing — Sales Contracts.*"

Included in our trade receivables balances were debtors owing an aggregate amount of approximately RMB17.0 million, RMB2.9 million, RMB19.4 million and RMB59.9 million as of December 31, 2014, 2015 and 2016 and April 30, 2017, respectively, which were past due at the reporting date for which we have not provided for impairment loss because our management believes that these receivables are generally recoverable based on historical experience. The significant increase in our trade receivable balances past due but not impaired as of April 30, 2017 was primarily because of the temporary delay in payment at the end of April 2017 as a result of the upcoming national holidays. We do not hold any collateral over these balances. The table below sets forth an aging analysis of our trade receivables which are past due but not impaired as of the dates indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	16,642	2,927	18,630	58,132
91 - 180 days	—	—	123	426
181 - 365 days	362	—	613	1,318
	17,004	2,927	19,366	59,876

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As of August 31, 2017, approximately 98.0% of all of our trade receivables that were outstanding as of April 30, 2017 had been settled.

Other Receivables

We had approximately RMB10.0 million, RMB17.1 million, RMB28.4 million and RMB19.2 million of other receivables as of December 31, 2014, 2015 and 2016 and April 30, 2017, respectively. Our other receivables increased as of December 31, 2015 mainly due to the placement of deposits for our borrowings with a finance leasing company. Our other receivables increased as of December 31, 2016 mainly due to the amounts that we may receive from the original shareholders of Jinning Energy to compensate our potential loss if we cannot recover the receivable amounts from two customers of Jinning Energy which had declared bankruptcy. Pursuant to our share purchase agreement with these original shareholders, if the trade receivables (net of allowance) from these two customers cannot be fully recovered within three years after the acquisition, the original shareholders will pay us the difference between such amount and the amount actually recovered. The increase also comprised the deposits paid for the land of LNG gas stations. The decrease in our other receivables as of April 30, 2017 was primarily a result of the collection of the deposits upon the repayment of the borrowings with the finance leasing company.

The balance of allowance for our doubtful debts in relation to our other receivables as of December 31, 2014, 2015 and 2016 and April 30, 2017 was approximately RMB2.3 million, RMB2.3 million, RMB2.4 million and RMB1.0 million, respectively. The balance of such allowances mainly comprised full provision made to the prepayment that we made to two coal suppliers which were unable to deliver the coal based on contracts prior to the Track Record Period.

Prepayments to Suppliers

Our prepayments to suppliers as of December 31, 2014, 2015 and 2016 and April 30, 2017 were approximately RMB55.2 million, RMB34.3 million, RMB102.2 million and RMB92.8 million, respectively. Our prepayments to suppliers are mainly for our purchases of coal, crude benzene and other equipment. Our prepayments to suppliers decreased as of December 31, 2015 principally because we were able to negotiate for less prepayment as a result of a decrease in demand for coal in the market. Our prepayments to suppliers increased as of December 31, 2016 mainly because we increased the prepayment to our coal suppliers in order to bargain for better prices and we made certain prepayment for the purchase of our LNG equipment. The increase in prepayments to suppliers as of April 30, 2017 was primarily because we increased the prepayment to our coal suppliers in order to bargain for better prices.

Amounts Due from Shareholders and Related Parties

Amounts Due from Shareholders and Related Parties (Trade Nature)

Our trade nature amounts due from our Shareholders and related parties as of December 31, 2014, 2015 and 2016 and April 30, 2017 mainly comprised trade and bills receivables for (i) the sale of our coke to Maanshan Steel and Jiangxi PXSteel Group, (ii) the sale of our coking by-products to Bohigh Chemical and Jinyuan Chemicals before we acquired them, (iii) the sale of our coke granules

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and coke breeze to Jiyuan Jinhai Industry Co., Ltd. (“**Jinhai Industry**”) and Jiyuan Jinrun Enterprise Co., Ltd. (“**Jinrun Enterprise**”) and (iv) the sale of coal to Yugang Coking. The changes of trade nature amounts due from Shareholders and related parties as of December 31, 2014, 2015 and 2016 and April 30, 2017 were mainly due to the changes in the selling prices of our products and the timing of the transactions that we entered into with our Shareholders and related parties. The following tables set out our trade nature amounts due from our Shareholders and related parties, respectively as of the dates indicated:

Due From Shareholders (Trade Nature)

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade nature				
Maanshan Steel	73,807	140,106	255,841	275,486
Jinma Xingye	—	—	845	518
	73,807	140,106	256,686	276,004

Due From Related Parties (Trade Nature)

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade nature				
Jiangxi PXSteel's subsidiaries	163,585	132,061	86,627	36,741
Bohigh Chemical	6,360	11,178	N/A	N/A
Jinjiang Refinery	—	3,957	259	4,274
Jinning Energy	1,000	18,116	N/A	N/A
Jinyuan Chemicals	59,308	N/A	N/A	N/A
Jinhai Industry	18,423	300	—	—
Fangsheng Chemicals	—	89	512	1,332
Jinrun Enterprise	N/A	N/A	8,100	N/A
Yugang Coking	18,250	N/A	N/A	N/A
	266,926	165,701	95,498	42,347

The credit period granted for the balances due from our Shareholders and related parties in trade nature is in general 30 days (excluding bills which are normally with maturity period of 180 days). As of December 31, 2014, 2015 and 2016 and April 30, 2017, the balances due from our Shareholders included outstanding bills receivables of approximately RMB73.8 million, RMB81.2 million, RMB220.9 million and RMB271.8 million, respectively, and the balances due from related parties included outstanding bills receivables of approximately RMB139.7 million, RMB33.7 million,

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RMB76.1 million and RMB32.0 million, respectively. All such balances are in relation to the sale of our products. These bills were issued by banks with maturity within six months. The following is an aging analysis of trade receivables from our Shareholders and amounts due from related parties (excluding bills receivables and advance payment for our purchase of goods), presented based on invoice dates at the dates indicated:

Due From Shareholders (Trade Nature)

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	57	58,906	34,931	941
91-180 days	—	—	—	2,697
	<u>57</u>	<u>58,906</u>	<u>34,931</u>	<u>3,638</u>

Due From Related Parties (Trade Nature)

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	126,036	131,304	17,531	9,300
91 - 180 days	1,157	642	141	—
181 - 365 days	—	—	1,214	—
	<u>127,193</u>	<u>131,946</u>	<u>18,886</u>	<u>9,300</u>

All trade nature amounts due from Shareholders are not past due. The following is an aging analysis of amounts due from related parties, which are past due but not impaired, presented based on invoice dates at the dates indicated.

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	33,434	2,748	259	5,026
91 - 180 days	—	642	—	—
	<u>33,434</u>	<u>3,390</u>	<u>259</u>	<u>5,026</u>

The amounts due from related parties that were neither past due nor impaired relate to companies for whom there was no recent history of material defaults. Based on our historical experiences, amounts due from related parties that are past due but not impaired are generally recoverable.

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Amounts Due From Shareholders and Related Parties (Non-Trade Nature)

The non-trade nature amounts due from Jinma HK as of December 31, 2014 was mainly the withholding tax that we paid on its behalf in relation to the payment of dividends, which were subsequently offset against the dividends paid to Jinma HK. The non-trade nature amounts due from Jinma Xingye as of December 31, 2015 and 2016 represented the amount of the prepayment that we made to Jinma Xingye for our purchase of coal, which was converted into non-trade balance when we ceased to procure coal from it in 2015. As of the Latest Practicable Date, such amount was fully repaid. The non-trade nature amounts due from Jinjiang Refinery as of December 31, 2014 mainly represented an advance in relation to the construction of its facilities. Such advance was settled in 2015.

The following tables set out our non-trade nature due from our Shareholders and related parties, respectively, as of the dates indicated:

Due From Shareholders (Non-Trade Nature)

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-trade nature				
Jinma HK	2,070	—	—	—
Jinma Xingye	1,000	19,916	20,177	—
	<u>3,070</u>	<u>19,916</u>	<u>20,177</u>	<u>—</u>

Due From Related Parties (Non-Trade Nature)

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-trade nature				
Jinjiang Refinery	11,965	—	—	—
	<u>11,965</u>	<u>—</u>	<u>—</u>	<u>—</u>

Trade and Other Payables

Our trade payables represent payables from our purchase of raw materials. Our bills payables represent payables from bills we have issued to our suppliers. Receipts in advance from customers represent the deposits paid in advance by our customers to us before delivery of the goods, mainly coke, ammonium sulfate and benzene based chemicals. Salaries and wages payables mainly represent the wages that we pay to our staff. Other tax payables mainly represent payables for our value-added tax and other taxes. Consideration payable for purchase of property, plant and equipment primarily

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comprises amounts payable to suppliers for the machine and equipment that we procure and contractors for the construction of our facilities. Accruals mainly comprise the accrued interest expenses and other miscellaneous expenses. Shipping payables mainly comprise the transportation fees payable to logistics service providers in relation to the delivery of our products to our customers' facilities or designated depots. Other payables mainly comprise deposits or payables in relation to our construction works.

The table below sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	201,774	156,544	184,109	195,988
Bills payables	249,000	218,500	173,854	155,000
Total trade payables	450,774	375,044	357,963	350,988
Receipt in advance from customers	22,894	18,917	27,642	27,744
Salaries and wages payables	6,465	4,049	14,681	11,999
Other tax payables	3,307	7,880	10,949	13,157
Consideration payable for purchase of property, plant and equipment	16,141	17,321	29,018	26,669
Accruals	282	1,652	4,218	4,001
Shipping payables	110	5,691	1,457	1,012
Consideration payable for acquisition of a subsidiary	—	—	28,621	11,200
Other payables	2,055	640	10,395	9,884
Total other payables	51,254	56,150	126,981	105,666
Trade and other payables	502,028	431,194	484,944	456,654

Our trade and bills payables as of December 31, 2015 decreased mainly due to a decrease in the amounts payable to suppliers principally driven by a decline in coal price. Our trade and bills payables as of December 31, 2016 decreased mainly due to a decrease in bills payables because we used more cash to settle our payments to suppliers. The decrease was partially offset by an increase in trade payables mainly attributable to an increase in the price of coal. Our trade payables slightly increased as of April 30, 2017 mainly due to the increase in coal price. The increase was partially offset by a decrease in bills payables as we used more cash or endorsed bills to settle our payments to suppliers.

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Receipt in advance from customers. Our receipt in advance from customers as of December 31, 2015 decreased mainly due to a decrease in the prices of our products. The amount increased as of December 31, 2016 mainly due to an increase in the prices of our products and because we required our customers to prepay for the purchases of our products in the fourth quarter of 2016 and the four months ended April 30, 2017 to strengthen our working capital in response to the increasing prepayment that we made for the purchase of coal. Our receipt in advance from customers remained at a similar level as of April 30, 2017.

Salaries and wages payables. Our salaries and wages payables decreased as of December 31, 2015 due to a decrease in performance-based bonus. The amounts increased as of December 31, 2016 as we provided more performance-based bonus at the end of 2016 as a result of the improvement of our business. Our salaries and wages payables decreased as of April 30, 2017 primarily because of the distribution of performance-based bonus to our employees.

Consideration payable for purchase of property, plant and equipment. Our consideration payable for the purchase of property, plant and equipment remained relatively stable as of December 31, 2014 and 2015. The increase in our consideration payable for purchase of property, plant and equipment as of December 31, 2016 mainly comprised the payables for the purchase and installation of our desulfurization and denitrification facilities. Our consideration payable for purchase of property, plant and equipment decreased as of April 30, 2017 mainly because of the payments made with respect to the purchase and installation of our desulfurization and denitrification facilities as they became due.

Shipping payables. Our shipping payables as of December 31, 2015 and 2016 and April 30, 2017 mainly represented the shipping costs payable to shipping service providers and the increases and decreases during the Track Record Period of shipping payables was mainly due to different cut off dates of such payments.

Consideration payable for acquisition of a subsidiary. The consideration payable for acquisition of subsidiaries as of December 31, 2016 and April 30, 2017 represented the consideration of Jinning Energy payable to the original shareholders of Jinning Energy.

Other payables. Our other payable as of December 31, 2014 mainly reflected the bidding deposits that we collected for the construction and installation of our production facilities and equipment. Our other payables as of December 31, 2015 mainly represented the fees paid by our staff in relation to external trainings arranged by us which are to be refunded by us by stage after certain conditions are satisfied. Our other payables as of December 31, 2016 and April 30, 2017 mainly comprised prepayments made by a coal gas customer to Jinning Energy in connection with the construction of a coal gas pipeline.

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Trade Payables Turnover Days

The following table sets forth a summary of our trade payables turnover days for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2014	2015	2016	2017
Trade payables turnover days ⁽¹⁾	29	31	22	15

(1) Trade payables turnover days equal average trade payables for the relevant period plus average trade nature amounts payable to related parties and Shareholders for the relevant period (excluding (i) bills payables to Shareholders and related parties and (ii) prepayments that we collected from Shareholders for the sale of our products for the relevant period) divided by cost of sales for the relevant period and then multiplied by 365 days for 2014, 2015 and 2016, and by 120 days for the four months ended April 30, 2017.

Our trade payables turnover days slightly increased from approximately 29 days in 2014 to approximately 31 days in 2015 primarily because we were able to negotiate for better credit terms for the payment to our suppliers in a slow market. Our trade payables turnover days decreased to approximately 22 days in 2016 primarily because our trade payables increased by a smaller degree than our cost of sales. Our cost of sales increased in 2016 in correspondence to the significant increase in our sales. Our trade payables increased mainly due to an increase in the price of coal. The increase in our trade payables was partially offset by the acceleration of our payment to our coal suppliers, including making prepayment, to bargain for better price of coal. Our trade payable turnover days decreased to 15 days for the four months ended April 30, 2017 primarily because we continued to accelerate our payments to our coal suppliers, including making prepayment, to bargain for better price of coal.

The table below sets forth an aging analysis of our trade payables as of the end of each reporting period indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	176,403	144,714	165,239	175,030
91 - 180 days	2,922	2,304	3,509	9,259
181 - 365 days	2,339	548	5,962	4,045
Over 1 year	20,110	8,978	9,399	7,654
	<u>201,774</u>	<u>156,544</u>	<u>184,109</u>	<u>195,988</u>

For our purchase of coal, we are sometimes required to settle the full payment before delivery, especially when the market demand for coal is high. By contrast, when the demand is low, we can normally settle our bills with 30 days after delivery. We are normally required to settle the full payment before delivery for our purchase of crude benzene and coal tar.

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As of August 31, 2017, approximately 87.4% of our trade payables that were outstanding as of April 30, 2017 had been settled.

Amounts Due To Shareholders and Related Parties

Amounts Due To Shareholders and Related Parties (Trade Nature)

Our trade nature amounts due to Jinma Xingye and Maanshan Steel as of December 31, 2014, 2015 and 2016 and April 30, 2017 mainly comprised trade payables for our purchase of coal from Jinma Xingye and the prepayment made by Maanshan Steel for the purchase of our coke. Our trade nature amounts due to related parties as of December 31, 2014, 2015 and 2016 and April 30, 2017 mainly comprised trade payables for our purchases of wash oil from Bohigh Chemical before the acquisition, coal from Jinhai Industry, hydrogen from Jinjiang Refinery and sodium hydroxide and hydrochloric acid from Fangsheng Chemicals.

Due to Shareholders (Trade Nature)

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade nature				
Jinma Xingye	20,365	—	—	—
Maanshan Steel	7,400	—	100,000	41,437
	<u>27,765</u>	<u>—</u>	<u>100,000</u>	<u>41,437</u>

Due To Related Parties (Trade Nature)

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade nature				
Bohigh Chemical	54	342	—	—
Jinhai Industry	—	3,502	500	—
Jinjiang Refinery	—	68	68	126
Fangsheng Chemicals	406	—	51	—
A subsidiary of Jiangxi PXSteel	—	—	—	13,390
	<u>460</u>	<u>3,912</u>	<u>619</u>	<u>13,516</u>

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As of December 31, 2014, 2015 and 2016 and April 30, 2017, the balances of trade nature amounts due to Shareholders included bills payables to Shareholders of approximately RMB19.5 million, nil, nil and nil respectively. As of December 31, 2014, 2015 and 2016 and April 30, 2017, the balances of trade nature amounts due to related parties included bills payables to related parties of nil, nil, approximately RMB500,000 and nil, respectively. The bills payables to Shareholders and related parties are normally with maturity within six months. The credit period granted for the balances of amounts due to Shareholders and related parties is in general 30 days (excluding the bills which are normally with maturity of 180 days). The following is an aging analysis of trade payables due to Shareholders and related parties presented based on the invoice dates at the end of each reporting period:

Due To Shareholders (Trade Nature)

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	865	—	—	—

Due To Related Parties (Trade Nature)

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	406	3,620	51	—

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Indebtedness

The table below sets forth our bank borrowings as of the dates indicated below.

	As of December 31,			As of April 30,	As of August 31,
	2014	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Bank borrowings	705,614	471,100	620,000	751,000	728,000
Other borrowings	—	144,937	100,546	—	—
	<u>705,614</u>	<u>616,037</u>	<u>720,546</u>	<u>751,000</u>	<u>728,000</u>
Secured	705,614	616,037	240,546	92,000	80,000
Unsecured	—	—	480,000	659,000	648,000
	<u>705,614</u>	<u>616,037</u>	<u>720,546</u>	<u>751,000</u>	<u>728,000</u>
Fixed-rate borrowings	705,614	616,037	720,546	722,000	700,000
Floating-rate borrowings	—	—	—	29,000	28,000
	<u>705,614</u>	<u>616,037</u>	<u>720,546</u>	<u>751,000</u>	<u>728,000</u>
Carrying amount repayable (based on scheduled payment terms)					
Within one year	705,614	518,379	348,251	422,000	412,000
More than one year, but not more than two years	—	48,252	112,295	150,000	162,000
More than two years, but not more than five years	—	49,406	260,000	179,000	154,000
	<u>705,614</u>	<u>616,037</u>	<u>720,546</u>	<u>751,000</u>	<u>728,000</u>
Less: Amount due shown under current liabilities	<u>(705,614)</u>	<u>(518,379)</u>	<u>(348,251)</u>	<u>(422,000)</u>	<u>(412,000)</u>
Amount due after one year shown under non-current liabilities	<u>—</u>	<u>97,658</u>	<u>372,295</u>	<u>329,000</u>	<u>316,000</u>

Our borrowings during the Track Record Period consisted of fixed-rate and floating-rate loans denominated in Renminbi. Our borrowings as of December 31, 2014 and 2015 were secured, of which RMB80.0 million as of December 31, 2014, and RMB80.0 million as of December 31, 2015 were borrowings secured by certain land use rights. The remaining borrowings were secured by banks' acceptance bills or were guaranteed. As of December 31, 2016, RMB130.0 million of our borrowings were secured by our land use rights and bank deposits. The remaining secured borrowings were guaranteed. As of April 30, 2017 and August 31, 2017, RMB92.0 million and RMB80.0 million of our borrowings were secured by our land use rights, respectively.

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As of December 31, 2014, 2015 and 2016 and April 30, 2017, our bank borrowings and other borrowings in the amount of approximately RMB660.0 million, RMB605.9 million, RMB110.5 million and nil were guaranteed by third parties and our related parties (including those who will become our connected persons after the Listing), respectively. As of December 31, 2014, 2015 and 2016 and April 30, 2017, our bank borrowings and other borrowings in the amount of approximately RMB70.0 million, approximately RMB70.0 million, nil and nil were guaranteed by Yugang Coking (which is a connected person of our Company under Rule 14.07 of the Listing Rules), respectively. All the guarantees provided by third parties and our related parties (including those who will become our connected persons after the Listing) in relation to our borrowings were fully released as of the Latest Practicable Date.

The table below sets forth the range of effective interest rate of our bank borrowings as of the dates indicated below.

	As of December 31,			As of April 30,	As of August 31,
	2014	2015	2016	2017	2017
Effective interest rate:					
- Fixed-rate borrowings	5.04%-8.28%	3.72%-8.28%	4.35% - 6.89%	4.57-6.75%	4.57-6.75%
- Floating-rate borrowings	N/A	N/A	N/A	6.30%	6.30%

As of August 31, 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the posting of this prospectus, we had obtained banking facilities in an aggregate amount of approximately RMB1,124.0 million, of which an aggregate amount of approximately RMB396.0 million was still available for utilization. As of such date, we had total outstanding bank borrowings of approximately RMB728.0 million. We intend to refinance our bank borrowings or repay our bank borrowings as and when they fall due with our internally generated funds.

Save as disclosed in this “Financial Information” section, our Directors confirm that there has been no material change in our indebtedness and contingent liabilities since August 31, 2017 up to the date of this prospectus. Save as disclosed in this “Financial Information” section, as of August 31, 2017, apart from normal trade payables, intra-group liabilities and amounts due to connected parties and related parties, we did not have any outstanding mortgages, charges or pledges, debentures or other debt securities (including those authorized or otherwise created but unissued), term loans, loan capital, other borrowings or other similar indebtedness (including bank loans and overdrafts, hire purchase commitments, acceptance liabilities or acceptance credits), finance leases or any guarantees or other material contingent liabilities.

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Our Directors confirm that, as of the Latest Practicable Date, we were not subject to any material covenant on any of our outstanding debt and, during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants. Our Directors believe that we maintain good relationships with our lenders generally and they expect that, based on the current prevailing market conditions, we will be able to obtain replacement financing commitments when our short-term bank borrowings become due.

Intangible Assets

We recorded intangible assets of approximately RMB93.5 million and RMB88.6 million as of December 31, 2016 and April 30, 2017, respectively. The intangible assets as of December 31, 2016 and April 30, 2017 mainly include the concession right for the sale and distribution of gas of Jinning Energy that we recorded upon our acquisition of Jinning Energy in December 2016. The value of the concession right was based on an independent valuation. For details of the impairment policy applicable to our intangible assets, please see “— *Significant Accounting Policies and Estimates* — *Impairment of tangible and intangible assets other than goodwill.*”

Long Term Payables

Our long term payables as of December 31, 2016 and April 30, 2017 mainly represented our payables for the acquisition of Jinning Energy.

LISTING EXPENSES

Listing of H Shares will incur listing expenses including professional fees, underwriting commissions and other fees and expenses. The total listing expenses, which are non-recurring in nature, are expected to amount to approximately RMB38.6 million, of which approximately RMB17.5 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately RMB21.1 million is directly attributable to the issue of the H Shares to the public and to be capitalized. For the year ended December 31, 2016 and the four months ended April 30, 2017, we recognized and charged to our consolidated statements of profit or loss and other comprehensive income approximately RMB5.5 million and RMB3.5 million of such expenses, respectively. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ending December 31, 2017.

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CERTAIN FINANCIAL RATIOS

The following tables set forth certain of our financial ratios as of the dates and for the years indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
Gearing Ratio	1.3x	1.0x	0.8x	0.7x
Current Ratio	0.75x	0.71x	1.20x	1.15x
Quick Ratio	0.59x	0.61x	1.03x	1.01x
				Four months ended April 30,
	Year ended December 31,			2017
	2014	2015	2016	2017
Return on Equity	21.6%	4.1%	35.6%	54.7%
Adjusted Return on Equity	9.3%	3.0%	30.4%	53.4%
Return on Assets	5.8%	1.3%	12.9%	21.4%
Adjusted Return on Assets	2.5%	1.0%	11.1%	20.9%

Gearing Ratio

Gearing ratio is calculated by dividing our total interest-bearing bank borrowings by our total equity as of the end of each period. Our gearing ratio was approximately 1.3, 1.0, 0.8 and 0.7 as of December 31, 2014, 2015 and 2016 and April 30, 2017, respectively.

Our gearing ratio decreased from 2014 to 2015 primarily due to (i) a decrease in bank borrowings as we required less working capital for our operation in 2015 and (ii) an increase in our equity mainly because we acquired Jinyuan Chemicals by issuing new shares to its shareholders as consideration. Our gearing ratio further decreased from 2015 to 2016 as our equity increased by a larger degree than our borrowings as a result of an increase in our retained profit in 2016. Our gearing ratio remained stable as of April 30, 2017.

Return on Equity and Adjusted Return on Equity

Return on equity for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 is calculated by dividing our profit attributable to owners of our Company for each year/period by our average equity attributable to owners of our Company for the same year/period. Our return on equity was approximately 21.6%, 4.1%, 35.6% and 54.7% for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. Our adjusted return on equity for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, calculated by dividing our adjusted net profit minus profit and total comprehensive income attributable to non-controlling interests by our average equity attributable to

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owners of our Company for the same period, was approximately 9.3%, 3.0%, 30.4% and 53.4%, respectively. The return on equity and adjusted return on equity for the four months ended April 30, 2017 are annualized numbers (three times the number of the four months) based on the profit for the four months ended April 30, 2017.

Our adjusted return on equity decreased from 2014 to 2015 due to a decrease in our adjusted net profit primarily driven by a decrease in the prices of our products, as well as an increase in our equity mainly because we acquired Jinyuan Chemicals by issuing new shares to its shareholders as consideration. Our adjusted return on equity increased from 2015 to 2016 due to an increase in our profit primarily driven by a significant increase in our revenue.

Return on Assets and Adjusted Return on Assets

Return on assets for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 is calculated by dividing our profit and total comprehensive income for each year/period by our average total assets for the same year/period. Our return on assets was approximately 5.8%, 1.3%, 12.9% and 21.4% for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. Our adjusted return on assets for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, calculated by dividing our adjusted net profit for each period by our average total asset for the same period was approximately 2.5%, 1.0%, 11.1% and 20.9%, respectively. The return on assets and adjusted return on assets for the four months ended April 30, 2017 are annualized numbers (three times the number of the four months) based on the profit for the four months ended April 30, 2017.

Our adjusted return on assets decreased from 2014 to 2015 mainly due to a decrease in our profit primarily driven by a decrease in the prices of all our products. Our return on assets increased from 2015 to 2016 primarily due to an increase in our profit driven by a significant increase in our revenue.

Current Ratio

Current ratio is calculated by dividing our total current assets by our total current liabilities as of the end of each year. Our current ratio was approximately 0.75, 0.71, 1.20 and 1.15 as of December 31, 2014, 2015 and 2016 and April 30, 2017, respectively.

Our current ratio decreased from 2014 to 2015 primarily due to a decrease in our current assets because our inventories and trade receivables decreased due to a decline in the prices of coal and our products, respectively. Our current ratio increased from 2015 to 2016 primarily due to an increase in our current assets as our inventories and trade receivables increased mainly due to a rebound of the prices of coal and our products, respectively. Our current liabilities as of December 31, 2015 decreased mainly due to (i) a decrease in our short-term borrowings and (ii) a decrease in our trade payables mainly reflecting the decrease in the prices of coal. Our current liabilities as of December 31, 2016 continued to decrease mainly because we adjusted our debt structure to include more long term borrowings in 2016. Our current ratio decreased from 2016 to April 30, 2017 primarily due to

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a greater increase in our current liabilities compared to the increase in our current assets during the period. This was mainly attributable to the increase in our dividend payable in connection with the special dividend of RMB100.0 million declared on March 17, 2017 and the increase in our short-term borrowings.

Quick Ratio

Quick ratio is calculated by dividing our total current assets excluding inventories by our total current liabilities as of the end of each year/period. Our quick ratio was approximately 0.59, 0.61, 1.03 and 1.01 as of December 31, 2014, 2015 and 2016 and April 30, 2017, respectively. Our quick ratio increased from 2014 to 2015 primarily because our current liabilities decreased by a larger degree than our total current assets excluding inventories. The decrease in our current liabilities as of December 31, 2015 was mainly due to a (i) decrease in our borrowings and (ii) a decrease in our trade payables principally reflecting the decrease in the prices of coal. Our current ratio increased from 2015 to 2016 because our current assets increased mainly due to a rebound of the prices of coal and our products, while our current liabilities kept decreasing due to our efforts in adjusting our debt structure to include more long term borrowings. Our quick ratio remained stable as of April 30, 2017.

CONTRACTUAL OBLIGATIONS AND CAPITAL EXPENDITURE

The table below sets forth our capital commitments and operating lease commitments as of the dates indicated.

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	6,276	15,558	101,291	133,804
Our share of the capital commitments made jointly with other joint ventures relating to its joint ventures are as follows:				
Acquisition of property, plant and equipment	34,676	75,864	56,430	56,430
Operating lease commitments due within one year	620	620	444	444

Our capital commitments during the Track Record Period mainly relate to the construction and implementation of our production and environmental protection facilities, such as our desulfurization and denitrification facilities. Our capital commitments as of April 30, 2017 primarily relate to the construction of our LNG facilities and office building, our implementation of equipment for environmental protection and the construction of our new coke granule coal gas facilities. We expect to fund such capital commitments principally from the net proceeds of the Global Offering, bank loans and cash generated from our operations.

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For more details regarding our operating lease commitments, please see Note 40 to the Accountants' Report of the Group in Appendix I to this prospectus.

Other than the transactions described in the above table, as of the Latest Practicable Date, we had no other material contractual commitments.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any material off-balance sheet arrangements during the Track Record Period. Specifically, we have not entered into any derivative contracts that are indexed to our Shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interests in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

CONTINGENT LIABILITIES

During the Track Record Period, we (i) endorsed certain bills receivables for the settlement of our trade and other payables; and (ii) discounted certain bills receivables to banks for cash. Our Directors are of the opinion that we have transferred the significant risks and rewards relating to these bills receivables, and our obligations to the corresponding counterparties were discharged in accordance with the commercial practices in the PRC. Our Directors consider that the risk of the default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bills receivables are issued and guaranteed by reputable PRC banks. As a result, the relevant assets and liabilities were not recognized on our financial statements. Our maximum exposure that may result from the default of these endorsed and discounted bills receivables as of the dates indicated are as follows:

	As of December 31,			As of April 30,	As of August 31,
	2014	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Endorsed bills for settlement of payables	997,864	340,379	2,028,009	1,967,990	1,798,827
Discounted bills for raising cash	<u>408,434</u>	<u>145,400</u>	<u>210,931</u>	<u>25,064</u>	<u>—</u>
Outstanding endorsed and discounted bills receivables with recourse	<u><u>1,406,298</u></u>	<u><u>485,779</u></u>	<u><u>2,238,940</u></u>	<u><u>1,993,054</u></u>	<u><u>1,798,827</u></u>

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Save as disclosed above and as of August 31, 2017, we did not have any material contingent liabilities, guarantees or any litigations or claims of material important, pending or threatened against any member of our Group. Our Directors confirmed that there has not been any material change in the contingent liabilities of our Group since August 31, 2017.

RELATED PARTY TRANSACTIONS

During the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, our transactions with related parties mainly consisted of (i) sale of products and services to related parties in an aggregated amount of approximately RMB2,067.7 million, RMB1,431.0 million, RMB1,646.5 million and RMB888.6 million, respectively, (ii) purchase of raw materials and services from related parties in an aggregated amount of approximately RMB140.2 million, RMB26.0 million, RMB65.8 million and RMB8.8 million, respectively; (iii) provision of financial guarantee in relation to the RMB50.0 million and the RMB55.0 million bank loans to Jinjiang Refinery during the years ended December 31, 2015 and 2016, respectively, with a maximum exposure of RMB50.0 million, RMB55.0 million and RMB55.0 million for the years ended December 31, 2015 and 2016 and the four months ended April 30, 2017, respectively, which are due in 2019 and have been released in May 2017, and (iv) loan from our related parties, mainly the RMB30.0 million loan from Jinma Xingye for five months during the year ended December 31, 2014 and the RMB10.0 million loan from Jinhai Industry for two months during the year ended December 31, 2014. For more details of our related party transactions, please see “*Relationship with Maanshan Steel, Jiangxi PXSteel Group and Other Related Parties and Connected Persons*” and Note 44 to the Accountants’ Report of the Group set out in Appendix I to this prospectus. For the nature of our transactions with related parties, please see “— *Liquidity and Capital Resources*.” In addition, our related parties provided guarantees to us in relation to our borrowings during the Track Record Period, for more details, please see “— *Liquidity and Capital Resources — Indebtedness*.”

Our Directors confirm that all related party transactions are conducted on an arm’s length basis. Our Directors further confirm that the related party transactions would not distort our results of operations during the Track Record Period or make our historical results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Market risk is the risk of loss related to adverse changes in market prices. We are exposed to various types of market risks, including commodity price and liquidity risk, in the normal course of our business. We aim to minimize risk through regular operating and financial activities.

During the Track Record Period, we did not enter into any foreign exchange or interest rate hedging contract or forward purchase or sale contract for commodities.

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Commodity Price Risk

We are exposed to fluctuations in the prices of raw materials, and in particular, coal, as well as fluctuations in the prevailing market prices of our products. We generally purchase coal and other raw materials based on prevailing market prices. Our products are also generally sold based on the prevailing market prices in the regions where we sell our products, by reference to various other factors applicable to individual customers. Market prices may fluctuate and are beyond our control and may have a significant effect on our results of operations. For more details, please see “— *Factors Affecting Our Results of Operations and Financial Condition — Prices of our raw materials and products.*”

Interest Rate Risk

We are subject to fair value interest rate risk in relation to our interest-bearing bank loans, bank borrowings and other borrowings at fixed interest rates. We are also exposed to cash flow interest rate risk in relation to our floating-rate borrowing.

All of our borrowings as of December 31, 2014, 2015 and 2016 were fixed-rate borrowings. As of April 30, 2017, we had fixed-rate borrowings in the amount of approximately RMB722.0 million and a floating-rate borrowing in the amount of approximately RMB29.0 million.

The sensitivity analysis below has been determined based on the exposure to interest rate for the floating-rate borrowing and assumed that the amount of floating-rate borrowing outstanding at the end of the Track Record Period was outstanding for the whole relevant period. If the interest rate on the floating-rate borrowing had been 50 basis points higher, and all other variables were held constant, the potential effect on our profit after tax would decrease by approximately RMB36,000 for the four months ended April 30, 2017.

There would be an equal and opposite impact on the above profit after tax, should the interest rate on our floating-rate borrowing be 50 basis points lower in the above sensitivity analysis.

We do not currently have an interest rate hedging policy, but our management will consider hedging significant interest rate risk should the need arise.

Credit Risk

In the event that our counterparties fail to perform their obligations, our maximum exposure to credit risk in relation to each class of recognized financial assets as of December 31, 2014, 2015 and 2016 and April 30, 2017 is the carrying amount of those assets stated in the consolidated statements of financial position, and the maximum outstanding amount of contingent liabilities in relation to financial guarantees provided by us as disclosed in note 30 to the Accountants' Report of the Group in Appendix I to this prospectus.

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We mainly conduct transactions with high quality customers that we have established long-term relationships with. When transacting with new customers, we generally request for advanced payment before our goods are delivered. In order to minimize the credit risk, our management continues to monitor the level of exposure to ensure that we recover any overdue debts. In addition, we review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors are of the view that our credit risk is significantly reduced.

We have significant concentration of credit risk in trade receivables and amounts due from Shareholders and related parties that are trade in nature, with over 88%, 84%, 69% and 61% of exposure concentrated with five largest outstanding balances as of December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. We believe our credit risks on bank balances and deposits or bills receivables is limited and there is no significant concentration of credit risk because our bank deposits or bills are deposited in or contracted with reputable state-owned banks with high credit ratings assigned by international credit-rating agencies.

Liquidity Risk

Our debtors are exposed to heightened default risk when our multiple liabilities mature in rapid succession, which may impose higher-than-normal stress onto the working capital. As a result, it may cause short-term liquidity problems if we fail to refinance in time or manage our liquidity effectively. In the management of our liquidity risk, our management monitors and maintains an adequate, but not excessive level of cash and cash equivalents to finance our operations and mitigate the effects of fluctuations in cash flows. In 2016, we restructured our financing to increase the weight of our long-term borrowings.

The following tables set forth the remaining contractual maturity for our financial liabilities based on the agreed-upon repayment terms. These tables have been drawn up based on the undiscounted cash flows of financial liabilities (including both interest and principal cash flows) based on the earliest redemption (maturity) date.

As of December 31, 2014						
	Weighted average Interest rate	Carrying amounts	On demand	6 months to	1 year to 5	Total
			or within 6 months	1 year	years	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	5.04% - 8.28%	705,614	610,873	111,987	—	722,860
Trade and other payables	N/A	475,545	475,545	—	—	475,545
Amounts due to Shareholders	N/A	27,765	27,765	—	—	27,765
Amounts due to related parties	N/A	460	460	—	—	460
Dividend payable	N/A	17,550	17,550	—	—	17,550
Financial guarantee contracts	N/A	21,700	910,000	—	—	910,000
		1,248,634	2,042,193	111,987	—	2,154,180

FINANCIAL INFORMATION

As of December 31, 2015

	Weighted average Interest rate	Carrying amounts	On demand			Total
			or within 6 months	6 months to 1 year	1 year to 5 years	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	3.72% - 8.28%	616,037	206,788	341,892	99,992	648,672
Trade and other payables	N/A	402,745	402,745	—	—	402,745
Amounts due to related parties	N/A	3,912	3,912	—	—	3,912
Dividend payable	N/A	81,046	81,046	—	—	81,046
Financial guarantee contracts	N/A	10,100	842,000	—	—	842,000
		<u>1,113,840</u>	<u>1,536,491</u>	<u>341,892</u>	<u>99,992</u>	<u>1,978,375</u>

As of December 31, 2016

	Weighted average Interest rate	Carrying amounts	On demand			Total
			or within 6 months	6 months to 1 year	1 year to 5 years	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.35% - 6.89%	720,546	74,957	302,978	405,139	783,074
Trade and other payables	N/A	442,135	442,135	—	—	442,135
Long term payables	4.75%	30,340	—	—	33,600	33,600
Amounts due to Shareholders	N/A	100,000	100,000	—	—	100,000
Amounts due to related parties	N/A	619	619	—	—	619
Dividend payable	N/A	13,123	13,123	—	—	13,123
Financial guarantee contracts	N/A	3,300	455,000	—	—	455,000
		<u>1,310,063</u>	<u>1,085,834</u>	<u>302,978</u>	<u>438,739</u>	<u>1,827,551</u>

As of April 30, 2017

	Weighted average Interest rate	Carrying amounts	On demand			Total
			or within 6 months	6 months to 1 year	1 year to 5 years	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.57% - 6.75%	751,000	80,679	377,187	355,483	813,349
Trade and other payables	N/A	411,752	411,752	—	—	411,752
Long term payables	4.75%	19,600	—	—	22,400	22,400
Amounts due to Shareholders	N/A	41,437	41,437	—	—	41,437
Amounts due to related parties	N/A	13,516	13,516	—	—	13,516
Dividend payable	N/A	102,417	102,417	—	—	102,417
Financial guarantee contracts	N/A	—	55,000	—	—	55,000
		<u>1,339,722</u>	<u>704,801</u>	<u>377,187</u>	<u>377,883</u>	<u>1,459,871</u>

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The amounts for financial guarantee contracts stated above are the maximum amounts we could be required to settle under the arrangements for the full guaranteed amount if that amount was claimed by a counterparty. We are of the view that such amount is unlikely to be payable under the arrangement, subject to any change in the probability of the counterparty defaulting on the guaranteed financial instruments.

Fair Value Measurements of Financial Instruments

We use market-observable data to the extent available to estimate the fair value of an asset or a liability. Where Level 1 inputs are not available, we engage an independent professional valuer to perform the valuation. Our chief financial officer works closely with the valuers to establish the appropriate valuation techniques and inputs to the model. Our chief financial officer reports the valuation committee's findings to our management at the end of each reporting period to explain the fair value measurement of the financial guarantee contracts. The fair value of our financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Our Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized costs on the historical financial information are fair representations of their fair values.

Inflation

Inflation and deflation have not had a significant effect on our business during the Track Record Period. According to the National Bureau of Statistics of China, the year-on-year changes in the Consumer Price Index in China were approximately 2.0%, 1.4% and 2.0% for 2014, 2015 and 2016, respectively.

Sensitivity Analysis of Selling Price

For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, our revenue from the sale of coke was approximately RMB1,919.2 million, RMB1,522.3 million, RMB2,058.9 million, RMB402.5 million and RMB1,146.7 million, respectively, and our net profit was approximately RMB105.3 million, RMB24.2 million, RMB266.8 million, RMB3.8 million and RMB172.9 million, respectively. The average selling price of our coke decreased by approximately 24.6% in the year ended December 31, 2015 and increased by approximately 37.8% in the year ended December 31, 2016. The average selling price of our coke increased by approximately 181.7% in the four months ended April 30, 2017 as compared to the four months ended April 30, 2016.

The following table shows the increase or decrease in our net profit assuming changes in our average selling prices of coke based on the scale of changes during the Track Record Period with all other factors, including the sales volume of our coke and the cost of our raw materials, remaining the same, for the years indicated. Since it is highly unlikely that all other factors would have remained the same, the following should not be taken as an indication of what our actual profits would be at any particular coke price. Furthermore, the increase or decrease in the net profit indicated in the following table is in addition to the increase or decrease in the average selling price of coke that is already reflected in the fluctuations of our revenue, gross profit and net profit.

FINANCIAL INFORMATION

	Net profit for the year ended December 31,		
	2014	2015	2016
Decrease in average selling price of coke			
		<i>RMB'000</i>	
24.6%	(248,838)	(256,706)	(113,041)
37.8%	(439,229)	(407,719)	(317,290)

	Net profit for the four months ended April 30,	
	2016	2017
Decrease in average selling price of coke		
		<i>RMB'000</i>
181.7%	(544,679)	(1,389,936)

	Net profit for the year ended December 31,		
	2014	2015	2016
Increase in average selling price of coke			
		<i>RMB'000</i>	
24.6%	459,358	305,020	646,705
37.8%	649,749	456,033	850,954

	Net profit for the four months ended April 30,	
	2016	2017
Increase in average selling price of coke		
		<i>RMB'000</i>
181.7%	552,311	1,735,650

Sensitivity Analysis of Cost of Coal

An increase in the prices of coal would negatively impact our profit margins if we were not able to transfer the increased cost resulting from such higher prices through increases in the selling prices of our products. For the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2016 and 2017, our cost of coal was approximately RMB2,059.7 million, RMB1,555.3 million, RMB1,857.9 million, RMB432.5 million and RMB1,020.7 million, respectively. The average purchase price of our coal decreased by approximately 23.2% in the year ended December 31, 2015 and increased by approximately 22.0% in the year ended December 31, 2016. The average purchase price of our coal increased by approximately 127.5% in the four months ended April 30, 2017 compared to the same period in 2016. The following table shows the increase or decrease in our net profit assuming changes in our cost of coal based on the scale of changes during the Track Record Period with all other factors, including the sales prices and sales volume of our products, remaining the same, for the years indicated. Since it is highly unlikely that all other factors would have remained the same, the following should not be taken as an indication of what our actual profits would be at any particular coal price. Furthermore, the increase or decrease in the net profit indicated in the following table is in addition to the increase or decrease in the average purchase price of coal that is already reflected in the fluctuations of our cost of sale, gross profit and net profit.

FINANCIAL INFORMATION

	Net profit for the year ended December 31,		
	2014	2015	2016
Decrease in average purchase price of coal			
		<i>RMB'000</i>	
23.2%	463,646	294,786	590,102
22.0%	445,109	280,788	573,381
	Net profit for the four months ended April 30,		
	2016	2017	
		<i>RMB'000</i>	
127.5%		417,370	1,148,786
	Net profit for the year ended December 31,		
	2014	2015	2016
		<i>RMB'000</i>	
Increase in average purchase price of coal			
23.2%	(253,126)	(246,472)	(56,438)
22.0%	(234,589)	(232,474)	(39,717)
	Net profit for the four months ended April 30,		
	2016	2017	
		<i>RMB'000</i>	
127.5%		(409,738)	(803,072)

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since April 30, 2017 (being the date to which our latest consolidated financial results were prepared as set out in the Accountants' Report of the Group in Appendix I to this prospectus).

DIVIDEND

On March 17, 2017, we declared a special dividend in the amount of approximately RMB100.0 million. Such dividend had been fully settled by June 2017. In the years ended December 31, 2014, 2015 and 2016, we declared dividends in the total amount of nil, approximately RMB48.0 million and nil, respectively, which were fully settled.

We do not have any dividend policy nor a predetermined dividend payout ratio. The PRC laws require that dividends shall be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the IFRS. The PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiary companies may also be restricted if they incur debt or losses in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiary companies may enter into in the future.

FINANCIAL INFORMATION

The amount of any dividend actually distributed to our Shareholders will depend on our operation, earnings and financial condition, the declaration of final dividend for the year, working capital, cash requirement and availability, capital expenditure and future development and any other conditions that our Directors may deem relevant and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has an absolute discretion to recommend any dividend for any year. There is no assurance that dividends of any amount will be declared or distributed in any year. As of the Latest Practicable Date, we had no immediate plans to distribute the retained earnings of our Group.

DISTRIBUTABLE RESERVES

As of April 30, 2017, our Company had RMB245.1 million distributable reserves (representing retained profits of our Company).

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see “*Business — Our Strategies*” and “*Business — Future Plan*” for details of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) (the “**Net Proceeds**”), assuming the Offer Price of HK\$2.75 per Offer Share, being the mid-point of the indicative Offer Price range, will be approximately HK\$320.2 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply the Net Proceeds in the following manner:

- (i) For our LNG project:
 - (a) 40.0%, or approximately HK\$128.1 million will be used to fund the construction of our coke granules coal gas facilities, which are expected to be put into operation during the first half of 2018, in order to secure a sufficient amount of coal gas required for the production of LNG. For details of our coke granules coal gas facilities, please see “*Business — Future Plan — Raw Materials and Procurement Plan*”;
 - (b) 10.0%, or approximately HK\$32.0 million will be used to invest in our LNG production facilities, which is expected to be put into operation during the first quarter of 2018. For details of our LNG production facilities, please see “*Business — Future Plan*”; and
- (ii) 40.0%, or approximately HK\$128.1 million will be used to invest in the implementation of the dry quenching facility for our coking furnaces 1 and 2, which are expected to be put into operation during the second quarter of 2019. For details of the reasons, benefits and our plan for the investment in our dry quenching facility, please see “*Business — Our Strategies — We will continue to invest in production technologies and enhance the efficiency of our coke production facilities*”; and
- (iii) 10.0%, or approximately HK\$32.0 million will be used as working capital and other general corporate purposes.

If the Offering Price is set at the highest or lowest point of the indicative Offer Price range, the Net Proceeds, assuming that the Over-allotment Option is not exercised, will increase to approximately HK\$403.4 million or decrease to approximately HK\$238.9 million, respectively, and in such event, we intend to increase or decrease, respectively, the Net Proceeds to be used for the above purposes on a pro-rata basis.

FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is exercised in full, and assuming the Offer price is set at the high-end of the indicative Offer Price range, the Net Proceeds including the proceeds from the exercise of the Over-allotment Option will increase to approximately HK\$425.2 million, and in such event, we intend to increase the allocation of the Net proceeds to the above purpose on a pro-rata basis.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the Net Proceeds are not sufficient to fund the purposes as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the Net proceeds of the Global Offering are not immediately required for the above purposes and to the extent permitted by applicable law and regulations, if we are unable to effect any part of our future plans as intended, we may hold such funds in short-term demand deposits with banks in Hong Kong or the PRC and/or through money market instruments.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

As part of the International Offering, we, the Sole Global Coordinator and the Sole Sponsor have entered into a cornerstone investment agreement with a cornerstone investor, Risun Coal Chemicals Group Limited (the “**Cornerstone Investor**”), who has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) to be determined in the manner as set out below at the final Offer Price per H Share with an aggregate amount of approximately US\$5 million.

Assuming an Offer Price of HK\$2.11 (being the low end of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by our Cornerstone Investor would be 18,525,000 H Shares (rounded down to the nearest whole board lot of 1,000 of H Shares), representing approximately (i) 13.89% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, (ii) 13.23% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised, (iii) 3.47% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iv) 3.43% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$2.75 (being the mid-point of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by our Cornerstone Investor would be 14,214,000 H Shares (rounded down to the nearest whole board lot of 1,000 of H Shares), representing approximately (i) 10.66% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, (ii) 10.15% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised, (iii) 2.67% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iv) 2.63% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$3.39 (being the high end of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by our Cornerstone Investor would be approximately 11,530,000 H Shares (rounded down to the nearest whole board lot of 1,000 of H Shares), representing approximately (i) 8.65% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, (ii) 8.24% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised, (iii) 2.16% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iv) 2.14% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Our Cornerstone Investor has agreed that, (i) if the requirement pursuant to Rule 8.08(3) of the Listing Rules, in which no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, or (ii) the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules, cannot be satisfied, the Sole Sponsor, the Sole Global Coordinator and us have the right to adjust the allocation of the number of Shares to be purchased by our Cornerstone Investor in their absolute discretion to satisfy the requirement pursuant to Rule 8.08 of the Listing Rules.

CORNERSTONE INVESTOR

To the best knowledge of our Directors, each of the Cornerstone Investor and its respective ultimate beneficial owners is an Independent Third Party, not our core connected person, and not an existing Shareholder of our Company, its connected persons and their respective associates. Accordingly, the shareholdings of the Cornerstone Investor in our Company will be counted towards the public float under the Listing Rules. The Offer Shares to be subscribed by our Cornerstone Investor will rank pari passu in all respects with the other fully paid H Shares. Immediately after completion of the Global Offering, our Cornerstone Investor will not have any Board representation in us, nor will it become our substantial Shareholder.

The H Shares to be subscribed by the Cornerstone Investor may be affected by reallocation of the H Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering, and the reallocation is further described in the section headed “*Structure of the Global Offering —Hong Kong Public Offering — Reallocation and Clawback.*” Details of the actual number of H Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by us on or around October 9, 2017.

THE CORNERSTONE INVESTOR

Pursuant to the information provided by our Cornerstone Investor, we set out below a brief description of our Cornerstone Investor:

Risun Coal Chemicals Group Limited is a company incorporated in Hong Kong and is a holding company of the Risun Group, being the biggest independent coking enterprise in terms of coke production volume in China in 2016, with a production volume of 9.36 million tonnes.

Risun Group was established in 1995 and its main production base is located in Hebei province. Risun Group’s business includes domestic trade and international trade.

The main products of Risun Group include coke, methanol, asphalt, pure benzene, toluene, phthalic anhydride, anthracene oil, synthetic natural gas (SNG) and ammonium sulfate.

CONDITIONS PRECEDENT

The subscription obligation of our Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in such underwriting agreements;

CORNERSTONE INVESTOR

- (b) neither of the aforesaid underwriting agreements having been terminated;
- (c) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the relevant Cornerstone Investor) and that such approval or permission having not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;
- (d) no relevant laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees or rulings shall have been enacted or promulgated by any court, government, governmental or regulatory authority of all relevant jurisdictions which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or in the cornerstone investment agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings, acknowledgments and confirmations of the Cornerstone Investor under the relevant cornerstone investment agreement are accurate and true in all material respects and that there is no material breach of the relevant cornerstone investment agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF H SHARES BY THE CORNERSTONE INVESTOR

Our Cornerstone Investor has agreed that, without the prior written consent of us, the Sole Sponsor and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months from and inclusive of the Listing Date, dispose of any of the H Shares it has subscribed for or purchased pursuant to the relevant cornerstone investor agreement or any interest in any company or entity holding any H Shares it has subscribed for or purchased pursuant to the relevant cornerstone investor agreement in any way.

UNDERWRITING

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited
Alliance Capital Partners Limited
Sinomax Securities Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offering, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, the H Shares to be offered as mentioned in this prospectus pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Sole Global Coordinator (for itself on behalf of the Hong Kong Underwriters), in its sole and absolute discretion, shall be entitled by notice in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) that any statement contained in any of this prospectus, the Application Forms, the formal notice, the offering circulars, the application proof prospectus, the post-hearing information pack and/or any notices, announcements, advertisements, communications issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) and the

UNDERWRITING

offering circulars (the “Offer Documents”) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading or that any forecast, expression of opinion, intention or expectation expressed in any of the above-mentioned documents is not fair and honest and based on reasonable assumptions; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Documents; or
 - (iii) that any of the representations and warranties given by any of the warrantors in the Underwriting Agreements is (or would when repeated be) untrue, incorrect, inaccurate or misleading or has been breached; or
 - (iv) any material breach of any of the obligations or undertakings imposed upon any party (other than the Sole Global Coordinator or any of the Underwriters) to any of the Underwriting Agreements; or
 - (v) any event having occurred which results in or is likely to result in a material adverse change; or
 - (vi) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
 - (vii) our Company withdrawing any of this prospectus, the Application Forms, the formal notice, the offering circulars, the application proof prospectus and the post-hearing information pack (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
 - (viii) any matter, event, act or omission having occurred which gives or is likely to give rise to any material liability of any of the warrantors pursuant to the indemnities given by any of them in the Underwriting Agreements; or
 - (ix) any expert (other than the Sole Sponsor) having withdrawn or sought to withdraw its consent to being named in or to the issue of this prospectus or any of the offering circulars; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal, credit or regulatory or market matters or conditions or any monetary or trading settlement system (including, without limitation, conditions affecting stock and bond markets, money and foreign exchange markets,

UNDERWRITING

credit markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the United States, the United Kingdom, the European Union (taken as a whole or any member thereof), Japan or Singapore (each a “**Relevant Jurisdiction**”); or

- (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
- (iii) any event or series of events beyond the control of the Hong Kong Underwriters, including but not limited to in the nature of force majeure such as acts of government, economic sanctions, strikes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcano eruption, ice-storm, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemics, outbreak of infectious disease (including but not limited to Severe Acute Respiratory Syndrome (SARS) and Influenza A (H5N1) or swine or avian influenza or Middle East Respiratory Syndrome (MERS) or Ebola virus or such related/mutated forms, accident or interruption or delay in transportation), in or affecting any Relevant Jurisdiction; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), acts of war or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (v) the imposition or declaration of (A) any moratorium, suspension, restriction or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NYSE Amex Equities, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange and the Singapore Stock Exchange or any other major international stock exchange; or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any Relevant Jurisdiction; or
- (vii) any imposition of economic or other sanctions against any member of our Group, in whatever form, directly or indirectly, by any Relevant Jurisdiction or any governmental authority of any Relevant Jurisdiction; or

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- (viii) any material change or development or event involving a prospective material change in the assets, liabilities, profit, losses, performance, condition (financial or otherwise), business, earnings, results of operations, trading position or prospects of our Group; or
- (ix) the commencement by any governmental authority, judicial, political or regulatory body or organization of any investigation, public action or proceedings in any Relevant Jurisdiction against any member of our Group or any of our Directors or an announcement by any governmental authority, judicial, political or regulatory body that it intends to take any such action; or
- (x) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplementary prospectus or offering document pursuant to the Companies (WUMP) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Sole Global Coordinator, adverse to the marketing for or implementation of the Global Offering; or
- (xi) an order or a petition is presented for the winding up or liquidation of any member of our Group, or any member of our Group makes any compromise or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xii) a valid demand by any creditor for repayment or payment of indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xiii) any litigation, legal action, claim or legal proceeding being threatened or instigated against any member of our Group or any of our Directors which will constitute a material adverse change; or
- (xiv) a governmental authority or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings against any member of our Group or any Director; or
- (xv) any contravention by any Director or any member of our Group of the Companies (WUMP) Ordinance, the Companies Ordinance, the SFO, the Listing Rules or applicable laws and regulations; or
- (xvi) any change or development or event involving a prospective change, or a materialization of, any of the risks set out in the section headed “*Risk Factors*” in this prospectus; or

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- (xvii) non-compliance of this prospectus, the Application Forms, the formal notice, the offering circulars, the application proof prospectus and the post-hearing information pack (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or any aspect of the Global Offering with the Companies Ordinance, the Companies (WUMP) Ordinance, the SFO, the Listing Rules or any other applicable laws and regulations; or
- (xviii) a Director being charged with an indictable offence or prohibited by operation of laws and regulations or otherwise disqualified from taking part in the management of a company; or
- (ix) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including the additional H Shares that may be allotted and issued by our Company upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xx) the chairman, the chief executive officer or the chief financial officer of our Company vacating his office; or

and which, in any of (b)(i) to (b)(xx), individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (A) is or will be or is likely to be adverse to, or affects, the business assets, liabilities, general affairs, management, shareholders' equity, profit, losses, results of operations, or financial or trading position or prospects of our Group, taken as a whole; or
- (B) has or will have or is likely to have an adverse effect on the success of the Global Offering, or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares being applied for or accepted or the distribution of Offer Shares and/or make it impracticable or inadvisable or incapable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
- (C) makes or will or is likely to make it inadvisable, impracticable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice and the offering circulars; or
- (D) would have the effect of making any part of the Underwriting Agreements incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the Underwriting Agreements.

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Undertakings Pursuant to the Listing Rules

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into equity securities (whether or not of a class already listed) of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by Our Controlling Shareholders and Maanshan Steel

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders and Maanshan Steel has undertaken to, among others, our Company and the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) he/it will not, and will procure that any other registered holder(s) will not in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders and Maanshan Steel is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares in respect of which he/it is shown by this prospectus to be the beneficial owner of the Shares (as defined in Rule 10.07(2) of the Listing Rules) (the “**Relevant Securities**”). Further, each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that, each of our Controlling Shareholders will not, and will procure that any other registered holder(s) will not in the period of six months commencing from the expiry of the First Six-month Period (the “**Second Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Furthermore, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, (i) each of our Controlling Shareholders has undertaken to, our Company and the Stock Exchange that, during the First Six-Month Period and the Second Six-month Period and (ii) each of Maanshan Steel and Magang (Group) Holding Company Limited has undertaken to, our Company and the Stock Exchange that, during the First Six month Period, he/it will:

- (i) when he/it pledges or charges any of our securities beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

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- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform our Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and Maanshan Steel and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the expiry of First Six-Month Period, our Company will not and will procure our subsidiaries will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable) or deposit any share capital or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

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- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities of the Company or Shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not such issue of the Shares or Securities will be completed within such period). Our executive Directors have also undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriters to procure our compliance with the above undertakings.

Undertakings by Our Controlling Shareholders

Mr. Yiu Chiu Fai has undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriters that, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) he will not and, will procure that none of his/its affiliates will, during the First Six-Month Period:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
 - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

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- (b) he will not and, will procure that none of his affiliates will, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, any of the Controlling Shareholders will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company;
- (c) he will and will procure his affiliates to until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company; and
- (d) he will and will procure his affiliates to at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, he/it shall:
 - (i) if and when he/it pledges or charges any securities or interests in the securities of our Company beneficially owned by he/it, immediately inform our Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of securities so pledged or charged; and
 - (ii) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

Hong Kong Underwriters’ Interest in our Company

Except for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters is interested legally or beneficially in the shares of any of the members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of the members of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company and our executive Directors will enter into the International Underwriting Agreement with, among others, the International Underwriters on or about the Price Determination Date.

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Under the International Underwriting Agreement, subject to the terms and conditions set forth in such agreement, the International Underwriters are expected to severally (not jointly or jointly and severally) agree to purchase or procure purchasers to purchase, the International Offering Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Offering Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company and our executive Directors will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in “—*Undertakings pursuant to the Hong Kong Underwriting Agreement*” below.

Over-Allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option exercisable by the Sole Global Coordinator on behalf of the International Underwriters, at any time from the Listing Date up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 6,666,000 additional H Shares, representing in aggregate not more than 5% of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the Global Offering, solely to cover over-allocation, if any, in the International Offering.

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. Assuming an Offer Price of HK\$2.75, which is the approximate mid-point of the indicative Offer Price range, it is estimated that the Hong Kong Underwriters will receive a gross underwriting commission of approximately HK\$0.9 million. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. In addition, we may at our discretion pay the Sole Global Coordinator an additional discretionary bonus of up to 1.0% of the aggregate proceeds of the Global Offering (including any proceeds from the exercise of the Over-allotment Option). The aggregate commissions and fees (including any discretionary bonus which, may be payable by us), together with listing fees, legal and other professional fees and printing and other expenses relating to the Global Offering and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are estimated to be HK\$46.1 million in aggregate (based on the Offer Price of HK\$2.75, being the approximate mid-point of the indicative Offer Price range between HK\$2.11 and HK\$3.39 and assuming the Over-allotment Option is not exercised at all).

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INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as required under Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “*Structure of the Global Offering — Stabilization.*” Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the share price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

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- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 13,334,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “*Hong Kong Public Offering*”; and
- the International Offering of 120,000,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below), outside the United States in offshore transactions in reliance on Regulation S. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Sole Global Coordinator, on behalf of the International Underwriters, have an option to require our Company to issue and allot up to an aggregate of 6,666,000 additional Offer Shares, representing approximately 5% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover, among other things, over-allocation in the International Offering, if any.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong and other investors anticipated to have a sizeable demand for the International Offer Shares within Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors in other jurisdictions outside the United States in reliance on Regulation S.

The number of Hong Kong Offer Shares and the International Offer Shares to be offered under the Hong Kong Public Offering and International Offering respectively may be subject to reallocation as described in “— *Pricing and Allocation.*”

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate only to the Hong Kong Public Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors’ indications of interest in acquiring the International Offer Shares under the International Offering. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, September 29, 2017 and in any event no later than Monday, October 9, 2017, by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$3.39 per Offer Share and is expected to be not less than HK\$2.11 per Offer Share, unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate and with the consent of our Company, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.hnjmny.com notices of the reduction. Upon issue of such notices, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in “*Summary*” and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Hong Kong Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Hong Kong Offer Shares to be offered under the Hong Kong Public Offering and the International Offer Shares to be offered under the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

STRUCTURE OF THE GLOBAL OFFERING

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$320.2 million, assuming an Offer Price of HK\$2.75 per Offer Share, being the approximate mid-point of the proposed Offer Price range of HK\$2.11 to HK\$3.39.

The Offer Price under the Global Offering is expected to be announced on Monday, October 9, 2017. The indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, October 9, 2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.hnjmny.com).

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares under the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued under the exercise of the Over-allotment Option), and such listing and permission not having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;
- (b) the Offer Price having been determined on or around the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed by 5:00 pm on Monday, October 9, 2017 between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and us, the Global Offering will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived before the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.hnjmny.com on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “*How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of H Share Certificates and Refund Monies.*” In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Monday, October 9, 2017 but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (a) the Global Offering has become unconditional in all respects and (b) the right of termination as described in “*Underwriting — Underwriting Arrangements, Commissions and Expenses — Hong Kong Public Offering — Grounds for Termination*” has not been exercised.

HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 13,334,000 H Shares at the Offer Price, representing approximately 10% of the 133,334,000 H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the Hong Kong Public Offering will represent approximately 2.5% of our enlarged share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “*Conditions of the Global Offering*” below.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications to be received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 6,667,000 Offer Shares (being 50% of the total number of Offer Shares initially available under the Hong Kong Public Offering) and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). The Hong Kong Offer Shares in pool B will consist of 6,667,000 Offer Shares (being 50% of the total number of Offer Shares initially available under the Hong Kong Public Offering) and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “subscription price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 6,667,000 Hong Kong Offer Shares, being the number of Hong Kong Offer Shares initially allocated to each pool, are liable to be rejected.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. In the event of over applications, a clawback mechanism following the closing of the Application Lists shall be applied on the following basis:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be

STRUCTURE OF THE GLOBAL OFFERING

reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 40,002,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 53,334,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 66,668,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deem appropriate. In addition, the Sole Global Coordinator may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate.

Applications

The Sole Global Coordinator (on behalf of the Underwriters) and the Sole Sponsor may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator and the Sole Sponsor so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Offer Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he, or any person(s) for whose benefit he is making the application, has not applied for, taken up or indicated an interest in, and will not apply

STRUCTURE OF THE GLOBAL OFFERING

for, take up or indicate an interest in, any Offer Shares under the International Offering. Such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been, or will be, placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$3.39 per Offer Share plus the brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined in the manner described in "*— Pricing and Allocation,*" is lower than HK\$3.39, being the maximum Offer Price, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "*How to Apply for Hong Kong Offer Shares.*"

INTERNATIONAL OFFERING

Number of H Shares Initially Offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 120,000,000 International Offer Shares representing approximately 90% of the Offer Shares under the Global Offering and approximately 22.5% of our Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "*— Pricing and Allocation*" and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell the Offer Shares, after the listing of our Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

STRUCTURE OF THE GLOBAL OFFERING

The Sole Global Coordinator (on behalf of the International Underwriters) may require investors who have been offered Offer Shares under the International Offering and who have made applications under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such applications are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be sold and issued pursuant to the International Offering may change as a result of the clawback arrangement described in “— *The Hong Kong Public Offering — Reallocation*,” any exercise of the Over-allotment Option and/or any reallocation of unsold Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 6,666,000 additional H Shares, representing 5% of the initial number of Offer Shares to be offered in the Global Offering, at the same price per Offer Share under the International Offering, to cover, among other things, over-allocations in the International Offering (if any). If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.2% of our Company’s enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period up to the 30th day after the last day for lodging applications under the Hong Kong Public Offering. Any market purchases of our H Shares will

STRUCTURE OF THE GLOBAL OFFERING

be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it, to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it, and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be sold upon exercise of the Over-allotment Option, namely 6,666,000 H Shares, which is approximately 5% of the Offer Shares initially available under the Global Offering.

Stabilizing actions permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules, as amended, include: (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our H Shares; (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares; (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above; (d) purchasing, or agreeing to purchase, any of our H Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares; (e) selling or agreeing to sell any H Shares in order to liquidate any position held as a result of the abovementioned purchases; and (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in our H Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our H Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a position;
- liquidation and selling of any such long position in the open market by the Stabilizing Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of our H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our H Shares, and therefore the price of our H Shares, could fall;
- the price of our H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilization period by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for the Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules, as amended, will be made within seven days of the expiration of the stabilization period.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and us on or before the Price Determination Date.

We expect that we will enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

The terms of the underwriting arrangements and the Underwriting Agreements are summarized in “*Underwriting*.”

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Offer Shares being offered under the Global Offering (including the additional Offer Shares which may be made available under the exercise of the Over-allotment Option).

No part of our H Shares is listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

ADMISSION OF THE H SHARES INTO CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Bank complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

STRUCTURE OF THE GLOBAL OFFERING

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, October 10, 2017, it is expected that dealings in H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, October 10, 2017.

Our H Shares will be traded in board lots of 1,000 H Shares each and the stock code of our H Shares will be 6885.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Sole Global Coordinator may accept or reject at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer or supervisor of our Company and/or any of its subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, September 26, 2017, until 12:00 noon on Friday, September 29, 2017 from:

- (i) any of the following addresses of the Hong Kong Underwriters:

Haitong International Securities Company Limited

22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Alliance Capital Partners Limited

Room 1502-1503A, Wing On House
71 Des Voeux Road Central
Central, Hong Kong

Sinomax Securities Limited

Room 2705-06, 27/F
Tower One, Lippo Centre
89 Queensway
Hong Kong

- (ii) any of the following branches of the following receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
	King's Road Branch	131-133 King's Road, North Point
Kowloon	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei

HOW TO APPLY FOR HONG KONG OFFER SHARES

District	Branch Name	Address
New Territories	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan
	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, September 26, 2017 until 12:00 noon on Friday, September 29, 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — HENAN JINMA ENERGY PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Tuesday, September 26, 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, September 27, 2017 — 9:00 a.m. to 5:00 p.m.
Thursday, September 28, 2017 — 9:00 a.m. to 5:00 p.m.
Friday, September 29, 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, September 29, 2017, the last application day or such later time as described in "*— Effect of Bad Weather on the Opening of the Applications Lists.*"

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) **undertake** to execute all relevant documents and **instruct** and **authorize** our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) **agree** to comply with the Companies Ordinance, the Companies (WUMP) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) **agree** that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) **agree** to disclose to our Company, our H Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xii) **represent, warrant and undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and (iii) you are not, and none of the other person(s) for whose benefit you are applying is, a U.S. person (as defined in Regulation S);
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorize** our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;
- (xvi) **declare and represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

Individuals who meet the criteria in “— 2. *Who can apply*” may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, September 26, 2017 until 11:30 a.m. on Friday, September 29, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, September 29, 2017 or such later time under “—10. *Effect of Bad Weather on the Opening of the Applications Lists.*”

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 per each “HENAN JINMA ENERGY COMPANY LIMITED” White Form eIPO application submitted via www.eipo.com.hk to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our H Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - **agree** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - **declare** that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
 - **confirm** that you understand that our Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - **authorize** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **agree** that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our H Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (WUMP) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong; and
- **agree** with our Company, for itself and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholders and each Director, Supervisor, manager and other senior officer of our Company, with each CCASS Participant giving electronic application instructions):
 - (a) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- **agree** with our Company, for itself and for the benefit of each Shareholder, that the H Shares are freely transferable by the holders thereof; and
- **authorize** our Company to enter into a contract on its behalf with each Director, Supervisor, manager and officer whereby each such person undertakes to observe and comply with his or her obligations to the Shareholders as stipulated in the Articles of Association.

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed** and **authorized** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **instructed** and **authorized** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- **instructed** and **authorized** HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, September 26, 2017	— 9:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, September 27, 2017	— 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Thursday, September 28, 2017	— 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, September 29, 2017	— 8:00 a.m. ⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, September 26, 2017 until 12:00 noon on Friday, September 29, 2017 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, September 29, 2017, the last application day or such later time as described in “— 10. *Effect of Bad Weather on the Opening of the Application Lists.*”

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the H Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, September 29, 2017.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see “*Structure of the Global Offering — Pricing and Allocation.*”

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 a.m. on Friday, September 29, 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, September 29, 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “*Expected Timetable,*” an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, October 9, 2017 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company’s website at www.hnjmny.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.hnjmny.com and the Hong Kong Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Monday, October 9, 2017;
- from the designated results of allocations website at www.iporeresults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, October 9, 2017 to 12:00 mid-night on Sunday, October 15, 2017;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, October 9, 2017 to Thursday, October 12, 2017; and
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, October 9, 2017 to Wednesday, October 11, 2017 at all the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "*Structure of the Global Offering.*"

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance as applied by Section 342E of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$3.39 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "*Structure of the Global Offering — Conditions of the Hong Kong Public Offering*" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, October 9, 2017.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Monday, October 9, 2017. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

H Share certificates will only become valid at 8:00 a.m. on Tuesday, October 10, 2017 provided that the Global Offering has become unconditional and the right of termination described in “*Underwriting*” has not been exercised. Investors who trade our H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from our H Share Registrar Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, October 9, 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, October 9, 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, October 9, 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, October 9, 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "*Publication of Results*" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, October 9, 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from our H Share Registrar Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, October 9, 2017, or such other date as notified by our Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, October 9, 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) **If you apply via Electronic Application Instructions to HKSCC**

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, October 9, 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "*Publication of Results*" above on Monday, October 9, 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, October 9, 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, October 9, 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, October 9, 2017.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-95, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HENAN JINMA ENERGY COMPANY LIMITED AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Henan Jinma Energy Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages I-4 to I-95, which comprises the consolidated statements of financial position as at December 31, 2014, 2015 and 2016 and April 30, 2017, the statements of financial position of the Company as at December 31, 2014, 2015 and 2016 and April 30, 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended December 31, 2016 and the four months ended April 30, 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set on pages I-4 to I-95 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 26, 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2014, 2015 and 2016 and April 30, 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended April 30, 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**Adjustments**

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

September 26, 2017

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of the Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,			Four months ended April 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Revenue	6	2,563,674	2,244,731	3,298,634	699,550	1,760,803
Cost of sales		(2,385,867)	(2,119,342)	(2,863,413)	(666,836)	(1,478,473)
Gross profit		177,807	125,389	435,221	32,714	282,330
Other income	7	5,845	8,953	4,379	1,444	2,352
Other gains and losses	8	74,255	8,790	29,038	2,663	4,254
Selling and distribution expenses		(12,931)	(18,222)	(30,795)	(7,524)	(18,865)
Administrative expenses		(33,068)	(36,912)	(43,912)	(13,115)	(19,328)
Finance costs	9	(73,842)	(53,006)	(47,729)	(14,617)	(18,408)
Listing expenses		—	—	(5,540)	—	(3,500)
Share of result in a joint venture		—	(1,208)	4,001	2,257	1,722
Share of result in associates		1,935	(888)	1,374	431	—
Profit before tax	10	140,001	32,896	346,037	4,253	230,557
Income tax expense	11	(34,741)	(8,739)	(79,205)	(437)	(57,700)
Profit and total comprehensive income for the year/period		<u>105,260</u>	<u>24,157</u>	<u>266,832</u>	<u>3,816</u>	<u>172,857</u>
Profit and total comprehensive income for the year/period attributable to:						
- Owners of the Company		104,390	23,631	265,939	3,575	166,778
- Non-controlling interests		870	526	893	241	6,079
		<u>105,260</u>	<u>24,157</u>	<u>266,832</u>	<u>3,816</u>	<u>172,857</u>
Earnings per share (RMB)						
- Basic	14	<u>0.38</u>	<u>0.07</u>	<u>0.66</u>	<u>0.01</u>	<u>0.42</u>

STATEMENTS OF FINANCIAL POSITION

		The Group			
		As at December 31,			As at
NOTES				April 30,	
	2014	2015	2016	2017	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
NON-CURRENT ASSETS					
Property, plant and equipment	15	675,359	815,898	886,178	873,671
Prepaid lease payments	16	37,650	36,668	52,551	90,585
Intangible assets	17	—	—	93,502	88,555
Goodwill	18	—	—	8,001	8,001
Interest in a joint venture	20	34,300	47,792	51,793	53,515
Interests in associates	21	22,136	49,321	31,560	41,460
Advance to an associate	21	—	60,940	60,940	60,940
Deferred tax assets	22	8,827	6,916	8,510	3,301
Deposit for acquisition of mining right		72,000	—	—	—
Deposit for acquisition of property, plant and equipment		<u>7,626</u>	<u>3,294</u>	<u>2,103</u>	<u>48,002</u>
		<u>857,898</u>	<u>1,020,829</u>	<u>1,195,138</u>	<u>1,268,030</u>
CURRENT ASSETS					
Inventories	23	208,637	106,776	159,797	144,141
Prepaid lease payments	16	982	982	1,527	2,153
Trade and other receivables	24	211,974	156,741	386,682	483,543
Amounts due from shareholders	25	76,877	160,022	276,863	276,004
Amounts due from related parties	27	278,891	165,701	95,498	42,347
Dividend receivables from associate		1,847	—	—	—
Tax recoverable		—	1,764	—	—
Restricted bank balances	28	135,715	122,247	140,071	95,231
Bank balances and cash	28	<u>48,265</u>	<u>30,693</u>	<u>106,740</u>	<u>172,114</u>
		<u>963,188</u>	<u>744,926</u>	<u>1,167,178</u>	<u>1,215,533</u>

		The Group				
		As at December 31,			As at	
NOTES		2014	2015	2016	April 30,	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017	
					<i>RMB'000</i>	
CURRENT LIABILITIES						
	Borrowings	29	705,614	518,379	348,251	422,000
	Provisions	30	21,700	10,100	3,300	—
	Dividend payable		17,550	81,046	13,123	102,417
	Trade and other payables	31	502,028	431,194	484,944	456,654
	Amounts due to shareholders	32	27,765	—	100,000	41,437
	Amounts due to related parties	34	460	3,912	619	13,516
	Tax payable		2,172	379	26,258	23,866
			<u>1,277,289</u>	<u>1,045,010</u>	<u>976,495</u>	<u>1,059,890</u>
NET CURRENT (LIABILITIES)						
	ASSETS		<u>(314,101)</u>	<u>(300,084)</u>	<u>190,683</u>	<u>155,643</u>
TOTAL ASSETS LESS CURRENT LIABILITIES						
			<u>543,797</u>	<u>720,745</u>	<u>1,385,821</u>	<u>1,423,673</u>
CAPITAL AND RESERVES						
	Paid-in capital/Share capital	35	222,220	326,730	400,000	400,000
	Reserves		<u>312,534</u>	<u>288,165</u>	<u>480,834</u>	<u>547,612</u>
	Equity attributable to owners of the Company		534,754	614,895	880,834	947,612
	Non-controlling interests		<u>5,870</u>	<u>5,246</u>	<u>65,100</u>	<u>90,179</u>
TOTAL EQUITY						
			<u>540,624</u>	<u>620,141</u>	<u>945,934</u>	<u>1,037,791</u>
NON-CURRENT LIABILITIES						
	Borrowings	29	—	97,658	372,295	329,000
	Long term payable	37	—	—	30,340	19,600
	Deferred revenue	38	3,173	2,946	6,458	7,849
	Deferred tax liabilities	22	—	—	30,794	29,433
			<u>3,173</u>	<u>100,604</u>	<u>439,887</u>	<u>385,882</u>
			<u>543,797</u>	<u>720,745</u>	<u>1,385,821</u>	<u>1,423,673</u>

		The Company				
		As at December 31,			As at	
NOTES		2014	2015	2016	April 30,	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017	
					<i>RMB'000</i>	
NON-CURRENT ASSETS						
	Property, plant and equipment	15	675,289	647,711	635,845	623,595
	Prepaid lease payments	16	37,650	36,668	35,686	28,921
	Investments in subsidiaries	19	15,000	119,510	290,574	310,574
	Interest in a joint venture	20	—	49,000	49,000	49,000
	Interests in associates	21	18,486	50,046	31,560	41,460
	Advance to an associate	21	—	60,940	60,940	60,940
	Deferred tax assets	22	8,827	5,645	7,203	2,200
	Deposit for acquisition of mining right		72,000	—	—	—
	Deposit for acquisition of property, plant and equipment		7,626	3,294	2,103	—
			<u>834,878</u>	<u>972,814</u>	<u>1,112,911</u>	<u>1,116,690</u>
CURRENT ASSETS						
	Inventories	23	202,640	92,521	122,364	99,148
	Prepaid lease payments	16	982	982	982	676
	Trade and other receivables	24	171,272	83,112	237,552	325,940
	Amounts due from shareholders	25	76,877	160,022	276,018	275,486
	Amounts due from subsidiaries	26	34,935	27,298	42,443	57,633
	Amounts due from related parties	27	278,541	165,701	95,498	37,884
	Dividend receivables from associate		1,847	—	—	—
	Tax recoverable		—	926	—	—
	Restricted bank balances	28	135,715	104,247	120,217	70,228
	Bank balances and cash	28	32,409	28,897	68,890	140,491
			<u>935,218</u>	<u>663,706</u>	<u>963,964</u>	<u>1,007,486</u>

		The Company				
		As at December 31,			As at	
NOTES		2014	2015	2016	April 30,	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017	
					<i>RMB'000</i>	
CURRENT LIABILITIES						
	Borrowings	29	705,614	488,379	338,251	410,000
	Provisions	30	21,700	10,100	3,300	—
	Dividend payable		17,550	57,478	—	94,216
	Trade and other payables	31	409,470	340,383	376,945	314,299
	Amounts due to shareholders	32	27,765	—	100,000	41,437
	Amounts due to subsidiaries	33	54,000	22,050	2,235	3,862
	Amounts due to related parties	34	460	3,620	500	13,448
	Tax payable		1,869	—	19,691	19,781
			<u>1,238,428</u>	<u>922,010</u>	<u>840,922</u>	<u>897,043</u>
NET CURRENT (LIABILITIES)						
	ASSETS		<u>(303,210)</u>	<u>(258,304)</u>	<u>123,042</u>	<u>110,443</u>
TOTAL ASSETS LESS CURRENT LIABILITIES						
			<u>531,668</u>	<u>714,510</u>	<u>1,235,953</u>	<u>1,227,133</u>
CAPITAL AND RESERVES						
	Paid-in capital/Share capital	35	222,220	326,730	400,000	400,000
	Reserves	36	306,275	287,176	426,860	470,684
TOTAL EQUITY						
			<u>528,495</u>	<u>613,906</u>	<u>826,860</u>	<u>870,684</u>
NON-CURRENT LIABILITIES						
	Borrowings	29	—	97,658	372,295	329,000
	Long term payable	37	—	—	30,340	19,600
	Deferred revenue	38	3,173	2,946	6,458	7,849
			<u>3,173</u>	<u>100,604</u>	<u>409,093</u>	<u>356,449</u>
			<u>531,668</u>	<u>714,510</u>	<u>1,235,953</u>	<u>1,227,133</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							Total equity
	Paid-in/ Share capital	Capital reserve	Statutory surplus reserve	Retained profits	Special reserve	Total	Non- controlling interests	
	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000 (Note ii)	RMB'000	RMB'000	
At January 1, 2014	222,220	5,419	92,662	110,063	—	430,364	—	430,364
Profit and total comprehensive income for the year	—	—	—	104,390	—	104,390	870	105,260
Acquisition of a subsidiary (Note 39(a))	—	—	—	—	—	—	5,000	5,000
Transfer	—	—	9,985	(9,985)	—	—	—	—
At December 31, 2014	222,220	5,419	102,647	204,468	—	534,754	5,870	540,624
Profit and total comprehensive income for the year	—	—	—	23,631	—	23,631	526	24,157
Increase in paid-in capital upon acquisition of a subsidiary (Note 39(b))	104,510	—	—	—	—	104,510	—	104,510
Dividends paid to non-controlling interests of a subsidiary	—	—	—	—	—	—	(1,150)	(1,150)
Dividends paid (Note 12)	—	—	—	(48,000)	—	(48,000)	—	(48,000)
Transfer	—	—	2,890	(6,635)	3,745	—	—	—
At December 31, 2015	326,730	5,419	105,537	173,464	3,745	614,895	5,246	620,141
Profit and total comprehensive income for the year	—	—	—	265,939	—	265,939	893	266,832
Acquisition of a subsidiary (Note 39(c)(ii))	—	—	—	—	—	—	48,961	48,961
Capital contributions from non-controlling interests of a subsidiary	—	—	—	—	—	—	10,000	10,000
Joint stock reorganization	73,270	195,546	(105,537)	(163,279)	—	—	—	—
Transfer	—	—	21,294	(27,134)	5,840	—	—	—
At December 31, 2016	400,000	200,965	21,294	248,990	9,585	880,834	65,100	945,934

	Attributable to owners of the Company							Total equity
	Paid-in/ Share capital	Capital reserve	Statutory surplus reserve	Retained profits	Special reserve	Total	Non- controlling interests	
	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000 (Note ii)	RMB'000	RMB'000	RMB'000
Profit and total comprehensive income for the period	—	—	—	166,778	—	166,778	6,079	172,857
Capital contributions from non-controlling interests of a subsidiary	—	—	—	—	—	—	19,000	19,000
Dividends paid (Note 12)	—	—	—	(100,000)	—	(100,000)	—	(100,000)
Transfer	—	—	—	(1,264)	1,264	—	—	—
At April 30, 2017	<u>400,000</u>	<u>200,965</u>	<u>21,294</u>	<u>314,504</u>	<u>10,849</u>	<u>947,612</u>	<u>90,179</u>	<u>1,037,791</u>
At January 1, 2016	326,730	5,419	105,537	173,464	3,745	614,895	5,246	620,141
Profit and total comprehensive income for the period	—	—	—	3,575	—	3,575	241	3,816
Transfer	—	—	—	(1,808)	1,808	—	—	—
At April 30, 2016 (Unaudited)	<u>326,730</u>	<u>5,419</u>	<u>105,537</u>	<u>175,231</u>	<u>5,553</u>	<u>618,470</u>	<u>5,487</u>	<u>623,957</u>

Notes:

- (i) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the entities established in the PRC is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of the group entities) to the reserve fund (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the entity.
- (ii) The Group is required to make appropriations based on its revenue in accordance with CaiQi [2006] No. 478 "Tentative measures for the financial management of the production safety fund for the high risk enterprises" that is issued by the Ministry of Finance and the Safety Production General Bureau. The reserve is for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTE	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
OPERATING ACTIVITIES					
Profit before tax	140,001	32,896	346,037	4,253	230,557
Adjustments for:					
Interest income	(4,420)	(5,604)	(3,251)	(1,227)	(416)
Loss on disposal of property, plant and equipment	958	41	3,202	—	—
Depreciation of property, plant and equipment	62,682	70,705	76,032	23,505	27,938
Release of prepaid lease payments	982	982	988	327	718
Amortization of intangible assets	—	—	—	—	4,947
Allowance for (reversal of allowance for) doubtful debts	1,585	459	(151)	—	(1,630)
Allowance for inventories	—	2,325	50	—	346
Gain on release of financial guarantee contracts	(94,000)	(26,600)	(6,800)	(2,600)	(3,300)
Loss on initial recognition of financial guarantee contracts	17,200	15,000	—	—	—
Share of result in associates	(1,935)	888	(1,374)	(431)	—
Share of result in a joint venture	—	1,208	(4,001)	(2,257)	(1,722)
Gain on deemed disposal of interest in an associate	—	—	(4,024)	—	—
Bargain purchase on acquisition of a subsidiary	39(c)(i) —	—	(24,043)	—	—
Finance costs	73,842	53,006	47,729	14,617	18,408
Release of assets-related government subsidies	(227)	(227)	(270)	(76)	(169)
Operating cash flows before movements in working capital	196,668	145,079	430,124	36,111	275,677
(Increase) decrease in inventories	(15,841)	119,703	(37,244)	4,319	15,310
(Increase) decrease in trade and other receivables	(455)	101,390	(173,121)	(74,370)	(95,231)
Decrease (increase) in amounts due from shareholders	94,835	(66,299)	(116,580)	(17,480)	(19,318)
(Increase) decrease in amounts due from related parties	(14,439)	101,255	70,203	46,919	53,151
Increase (decrease) in trade and other payables	250,215	(140,576)	(46,479)	54,153	(8,060)
(Decrease) increase in amounts due to shareholders	(72,235)	(27,765)	100,000	—	(58,563)
(Decrease) increase in amounts due to related parties	(51,476)	3,452	(3,293)	(626)	12,897
Cash generated from operations	387,272	236,239	223,610	49,026	175,863
Income tax paid	(38,739)	(8,268)	(55,175)	(2,318)	(56,244)
NET CASH FROM OPERATING ACTIVITIES	348,533	227,971	168,435	46,708	119,619

NOTE	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
INVESTING ACTIVITIES					
Interest received	4,420	5,604	3,251	1,227	416
Assets related government subsidies received	3,400	—	3,782	—	1,560
Dividend received from associates	—	5,334	—	—	—
Purchase of property, plant and equipment	(13,063)	(31,547)	(54,555)	(2,947)	(15,677)
Lease payment prepaid	—	—	—	—	(39,378)
Deposit for acquisition of property, plant and equipment	(7,626)	(3,294)	(2,103)	(1,711)	(48,002)
Advances to shareholders	(13,700)	(27,495)	(261)	—	—
Advances to related parties	(11,965)	(4,000)	—	—	—
Repayments from shareholders <i>(Note)</i>	12,700	10,649	—	—	14,393
Repayments from related parties	—	11,965	—	—	—
Acquisition of subsidiaries	39 (14,699)	6,866	(23,419)	—	—
Payment for acquisition of subsidiary in prior year	—	—	—	—	(28,621)
Investments in associates	—	(16,500)	(577)	(100)	(9,900)
Proceeds on disposal of investment in an associate	—	—	577	—	—
Investment in a joint venture	(34,300)	(14,700)	—	—	—
Placement of restricted bank balances	(310,962)	(648,734)	(415,450)	(207,593)	(37,518)
Withdrawal from restricted bank balances	225,247	671,202	411,626	142,459	82,358
Proceeds from disposal of property, plant and equipment	148	344	806	—	—
NET CASH USED IN INVESTING ACTIVITIES	(160,400)	(34,306)	(76,323)	(68,665)	(80,369)
FINANCING ACTIVITIES					
Interest paid	(73,842)	(53,006)	(47,729)	(14,617)	(18,408)
New borrowings raised	1,198,130	1,030,531	1,120,500	235,000	161,000
Repayment of borrowings	(1,299,516)	(1,180,108)	(1,025,991)	(166,507)	(130,546)
Repayments to shareholders	(32,600)	—	—	—	—
Repayments to related parties	(10,000)	—	—	—	—
Advances from shareholders	30,000	—	—	—	—
Advances from related parties	10,000	—	—	—	—
Capital contribution from non-controlling interests of a subsidiary	—	—	10,000	—	19,000
Dividends paid <i>(Note)</i>	(27,100)	(8,254)	(72,095)	—	(4,922)
Dividends paid to non-controlling interests of a subsidiary	—	(400)	(750)	—	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(204,928)	(211,237)	(16,065)	53,876	26,124

APPENDIX I
ACCOUNTANTS' REPORT OF THE GROUP

NOTE	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,795)	(17,572)	76,047	31,919	65,374
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	<u>65,060</u>	<u>48,265</u>	<u>30,693</u>	<u>30,693</u>	<u>106,740</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCES AND CASH	<u>48,265</u>	<u>30,693</u>	<u>106,740</u>	<u>62,612</u>	<u>172,114</u>

Note: During the period ended April 30, 2017, the amount due from shareholders amounting to RMB5,784,000 was offset against dividends payable to Jinma Xingye (as defined in Note 2).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the PRC on February 13, 2003 as a limited liability company under the Company Law of the PRC. On July 5, 2016, the Company was converted into a joint stock limited liability company.

The address of the registered office and the principal place of business of the Company is set out in the section headed “*Corporate Information*” of the prospectus of the Company dated September 26, 2017 (the “**Prospectus**”).

The principal activities of the Group and the Company are mainly engaged in the production of coke and derivative chemical products, coal gas and sale of related products.

The Historical Financial Information is presented in Renminbi, which is also the functional currency of the Company.

The statutory financial statements of the Company for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with the relevant accounting principles and regulations applicable to enterprises established in the PRC and were audited by Henan HSBC Certified Public Accountants Co., Ltd (河南匯豐會計師事務所有限公司), certified public accountants registered in the PRC.

2. GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was owned by Henan Hongkong (Jiyuan) Coking Group Co., Ltd. (“Yugang Coking”), Maanshan Iron & Steel Company Limited (“Maanshan Steel”) and Jiangxi PXSteel Industrial Co., Ltd. (“Jiangxi PXSteel”) when establishment in 2003. With a series of equity transfer arrangements, the Company has been jointly owned by Jinma Energy (Hong Kong) Limited (“Jinma HK”), Maanshan Steel, Jiangxi PXSteel and Jiyuan Jinma Xingye Investment Co., Ltd. (“Jinma Xingye”) (collectively as “the Shareholders”) since August 2011 with shareholding of 40.5%, 36%, 13.5% and 10% respectively.

On May 6, 2014, the Company acquired 75% interests in Shanghai Jinma Energy Co., Ltd. (“Shanghai Jinma”). Thereafter, Shanghai Jinma became a non-wholly owned subsidiary of the Group.

On May 29, 2015, the Company acquired entire interests in Jiyuan Jinyuan Chemicals Co., Ltd. (“Jinyuan Chemicals”) from the Shareholders by increasing the Company’s registered and paid-in capital of RMB104,510,000. Thereafter, Jinyuan Chemicals became a wholly owned subsidiary of the Group.

Henan Jinrui Energy Co., Ltd. (“Jinrui Energy”) was established as a wholly owned subsidiary of the Group in May 2016 with a registered capital of RMB51,000,000. In December 2016, the registered capital of Jinrui Energy was increased by RMB49,000,000, in which RMB29,000,000 was injected by independent third parties. Thereafter, Jinrui Energy became a non-wholly owned subsidiary of the Company.

On September 28, 2016, the Company acquired remaining 71% interests in Henan Bohigh Chemical Co., Ltd. (“Bohigh Chemical”), an associate of the Group before the completion of the acquisition. Thereafter, Bohigh Chemical became a wholly owned subsidiary of the Group.

On December 29, 2016, the Company acquired 51% interests in Jiyuan Jinning Energy Co., Ltd. (“Jinning Energy”). Therefore, Jinning Energy became a non-wholly owned subsidiary of the Group.

Further details of the above acquisitions are disclosed in section headed “*History, Development and Reorganization*” of the Prospectus.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRSs that are effective for the financial year beginning on January 1, 2017 throughout the Track Record Period.

The Group has not early applied the following new and amendments to IFRSs, International Accounting Standards (“IASs”) and interpretation of International Financial Reporting Interpretation Committee (“IFRIC”) that have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty Over Income Tax Treatments ²
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle except for amendments to IFRS 12 ¹
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying with IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 40	Transfers of Investment Property ¹

¹ Effective for annual periods beginning on or after January 1, 2018.

² Effective for annual periods beginning on or after January 1, 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after January 1, 2021.

IFRS 9 “Financial Instruments”

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 that are relevant to the Group are described below:

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”). The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and are currently assessing the potential impact.

It should be noted that the above assessments were made based on an analysis of the Group’s financial assets and financial liabilities as at April 30, 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of IFRS 9, which is expected to be January 1, 2018 as the Group does not intend to early apply the standard, the assessment of the potential impact is subject to change.

IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 “Revenue,” IAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principles of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity should recognize revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

IFRS 16 “Leases”

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 “Leases” (“IAS 17”) and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lease accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases for low-value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Furthermore, extensive disclosures are required by IFRS 16.

As at April 30, 2017, the Group has non-cancellable operating lease commitments of RMB7,753,000 as disclosed in Note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company anticipate that the application of other new and amendments to IFRSs will have no material impact on the financial performance and positions and/or the disclosures when they become effective.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on historical cost basis and in accordance with the following accounting policies which conform to IFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based Payment” (“IFRS 2”), leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairments of Assets” (“IAS 36”).

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity (other reserve) and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as

measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (“IAS 37”), as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Investments in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in these Historical Financial Information using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's Historical Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

Dividend income from investments is recognized when the shareholders' right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease

is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statements of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, a joint venture and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Financial assets

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including advance to an associate, trade and other receivables, amounts due from shareholders/subsidiaries/related parties, restricted bank balances, and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets of the Group are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Financial liabilities at amortized costs

Financial liabilities (including borrowings, trade and other payables, amounts due to shareholders/subsidiaries/related parties, dividend payable and long term payable) are subsequently measured at amortized cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized over the guarantee period.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next twelve months.

Allowance for inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value of inventories is based on estimated selling prices less any estimation costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group will reassess the estimation at the end of each reporting period.

As at December 31, 2014, 2015 and 2016 and April 30, 2017, the carrying amounts of inventories of the Group are RMB208,637,000, RMB106,776,000, RMB159,797,000 and RMB144,141,000, respectively (net of allowance for inventories of nil, RMB2,325,000, RMB2,375,000 and RMB346,000, respectively).

Allowance for doubtful debts

When there is objective evidence of impairment loss, the Group would estimate the future cash flows from trade and other receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at December 31, 2014, 2015 and 2016 and April 30, 2017, the carrying amounts of trade and other receivables of the Group are RMB77,782,000, RMB79,862,000, RMB108,657,000 and RMB169,053,000, respectively (net of allowance for doubtful debts of RMB2,272,000, RMB2,731,000, RMB2,580,000 and RMB950,000, respectively).

Useful lives and impairment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation in the consolidated statements of financial position. The estimation of their useful lives is the key element for the annual depreciation expense. The management of the Group estimates useful lives of property, plant and equipment based on their experience and historical production statistics. Should the useful lives of the Group's property, plant and equipment be deviated from the estimation, higher/lower depreciation expense would lead to a decrease/increase the Group's profit respectively. Property, plant and equipment are evaluated for any possible impairment on a specific asset or in groups of similar assets, as applicable. This process requires the management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying value is written down to the recoverable amount and the impairment loss recognized is charged to profit or loss.

Fair value assessment on the financial guarantee

For the fair value of the financial guarantee contracts provided to the guaranteed counterparties, assumptions are made by the management of the Group at date of initial recognition, based on the guaranteed amount and the credit spread of the guaranteed counterparties, of which was determined according to their estimated default probability with reference to their credit ratings. The credit spread

and risk of default were, therefore, of significant estimation uncertainty. If the risk of default was significantly different from the estimated default probability, the fair value of the financial guarantee contracts at date of initial recognition would be significantly changed. The financial guarantee contracts are subsequently measured at the higher of the amount of obligation under the contract as determined in accordance with IAS 37 and the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

As at December 31, 2014, 2015 and 2016 and April 30, 2017, the carrying amounts of financial guarantee obligations are amounted to RMB21,700,000, RMB10,100,000, RMB3,300,000 and nil, respectively.

6. REVENUE AND SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the Group's revenue and profit for the year/period. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the directors of the Group.

The Group's operating segments under IFRS 8 "Operating Segments" are (i) sale of coke, (ii) sale of coking by-products, (iii) sale of refined chemicals, (iv) sale of energy products, mainly coal gas, (v) trading of coal and mining equipment and (vi) provision of water, catering and fire prevention and management services.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Sale of goods						Total
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2014							
Segment revenue	1,919,231	332,045	—	133,126	173,897	5,375	2,563,674
Segment results	31,692	111,768	—	31,332	6,588	2,545	183,925
Other income							5,845
Other gains and losses							74,255
Selling and distribution expenses							(12,931)
Administrative expenses							(33,068)
Finance costs							(73,842)
Share of result in associates							1,935
Unallocated expenses							(6,118)
Profit before tax							140,001

APPENDIX I
ACCOUNTANTS' REPORT OF THE GROUP

	Sale of goods						Total
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Others	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
For the year ended December 31, 2015							
Segment revenue	1,522,290	170,071	236,730	126,872	179,937	8,831	2,244,731
Segment results	9,352	29,939	30,473	45,739	10,110	5,421	131,034
Other income							8,953
Other gains and losses							8,790
Selling and distribution expenses							(18,222)
Administrative expenses							(36,912)
Finance costs							(53,006)
Share of result in a joint venture							(1,208)
Share of result in associates							(888)
Unallocated expenses							(5,645)
Profit before tax							32,896
For the year ended December 31, 2016							
Segment revenue	2,058,932	102,504	599,207	176,690	353,155	8,146	3,298,634
Segment results	301,607	11,030	54,654	69,675	6,124	2,484	445,574
Other income							4,379
Other gains and losses							29,038
Selling and distribution expenses							(30,795)
Administrative expenses							(43,912)
Finance costs							(47,729)
Listing expenses							(5,540)
Share of result in a joint venture							4,001
Share of result in associates							1,374
Unallocated expenses							(10,353)
Profit before tax							346,037

	Sale of goods						Total
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the four months ended April 30, 2016 (Unaudited)							
Segment revenue	<u>402,470</u>	<u>36,319</u>	<u>142,466</u>	<u>58,806</u>	<u>55,297</u>	<u>4,192</u>	<u>699,550</u>
Segment results	<u>(26,415)</u>	<u>4,136</u>	<u>18,082</u>	<u>35,133</u>	<u>1,929</u>	<u>1,191</u>	<u>34,056</u>
Other income							1,444
Other gains and losses							2,663
Selling and distribution expenses							(7,524)
Administrative expenses							(13,115)
Finance costs							(14,617)
Share of result in a joint venture							2,257
Share of result in associates							431
Unallocated expenses							<u>(1,342)</u>
Profit before tax							<u>4,253</u>

	Sale of goods						Total
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the four months ended April 30, 2017							
Segment revenue	<u>1,146,733</u>	<u>3,775</u>	<u>413,399</u>	<u>92,189</u>	<u>100,223</u>	<u>4,484</u>	<u>1,760,803</u>
Segment results	<u>221,699</u>	<u>1,314</u>	<u>35,503</u>	<u>26,883</u>	<u>3,103</u>	<u>317</u>	<u>288,819</u>
Other income							2,352
Other gains and losses							4,254
Selling and distribution expenses							(18,865)
Administrative expenses							(19,328)
Finance costs							(18,408)
Listing expenses							(3,500)
Share of result in a joint venture							1,722
Unallocated expenses							<u>(6,489)</u>
Profit before tax							<u>230,557</u>

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 4. Segment results represents gross profit from each segment excluding sales and related taxes, which is classified as unallocated expenses.

Other segment information

	Sale of goods						Total
	Coke	Coking by- Products	Refined chemicals	Energy products	Others	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the year ended December 31, 2014							
Amounts included in measure of segment results:							
Depreciation and amortization	36,058	16,540	—	2,648	3,058	4,378	62,682
Release of prepaid lease payments	—	—	—	—	—	982	982

	Sale of goods						Total
	Coke	Coking by- Products	Refined chemicals	Energy products	Others	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the year ended December 31, 2015							
Amounts included in measure of segment results:							
Depreciation and amortization	36,900	12,267	10,869	2,264	3,531	4,874	70,705
Release of prepaid lease payments	—	—	—	—	—	982	982

	Sale of goods						Total
	Coke	Coking by- Products	Refined chemicals	Energy products	Others	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the year ended December 31, 2016							
Amounts included in measure of segment results:							
Depreciation and amortization	36,061	6,780	20,903	3,443	3,600	5,245	76,032
Release of prepaid lease payments	—	—	—	—	—	988	988

	Sale of goods						Total
	Coke	Coking by-Products	Refined chemicals	Energy products	Others	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the four months ended April 30, 2016 (Unaudited)							
Amounts included in measure of segment results:							
Depreciation and amortization	11,745	1,743	6,099	1,096	1,200	1,622	23,505
Release of prepaid lease payments	—	—	—	—	—	327	327

	Sale of goods						Total
	Coke	Coking by-Products	Refined chemicals	Energy products	Others	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the four months ended April 30, 2017							
Amounts included in measure of segment results:							
Depreciation and amortization	11,634	583	9,601	7,327	1,886	1,854	32,885
Release of prepaid lease payments	—	—	—	—	—	718	718

Entity-wide disclosures

Geographical information

All of the Group's revenue from external customers were generated from and non-current assets are located in the PRC during the Track Record Period.

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group for each of the reporting periods is as below:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Maanshan Steel (Note i)	800,955	679,387	895,833	174,997	437,767
Jiangxi PXSteel and its subsidiaries (Note i)	615,806	414,342	436,651	N/A*	407,665
Customer A (Notes i)	<u>N/A*</u>	<u>233,781*</u>	<u>N/A*</u>	<u>N/A*</u>	<u>N/A*</u>

Notes:

(i) Revenue from sale of coke.

* The revenue of the customers contributed less than 10% of the total sales of the Group during the years ended December 31, 2014 and December 31, 2016 and the four months ended April 30, 2016 and 2017.

7. OTHER INCOME

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Interest income on bank deposits	4,420	5,604	3,251	1,227	416
Release of assets-related government subsidies (Note 38)	227	227	270	76	169
Government grants (Note)	546	1,499	661	5	1,641
Rental income	648	470	—	—	—
Others	<u>4</u>	<u>1,153</u>	<u>197</u>	<u>136</u>	<u>126</u>
	<u>5,845</u>	<u>8,953</u>	<u>4,379</u>	<u>1,444</u>	<u>2,352</u>

Note: The government grants represent the amount received from the local government by the Company in relation to local government's initiatives to encourage of advanced enterprise and labor relations.

8. OTHER GAINS AND LOSSES

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Allowance for) reversal of allowance for doubtful debts	(1,585)	(459)	151	—	1,630
Allowance for inventories	—	(2,325)	(2,375)	—	(346)
Loss on disposal of property, plant and equipment	(958)	(41)	(3,202)	—	—
Gain on release of financial guarantee contracts (Note 30)	94,000	26,600	6,800	2,600	3,300
Loss on initial recognition of financial guarantee contracts (Note 30)	(17,200)	(15,000)	—	—	—
Bargain purchase on acquisition of a subsidiary (Note 39(c)(i))	—	—	24,043	—	—
Gain on deemed disposal of interest in an associate	—	—	4,024	—	—
Donations	(953)	(1,200)	(1,363)	(48)	(176)
Others	951	1,215	960	111	(154)
	<u>74,255</u>	<u>8,790</u>	<u>29,038</u>	<u>2,663</u>	<u>4,254</u>

9. FINANCE COSTS

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest expense on:					
- Other loans (Note)	1,078	706	9,206	2,968	3,009
- Bank borrowings	56,178	41,720	33,444	9,265	14,271
- Discounted bank acceptance bills	14,539	10,269	5,079	2,384	446
- Letter of credit	2,047	311	—	—	682
	<u>73,842</u>	<u>53,006</u>	<u>47,729</u>	<u>14,617</u>	<u>18,408</u>

Note: Other loans include loans due to related parties (Note 44) and other financial institutions.

10. PROFIT BEFORE TAX

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Profit before taxation has been arrived at after charging:					
Staff costs					
Directors' remuneration (Note 13)	644	646	643	215	215
Other staff costs	55,266	55,715	77,474	19,048	26,551
Other staffs' retirement benefit scheme contributions	9,988	11,042	11,095	3,625	4,196
Total staff costs	65,898	67,403	89,212	22,888	30,962
Depreciation of property, plant and equipment	62,682	70,705	76,032	23,505	27,938
Capitalized in inventories	(58,304)	(65,831)	(70,787)	(21,883)	(26,084)
	4,378	4,874	5,245	1,622	1,854
Release of prepaid lease payments	982	982	988	327	718
Amortization of intangible assets (included in cost of sales)	—	—	—	—	4,947
Auditors' remuneration	566	778	1,252	302	514
Cost of inventories recognized as expenses	2,385,867	2,119,342	2,863,413	666,836	1,478,473

11. INCOME TAX EXPENSE

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
PRC Enterprise Income Tax ("EIT")					
Current tax	16,799	5,754	80,799	679	53,852
Deferred tax (Note 22)	17,942	2,985	(1,594)	(242)	3,848
	34,741	8,739	79,205	437	57,700

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the group entities in the PRC is 25% during the Track Record Period.

During the year ended December 31, 2015, a final dividend of RMB48,000,000 was declared to the shareholders of the Company, prior to the Company was converted to a joint stock limited company. The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

During the four months ended April 30, a special dividend of RMB0.25 per share in an aggregate amount of RMB100,000,000 was declared by the Company.

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors', Chief Executive's and Supervisors' emoluments

Details of the emoluments paid to the individuals who were appointed as the directors, Chief Executive and supervisors in July 2016 during the Track Record Period, are as follows:

	<u>Fees</u>	<u>Basic salaries</u>	<u>Retirement benefit</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2014				
Directors:				
Mr. Chiufai Yiu	—	—	—	—
Mr. Kecong Lu	—	—	—	—
Mr. Xiayu Hu	—	—	—	—
Mr. Zhiming Wang	—	—	—	—
Mr. Tianxi Li	—	200	30	230
Mr. Mingzhong Wang	—	300	33	333
Supervisors:				
Mr. Tsz Leung Wong	—	—	—	—
Mr. Qiangxian Zhang	—	—	—	—
Mr. Zhongge Li	—	60	21	81
	<u>—</u>	<u>560</u>	<u>84</u>	<u>644</u>

	Fees	Basic salaries	Retirement benefit	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2015				
Directors:				
Mr. Chiufai Yiu	—	—	—	—
Mr. Kecong Lu	—	—	—	—
Mr. Xiayu Hu	—	—	—	—
Mr. Zhiming Wang	—	—	—	—
Mr. Tianxi Li	—	200	30	230
Mr. Mingzhong Wang	—	300	35	335
Supervisors:				
Mr. Tsz Leung Wong	—	—	—	—
Mr. Qiangxian Zhang	—	—	—	—
Mr. Zhongge Li	—	60	21	81
	—	560	86	646
For the year ended December 31, 2016				
Directors:				
Mr. Chiufai Yiu	—	—	—	—
Mr. Kecong Lu	—	—	—	—
Mr. Xiayu Hu	—	—	—	—
Mr. Zhiming Wang	—	—	—	—
Mr. Tianxi Li	—	200	30	230
Mr. Mingzhong Wang	—	300	33	333
Supervisors:				
Mr. Tsz Leung Wong	—	—	—	—
Mr. Qiangxian Zhang	—	—	—	—
Mr. Zhongge Li	—	60	20	80
	—	560	83	643

	Fees	Basic salaries	Retirement benefit	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Four months ended April 30, 2016				
(Unaudited)				
Directors:				
Mr. Chiufai Yiu	—	—	—	—
Mr. Kecong Lu	—	—	—	—
Mr. Xiayu Hu	—	—	—	—
Mr. Zhiming Wang	—	—	—	—
Mr. Tianxi Li	—	67	10	77
Mr. Mingzhong Wang	—	100	11	111
Supervisors:				
Mr. Tsz Leung Wong	—	—	—	—
Mr. Qiangxian Zhang	—	—	—	—
Mr. Zhongge Li	—	20	7	27
	—	187	28	215
Four months ended April 30, 2017				
Directors:				
Mr. Chiufai Yiu	—	—	—	—
Mr. Kecong Lu	—	—	—	—
Mr. Xiayu Hu	—	—	—	—
Mr. Zhiming Wang	—	—	—	—
Mr. Tianxi Li	—	67	10	77
Mr. Mingzhong Wang	—	100	11	111
Supervisors:				
Mr. Tsz Leung Wong	—	—	—	—
Mr. Qiangxian Zhang	—	—	—	—
Mr. Zhongge Li	—	20	7	27
	—	187	28	215

Mr. Mingzhong Wang is the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

All the directors and supervisors of the Company, except for Mr. Mingzhong Wang, Mr. Tianxi Li and Mr. Zhongge Li whose emolument as disclosed above, did not received emoluments during the Track Record Period. During the Track Record Period, the directors and supervisors of the Company also held certain positions in the shareholders and their subsidiaries ("Shareholder's Entities") and the emoluments were borne by the respective Shareholder's Entities for the services rendered for the Group and the Shareholder's Entities. In the opinion of the directors of the Company, it is not practicable to allocate their remunerations to the Group and the Shareholder's Entities.

No emoluments was paid or payable to the independent non-executive directors, namely Mr. Zheng Wenhua, Mr. Liu Yuhui and Mr. Wu Tak Lung, during the Track Record Period. These independent non-executive directors are appointed by the Company on September 18, 2017.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two, two, two, two (unaudited) and two were directors of the Company for the year ended December 31, 2014, December 31, 2015, December 31, 2016 and the four months ended April 30, 2016 and 2017 respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining individuals are as follows:

Five individuals with the highest emoluments

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Salaries, wages and allowance	450	450	450	150	150
Retirement benefit scheme contributions	79	83	80	27	27
	<u>529</u>	<u>533</u>	<u>530</u>	<u>177</u>	<u>177</u>

Their emoluments were within the following bands:

	Number of employees				
	Years ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
				<i>(Unaudited)</i>	
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At January 1, 2014	426,709	687,816	8,063	31,238	1,885	1,155,711
Acquisition of a subsidiary (Note 39(a))	—	—	—	18	—	18
Additions	4,243	4,792	2,063	2,830	—	13,928
Disposals	(1,170)	(925)	—	—	—	(2,095)
At December 31, 2014	429,782	691,683	10,126	34,086	1,885	1,167,562
Acquisition of a subsidiary (Note 39(b))	43,918	99,600	—	27,589	169	171,276
Additions	2,146	30,737	1,903	3,400	2,167	40,353
Disposals	(226)	(1,117)	(318)	(720)	—	(2,381)
At December 31, 2015	475,620	820,903	11,711	64,355	4,221	1,376,810
Acquisition of subsidiaries (Note 39(c))	22,230	53,311	534	3,316	1,383	80,774
Additions	6,717	42,243	1,543	1,769	17,274	69,546
Disposals	(1,742)	(200)	—	(975)	(2,285)	(5,202)
At December 31, 2016	502,825	916,257	13,788	68,465	20,593	1,521,928
Additions	969	6,457	3	293	7,709	15,431
At April 30, 2017	503,794	922,714	13,791	68,758	28,302	1,537,359
Depreciation						
At January 1, 2014	145,987	257,588	4,226	22,709	—	430,510
Provided for the year	18,597	41,416	914	1,755	—	62,682
Eliminated on disposals	(133)	(856)	—	—	—	(989)
At December 31, 2014	164,451	298,148	5,140	24,464	—	492,203
Provided for the year	19,902	46,425	1,368	3,010	—	70,705
Eliminated on disposals	(45)	(959)	(285)	(707)	—	(1,996)
At December 31, 2015	184,308	343,614	6,223	26,767	—	560,912
Provided for the year	20,472	49,866	1,675	4,019	—	76,032
Eliminated on disposals	(759)	(196)	—	(239)	—	(1,194)
At December 31, 2016	204,021	393,284	7,898	30,547	—	635,750
Provided for the period	8,191	17,573	645	1,529	—	27,938
At April 30, 2017	212,212	410,857	8,543	32,076	—	663,688
Carrying values						
At December 31, 2014	265,331	393,535	4,986	9,622	1,885	675,359
At December 31, 2015	291,312	477,289	5,488	37,588	4,221	815,898
At December 31, 2016	298,804	522,973	5,890	37,918	20,593	886,178
At April 30, 2017	291,582	511,857	5,248	36,682	28,302	873,671

The Company

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost						
At January 1, 2014	426,708	687,816	8,063	31,238	1,885	1,155,710
Additions	4,243	4,751	2,063	2,816	—	13,873
Disposals	(1,170)	(925)	—	—	—	(2,095)
At December 31, 2014	429,781	691,642	10,126	34,054	1,885	1,167,488
Additions	1,368	28,350	1,903	2,985	2,337	36,943
Disposals	(226)	(1,081)	(318)	(720)	—	(2,345)
At December 31, 2015	430,923	718,911	11,711	36,319	4,222	1,202,086
Additions	6,371	36,011	1,542	1,301	11,229	56,454
Disposals	(1,742)	(200)	—	(975)	(2,285)	(5,202)
At December 31, 2016	435,552	754,722	13,253	36,645	13,166	1,253,338
Additions	969	6,161	3	275	1,894	9,302
At April 30, 2017	436,521	760,883	13,256	36,920	15,060	1,262,640
Depreciation						
At January 1, 2014	145,987	257,588	4,226	22,709	—	430,510
Provided for the year	18,597	41,415	914	1,752	—	62,678
Eliminated on disposals	(133)	(856)	—	—	—	(989)
At December 31, 2014	164,451	298,147	5,140	24,461	—	492,199
Provided for the year	18,997	42,021	1,368	1,786	—	64,172
Eliminated on disposals	(45)	(959)	(285)	(707)	—	(1,996)
At December 31, 2015	183,403	339,209	6,223	25,540	—	554,375
Provided for the year	18,965	41,818	1,655	1,874	—	64,312
Eliminated on disposals	(759)	(196)	—	(239)	—	(1,194)
At December 31, 2016	201,609	380,831	7,878	27,175	—	617,493
Provided for the period	6,886	13,455	600	611	—	21,552
At April 30, 2017	208,495	394,286	8,478	27,786	—	639,045
Carrying values						
At December 31, 2014	265,330	393,495	4,986	9,593	1,885	675,289
At December 31, 2015	247,520	379,702	5,488	10,779	4,222	647,711
At December 31, 2016	233,943	373,891	5,375	9,470	13,166	635,845
At April 30, 2017	228,026	366,597	4,778	9,134	15,060	623,595

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis based over their estimated useful lives at the following rate per annum, after taking into account the estimated residual value of 5%:

Buildings and structure	3%-10%
Machinery and equipment	3%-19%
Motor vehicles	10%-24%
Office equipment	6%-32%

During the year ended December 31, 2015, the Company entered into financing arrangements with an independent financial institution to obtain borrowings of RMB150,000,000 for a term of 3 years by way of sales-and-lease arrangement. The Company has the right to purchase plant and machinery with RMB1,000 correspondingly at the expiration of the arrangements. The interest rate of the arrangements were 5.7% per annum, and carrying values of the plant and machinery under these arrangements as at December 31, 2015 and 2016 were RMB118,423,000, RMB109,824,000, respectively. The borrowings had been fully repaid during the four months ended April 30, 2017.

16. PREPAID LEASE PAYMENTS

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purpose as:								
Current assets	982	982	1,527	2,153	982	982	982	676
Non-current assets	37,650	36,668	52,551	90,585	37,650	36,668	35,686	28,921
	<u>38,632</u>	<u>37,650</u>	<u>54,078</u>	<u>92,738</u>	<u>38,632</u>	<u>37,650</u>	<u>36,668</u>	<u>29,597</u>

17. INTANGIBLE ASSETS**The Group**

	<u>Franchise right</u>
	<i>RMB'000</i>
Cost	
Arising on acquisition of subsidiaries during the year ended December 31, 2016 (Note 39(c)(ii)) and as at December 31, 2016 and April 30, 2017	<u>93,502</u>
Amortization	
Provided for the period and as at April 30, 2017	<u>(4,947)</u>
Carrying values	
At December 31, 2016	<u>93,502</u>
At April 30, 2017	<u>88,555</u>

The intangible assets of the Group is Jinning Energy's franchise right of sale of gas, which is amortized over the tenure of 6.3 years in accordance with the contractual agreement.

18. GOODWILL**The Group**

	<i>RMB'000</i>
CARRYING VALUE	
Arising on acquisition of a subsidiary during the year ended December 31, 2016 (Note 39(c)(ii)) and as at December 31, 2016 and April 30, 2017	<u>8,001</u>

For the purpose of impairment testing, goodwill has been allocated to individual cash generating units ("CGU") which represented Jinning Energy engaged in distribution and sale of coal gas.

The following describes the key assumptions of the cash flow projections: The recoverable amounts of the CGU have been determined on the basis of value in use calculation. The key assumptions of the value in use calculation are those regarding the pre-tax discount rates, growth rates and expected changes to revenue and direct costs during the forecast period. The values in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rates of 28.5% and 28.5%, as at December 31, 2016 and April 30, 2017, respectively. The sets of cash flows beyond the 5-year period are projected using zero steady growth rate. The growth rate is based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the forecast period for this business line is also based on the budgeted net sales and expected cost of revenue during the forecast period and the inflation of operating expenses during the forecast period. Expected cash inflows/outflows, which include budgeted net sales, cost of revenue and operating expenses have been determined based on past performance and management's expectations for the market development.

The management of the Group believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount. During the year ended December 31, 2016 and the four months ended April 30, 2017, the management of the Group determines that there are no impairment of its CGU containing goodwill.

19. INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,			As at
	2014	2015	2016	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments, at cost	<u>15,000</u>	<u>119,510</u>	<u>290,574</u>	<u>310,574</u>

During the Track Record Period and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of establishment and operation	Equity interest attributable to the Group					At date of the report	Fully paid registered capital	Principal activities
		As at December 31,			As at April 30,				
		2014	2015	2016	2017				
<i>Directly held:</i>									
Jinyuan Chemicals 濟源市金源化工有限公司	PRC November 18, 2012	N/A	100%	100%	100%	100%	RMB100,000,000	Manufacturing and sales of benzene based chemicals	
Shanghai Jinma 上海金馬能源有限公司	PRC November 27, 2013	75%	75%	75%	75%	75%	RMB20,000,000	Trading of coal and coal mining equipment	
Bohigh Chemical 河南博海化工有限公司	PRC January 29, 2004	N/A	N/A	100%	100%	100%	USD7,700,000	Manufacturing and sale of coal tar based chemicals	
Jinrui Energy 河南金瑞能源有限公司	PRC May 29, 2016	N/A	N/A	71%	71%	71%	RMB100,000,000	Inactive	
Jinning Energy 濟源市金寧能源實業有限公司	PRC July 2, 2007	N/A	N/A	51%	51%	51%	RMB10,000,000	Distribution and sale of coal gas	
Henan Jinzheng E-commerce Co., Ltd. ("Jinzheng Ecommerce") 河南省金正電子商務有限公司 (Note i)	PRC July 2, 2007	80%	80%	N/A	N/A	N/A	RMB200,000	E-commerce platform and internet services	
<i>Indirectly held:</i>									
Henan Jinrui Gas Co., Ltd. ("Jinrui Gas") 河南金瑞燃氣有限公司	PRC May 24, 2016	N/A	N/A	100%	100%	100%	RMB25,500,000	Inactive	

Notes:

- (i) The entity has been disposed of in the year ended December 31, 2016 at nil consideration because no capital contribution made by the Company. There is no material gain or loss recognized upon the disposal.

All subsidiaries now comprising the Group are limited liability companies and have adopted December 31 as their financial year end date.

The statutory financial statements of the subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and regulations applicable to entities established in the PRC and were audited by following certified public accountants registered in the PRC, as set out below.

Name	Financial Year	Name of Auditor
Jinyuan Chemicals	For the years ended December 31, 2015 and 2016	河南匯豐會計師事務所有限公司
Shanghai Jinma	For years ended December 31, 2014 and 2015	上海奇正會計師事務所
	For the year ended December 31, 2016	河南匯豐會計師事務所有限公司
Bohigh Chemical	For the year ended December 31, 2016	河南匯豐會計師事務所有限公司
Jinrui Energy	For the period ended December 31, 2016	河南匯豐會計師事務所有限公司
Jinning Energy	For the year ended December 31, 2016	河南匯豐會計師事務所有限公司
Jinrui Gas	For the period ended December 31, 2016	河南匯豐會計師事務所有限公司

No statutory audited financial statements of Jinzheng Ecommerce for the year ended December 31, 2014 and 2015 have been prepared, since there are no statutory audit requirements.

20. INTEREST IN A JOINT VENTURE

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted investment in a joint venture	34,300	49,000	49,000	49,000	—	49,000	49,000	49,000
Share of post-acquisition results	—	(1,208)	2,793	4,515	—	—	—	—
	<u>34,300</u>	<u>47,792</u>	<u>51,793</u>	<u>53,515</u>	<u>—</u>	<u>49,000</u>	<u>49,000</u>	<u>49,000</u>

During the Track Record Period and as at the date of this report, the Group has interests in the following joint ventures:

Name of joint venture	Place and date of establishment and operation	Fully paid registered capital	Equity interest attributable to the Group				At date of the report	Principal activities
			As at December 31,			As at		
			2014	2015	2016	April 30, 2017		
Henan Jinjiang Refinery Co., Ltd. ("Jinjiang Refinery") 濟源市金江煉化有限公司	PRC May 14, 2014	RMB100,000,000	49%	49%	49%	49%	49%	Manufacturing and sale of hydrogen

Pursuant to the joint venture arrangement, all the financial and operational decision requires unanimous consent by both of the joint venture partners. As at December 31, 2014, the Group held 49% of the joint venture through Shanghai Jinma, which has transferred the interest to the Company during the year ended December 31, 2015 at a consideration of RMB49,000,000. The joint venture is engaged in manufacturing and sale of coking products since October 2015.

Summarized financial information in respect of the Group's joint venture is set out below. The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in the Historical Financial Information.

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	<u>75,756</u>	<u>19,124</u>	<u>20,682</u>	<u>79,546</u>
Non-current assets	<u>4,728</u>	<u>201,783</u>	<u>191,127</u>	<u>188,021</u>
Current liabilities	<u>10,484</u>	<u>73,373</u>	<u>51,108</u>	<u>43,353</u>
Non-current liabilities	<u>—</u>	<u>50,000</u>	<u>55,000</u>	<u>115,000</u>
The above amounts of assets and liabilities include the followings:				
Cash and cash equivalents	<u>25,038</u>	<u>1,637</u>	<u>6,305</u>	<u>65,486</u>
Current financial liabilities (excluding trade and other payables and provisions)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Non-current financial liabilities (excluding trade and other payables and provisions)	<u>—</u>	<u>50,000</u>	<u>55,000</u>	<u>115,000</u>

21. INTERESTS IN ASSOCIATES/ADVANCE TO AN ASSOCIATE

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted investment in associates	18,486	50,046	31,560	41,460	18,486	50,046	31,560	41,460
Share of post-acquisition results, net of dividend received	3,650	(725)	—	—	—	—	—	—
	<u>22,136</u>	<u>49,321</u>	<u>31,560</u>	<u>41,460</u>	<u>18,486</u>	<u>50,046</u>	<u>31,560</u>	<u>41,460</u>
Advance to an associate (Note)	<u>—</u>	<u>60,940</u>	<u>60,940</u>	<u>60,940</u>	<u>—</u>	<u>60,940</u>	<u>60,940</u>	<u>60,940</u>

Note: Pursuant to a purchase agreement with Huozhou Coal Power Group LLC 霍州煤電集團有限責任公司 (“Huozhou Coal”) and Shanxi Yilong Mine Products Co., Ltd. 山西億隆礦山用品有限公司 (“Shanxi Yilong”), independent third parties, signed in April 2010, the Company agreed to acquire 33% interests in Hongdong Yilong Coal Mine located in Shanxi Province for a total consideration of RMB120,000,000. Hongdong Yilong Coal Mine was previously held by Shanxi Yilong.

The Company had paid in aggregate RMB72,000,000 for the consideration as at December 31, 2014, which has been recorded as “Deposit for acquisition of mining right” on the consolidated statement of financial position. On January 28, 2015, Huozhou Coal, Shanxi Yilong and the Company have jointly established Huozhou Coal Power Group Hongdong Yilong Co., Ltd. (“Yilong Coal”) with interest holding of 51%, 16% and 33% respectively. On October 16, 2015, Yilong Coal entered into a purchase agreement to acquire assets and the mining rights of Hongdong Yilong Coal Mine (the “Acquisition”) at a consideration of RMB318,000,000, which was paid by Huozhou Coal, Shanxi Yilong and the Company on behalf of Yilong Coal. RMB56,940,000 out of the deposit of acquisition of mining right of RMB72,000,000 has been agreed to be the portion paid by the Company for such purpose. Together with an advance made by the Group of RMB4,000,000 during the year ended December 31, 2015, the management of Yilong Coal agreed the total advance from the Company is amounted to RMB60,940,000. The remaining amount of deposit for acquisition of mining right of RMB15,060,000 has been reclassified to interest in associates as an additional investment cost in Yilong Coal by the Company as the directors of the Company consider that the series of events and transactions since 2010 were all related to Hongdong Yilong Coal Mine and resulted in obtaining 33% equity interest in Yilong Coal. In the opinion of the directors, the excess payment of RMB15,060,000 was considered as an additional investment cost in Yilong Coal.

The total advance is unsecured, interest-free and has no fixed repayment terms. In the opinion of the directors of the Company, it is expected that the Group would not demand for the repayment within the next twelve months from the end of the reporting period. Accordingly, the amount is shown as non-current asset.

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of associate	Place and date of establishment and operation	Fully paid registered capital	Equity interest attributable to the Group					Principal activities
			As at December 31,			As at April 30,	At date of the report	
			2014	2015	2016	2017		
Bohigh Chemical	PRC January 29, 2004	USD7,700,000	29%	29%	N/A	N/A	N/A	Manufacturing and sale of coking products
Yilong Coal 霍州煤電集團洪洞億隆煤業有限責任公司	PRC January 28, 2015	RMB80,000,000	NA	33%	33%	33%	33%	Inactive

Summarized financial information of Bohigh Chemical

Summarized financial information in respect of Bohigh Chemical is set out below. The summarized financial information below represents amounts shown in the financial statements of Bohigh Chemical prepared in accordance with IFRSs.

Bohigh Chemical is accounted for using the equity method in the Historical Financial Information.

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	<u>131,239</u>	<u>100,994</u>	<u>N/A</u>	<u>N/A</u>
Non-current assets	<u>37,537</u>	<u>32,856</u>	<u>N/A</u>	<u>N/A</u>
Current liabilities	<u>92,445</u>	<u>72,606</u>	<u>N/A</u>	<u>N/A</u>

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Revenue	<u>471,701</u>	<u>317,032</u>	<u>241,976</u>	<u>94,287</u>	<u>N/A</u>
Profit (loss) and total comprehensive income (expense) for the year/period (Note)	<u>6,671</u>	<u>(3,062)</u>	<u>4,740</u>	<u>1,485</u>	<u>N/A</u>

Note: During the year ended December 31, 2016, the Company acquired of remaining 71% interests in Bohigh Chemical which, thereafter, became a wholly owned subsidiary of the Group. The share of result of the associate for the year ended December 31, 2016 is derived from the period up to the date of acquisition.

Reconciliation of the above summarized financial information of the carrying amount of the interest in the associate recognized in the Historical Financial Information.

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net assets of Bohigh Chemical	76,331	61,244	N/A	N/A
Proportion of the Group's ownership interest in Bohigh Chemical	<u>29%</u>	<u>29%</u>	<u>N/A</u>	<u>N/A</u>
Carrying amounts of the Group's interest in Bohigh Chemical	<u>22,136</u>	<u>17,761</u>	<u>N/A</u>	<u>N/A</u>

Summarized financial information of Yilong Coal

Summarized financial information in respect of Yilong Coal is set out below. The summarized financial information below represents amounts shown in the financial statements of Yilong Coal prepared in accordance with IFRS.

APPENDIX I
ACCOUNTANTS' REPORT OF THE GROUP

Yilong Coal is accounted for using the equity method in the Historical Financial Information.

	As at December 31,			As at April 30,	
	2014	2015	2016	2017	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Current assets	<u>N/A</u>	<u>131,811</u>	<u>7,225</u>	<u>18,883</u>	
Non-current assets	<u>N/A</u>	<u>127,501</u>	<u>496,976</u>	<u>526,340</u>	
Current liabilities	<u>N/A</u>	<u>209,312</u>	<u>454,201</u>	<u>465,223</u>	

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<u>N/A</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Results for the year/period	<u>N/A</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Reconciliation of the above summarized financial information of the carrying amount of the interest in the associate recognized in the Historical Financial Information.

	As at December 31,			As at April 30,	
	2014	2015	2016	2017	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Net assets of Yilong Coal	N/A	50,000	50,000	80,000	
Proportion of the Group's ownership interest in Yilong Coal	<u>N/A</u>	<u>33%</u>	<u>33%</u>	<u>33%</u>	
	N/A	16,500	16,500	26,400	
Additional investment cost in Yilong Coal	<u>N/A</u>	<u>15,060</u>	<u>15,060</u>	<u>15,060</u>	
Carrying amounts of the Group's interest in Yilong Coal	<u>N/A</u>	<u>31,560</u>	<u>31,560</u>	<u>41,460</u>	

22. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognized and movements thereon during the Track Record Period:

The Group

	Allowance for inventories	Allowance for doubtful debts	Temporary difference on deductible expenses	Financial guarantee provisions	Unrealized profits	Fair value adjustments upon acquisition of subsidiaries	Deferred revenue	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	—	172	1,972	24,625	—	—	—	26,769
Credit (charge) to profit or loss	—	396	69	(19,200)	—	—	793	(17,942)
At December 31, 2014	—	568	2,041	5,425	—	—	793	8,827
Acquisition of a subsidiary	—	—	—	—	—	1,074	—	1,074
Credit (charge) to profit or loss	581	114	(799)	(2,900)	115	(39)	(57)	(2,985)
At December 31, 2015	581	682	1,242	2,525	115	1,035	736	6,916
Acquisition of subsidiaries (Note 39(c))	—	—	—	—	—	(30,794)	—	(30,794)
Credit (charge) to profit or loss	13	(38)	2,346	(1,700)	160	(66)	879	1,594
At December 31, 2016	594	644	3,588	825	275	(29,825)	1,615	(22,284)
(Charge) credit to profit or loss	(507)	(406)	(3,578)	(825)	(241)	1,361	348	(3,848)
At April 30, 2017	87	238	10	—	34	(28,464)	1,963	(26,132)

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	8,827	6,916	8,510	3,301
Deferred tax liabilities	—	—	(30,794)	(29,433)
	<u>8,827</u>	<u>6,916</u>	<u>(22,284)</u>	<u>(26,132)</u>

23. INVENTORIES

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	142,109	80,537	143,973	119,641	142,109	70,380	113,332	91,760
Finished goods	66,528	26,239	15,824	24,500	60,531	22,141	9,032	7,388
	<u>208,637</u>	<u>106,776</u>	<u>159,797</u>	<u>144,141</u>	<u>202,640</u>	<u>92,521</u>	<u>122,364</u>	<u>99,148</u>

24. TRADE AND OTHER RECEIVABLES

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	73,800	40,508	175,348	214,109	71,800	35,708	137,354	150,362
Trade receivables	70,049	65,529	82,821	150,815	38,997	9,937	29,944	88,939
Less: Allowance for doubtful debts	—	(459)	(229)	—	—	—	—	—
	<u>70,049</u>	<u>65,070</u>	<u>82,592</u>	<u>150,815</u>	<u>38,997</u>	<u>9,937</u>	<u>29,944</u>	<u>88,939</u>
Other receivables	10,005	17,064	28,416	19,188	5,054	17,016	16,786	8,120
Less: Allowance for doubtful debts	(2,272)	(2,272)	(2,351)	(950)	(2,272)	(2,272)	(2,351)	(950)
	<u>7,733</u>	<u>14,792</u>	<u>26,065</u>	<u>18,238</u>	<u>2,782</u>	<u>14,744</u>	<u>14,435</u>	<u>7,170</u>
Prepayments to suppliers	55,163	34,343	102,206	92,836	53,987	22,723	55,819	79,469
Prepaid other taxes and charges	5,229	2,028	471	7,545	3,706	—	—	—
	<u>211,974</u>	<u>156,741</u>	<u>386,682</u>	<u>483,543</u>	<u>171,272</u>	<u>83,112</u>	<u>237,552</u>	<u>325,940</u>

The following is an aging analysis of trade receivables (net of allowance for doubtful debts) presented based on invoice dates at the end of each reporting period:

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	65,433	62,734	80,620	143,026	38,635	9,937	29,944	88,455
91 - 180 days	362	—	825	6,471	362	—	—	484
181 - 365 days	4,254	1,264	613	1,318	—	—	—	—
Over 365 days	—	1,072	534	—	—	—	—	—
	<u>70,049</u>	<u>65,070</u>	<u>82,592</u>	<u>150,815</u>	<u>38,997</u>	<u>9,937</u>	<u>29,944</u>	<u>88,939</u>

The Group requests cash-on-delivery from certain customers and generally also grants credit to customers with period ranging from 30 days to 180 days based on the credit rating of the customers and the relationship with the customers. Credit period could be extended on a case-by-case basis.

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Before accepting any new customers, the Group's management shall be responsible for assessment of the potential customers' credit quality and determination of credit limits and credit approvals for customers. Credit limits attributed to customers are reviewed periodically. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB17,004,000, RMB2,927,000, RMB19,366,000, and RMB59,876,000 as at December 31, 2014, 2015 and 2016 and April 30, 2017, respectively, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. Based on the historical experience of the Group, trade receivables that are past due but not impaired are generally recoverable.

The following is an aging of trade receivables (net of allowance for doubtful debts), which are past due but not impaired, at the end of each reporting period:

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	16,642	2,927	18,630	58,132	14,373	2,367	17,505	37,620
91 - 180 days	—	—	123	426	—	—	—	413
181 - 365 days	362	—	613	1,318	362	—	—	—
	<u>17,004</u>	<u>2,927</u>	<u>19,366</u>	<u>59,876</u>	<u>14,735</u>	<u>2,367</u>	<u>17,505</u>	<u>38,033</u>

Movements in the allowance for doubtful debts for trade and other receivables are as follows:

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	687	2,272	2,731	2,580	687	2,272	2,272	2,351
Provided for the year/period	1,585	459	79	—	1,585	—	79	—
Reversed for the year/period	—	—	(230)	(1,630)	—	—	—	(1,401)
At end of the year/period	<u>2,272</u>	<u>2,731</u>	<u>2,580</u>	<u>950</u>	<u>2,272</u>	<u>2,272</u>	<u>2,351</u>	<u>950</u>

Bills receivables were issued by banks with maturity within 6 months.

25. AMOUNTS DUE FROM SHAREHOLDERS

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature								
Maanshan Steel	73,807	140,106	255,841	275,486	73,807	140,106	255,841	275,486
Jinma Xingye (Note i)	—	—	845	518	—	—	—	—
	<u>73,807</u>	<u>140,106</u>	<u>256,686</u>	<u>276,004</u>	<u>73,807</u>	<u>140,106</u>	<u>255,841</u>	<u>275,486</u>
Non-trade nature								
Jinma HK (Note ii)	2,070	—	—	—	2,070	—	—	—
Jinma Xingye (Note iii)	1,000	19,916	20,177	—	1,000	19,916	20,177	—
	<u>3,070</u>	<u>19,916</u>	<u>20,177</u>	<u>—</u>	<u>3,070</u>	<u>19,916</u>	<u>20,177</u>	<u>—</u>
	<u>76,877</u>	<u>160,022</u>	<u>276,863</u>	<u>276,004</u>	<u>76,877</u>	<u>160,022</u>	<u>276,018</u>	<u>275,486</u>

Notes:

- (i) The balance is prepayment in nature as at December 31, 2016 and April 30, 2017.
- (ii) Mr. Chiufai Yiu is a common director of the Company and Jinma HK. The balance as at January 1, 2014 is amounted to RMB2,070,000. Its maximum amounts outstanding during the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 are RMB2,070,000, RMB2,070,000, nil and nil, respectively. The amount was unsecured and interest-free and had no fixed repayment terms.
- (iii) Mr. Mingzhong Wang is a common director of the Company and Jinma Xingye. The balance as at January 1, 2014 is nil. Its maximum amounts outstanding during the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 are RMB13,700,000, RMB28,495,000, RMB20,177,000 and RMB20,177,000, respectively. The amounts were unsecured and interest-free and had no fixed repayment terms.

The credit period granted for those balances in trade nature is between 30 to 180 days. The amounts, which are trade nature, are unsecured and interest-free. As at December 31, 2014, 2015 and 2016 and April 30, 2017, the balances in trade nature included outstanding bills receivables of RMB73,750,000, RMB81,200,000, RMB220,910,000 and RMB271,848,000, respectively. These bills were issued by banks with maturity within 6 months. The following is an aging analysis of trade receivables from shareholders, presented based on invoice date dates at the end of each reporting period. All amounts due from shareholders with trade nature are not past due.

	The Group and the Company			
	As at December 31,			As at
	2014	2015	2016	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	57	58,906	34,931	941
91-180 days	—	—	—	2,697
	<u>57</u>	<u>58,906</u>	<u>34,931</u>	<u>3,638</u>

26. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are of trade nature, unsecured, interest-free and repayable on demand.

27. AMOUNTS DUE FROM RELATED PARTIES

The Group and the Company

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature								
Jiangxi PXSteel's subsidiaries	163,585	132,061	86,627	36,741	163,585	132,061	86,627	36,741
Bohigh Chemical	6,360	11,178	N/A	N/A	6,360	11,178	N/A	N/A
Jinjiang Refinery (Note i)	—	3,957	259	4,274	—	3,957	259	—
Jinning Energy (Note ii)	1,000	18,116	N/A	N/A	1,000	18,116	N/A	N/A
Jinyuan Chemicals (Note iii)	59,308	N/A	N/A	N/A	59,308	N/A	N/A	N/A
Jiyuan Jinhai Industry Co., Ltd. ("Jinhai Industry") (Note iv)	18,423	300	—	—	18,423	300	—	—
Jiyuan Fangsheng Chemicals Co., Ltd. ("Fangsheng Chemicals") (Note v)	—	89	512	1,332	—	89	512	1,143
Jiyuan Jinrun Enterprise Co., Ltd. ("Jinrun Enterprise") (Note vii)	N/A	N/A	8,100	N/A	N/A	N/A	8,100	N/A
Yugang Coking (Note vi)	18,250	N/A	N/A	N/A	17,900	N/A	N/A	N/A
	<u>266,926</u>	<u>165,701</u>	<u>95,498</u>	<u>42,347</u>	<u>266,576</u>	<u>165,701</u>	<u>95,498</u>	<u>37,884</u>
Non-trade in nature								
Jinjiang Refinery (Note i)	11,965	—	—	—	11,965	—	—	—
	<u>278,891</u>	<u>165,701</u>	<u>95,498</u>	<u>42,347</u>	<u>278,541</u>	<u>165,701</u>	<u>95,498</u>	<u>37,884</u>

Notes:

- (i) Mr. Mingzhong Wang is a common director of the Company and Jinjiang Refinery. The balance as at January 1, 2014 is amounted to nil. Its maximum non-trade in nature amounts outstanding during the years ended the December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 are RMB11,965,000, RMB11,965,000, RMB3,000,000 and nil respectively.
- (ii) The entity is controlled by the key management personnel of the Company prior to the acquisition by the Company during the year ended December 31, 2016.
- (iii) The entity is controlled by the shareholders of the Company prior to the acquisition by the Company during the year ended December 31, 2015.
- (iv) The entity is a company controlled by the key management personnel of the Company.
- (v) The entity is controlled by a shareholder of the Company. The balances of the Group and the Company as at December 31, 2015 and 2016 and April 30, 2017 were prepayment in nature of RMB89,000 and RMB89,000, RMB512,000 and RMB512,000 and RMB1,032,000 and RMB943,000, respectively.
- (vi) The entity was indirectly controlled by the key management personnel of the Company during the year ended December 31, 2014.
- (vii) The entity was a company controlled by the key management personnel of the Company until February 6, 2017.

As at December 31, 2014, 2015 and 2016 and April 30, 2017, the Group's and the Company's balances included bills receivables from related parties were RMB139,733,000 and RMB139,383,000, RMB33,666,000 and RMB33,666,000, RMB76,100,000 and RMB76,100,000 and RMB32,015,000 and RMB31,915,000 respectively. These bills are issued by banks with maturity within 6 months.

The amounts, which are non-trade nature, are unsecured, interest-free and repayable on demand.

The credit period granted for those balances in trade nature is between 30 to 180 days. The amounts, which are trade nature, are unsecured and interest free. The following is an aging analysis of amounts due from related parties (excluding bills receivables and advance payment for purchase of goods), presented based on invoice date at the end of each reporting period.

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	126,036	131,304	17,531	9,300	126,036	131,304	17,531	5,026
91 - 180 days	1,157	642	141	—	1,157	642	141	—
181 - 360 days	—	—	1,214	—	—	—	1,214	—
	<u>127,193</u>	<u>131,946</u>	<u>18,886</u>	<u>9,300</u>	<u>127,193</u>	<u>131,946</u>	<u>18,886</u>	<u>5,026</u>

The following is an aging analysis of amounts due from related parties, which are past due but not impaired, presented based on invoice dates at the end of each reporting period:

	As at December 31,			As at	
	2014	2015	2016	April 30,	
	RMB'000	RMB'000	RMB'000	2017	
				RMB'000	
Within 90 days		33,434	2,748	259	5,026
91 - 180 days		—	642	—	—
		<u>33,434</u>	<u>3,390</u>	<u>259</u>	<u>5,026</u>

The amounts due from related parties that were neither past due nor impaired relate to companies for whom there were no recent history of material defaults. Based on the historical experience of the Group, those balances are generally recoverable.

28. RESTRICTED BANK BALANCES / BANK BALANCES AND CASH

The Group and the Company

Restricted bank balances and bank balances carry interest at prevailing market interest rates ranging from 0.50% to 3.85%, 0.35% to 3.00%, 0.35% to 3.00% and 0.35% to 3.00% per annum as at December 31, 2014, December 31, 2015, December 31, 2016 and April 30, 2017, respectively.

The Group's and the Company's restricted bank balances were pledged to banks for banking facilities such as issuing letters of credit, banker's acceptance bills, and loans at the end of each reporting period.

29. BORROWINGS

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	705,614	471,100	620,000	751,000	705,614	441,100	610,000	739,000
Other borrowings	—	144,937	100,546	—	—	144,937	100,546	—
	<u>705,614</u>	<u>616,037</u>	<u>720,546</u>	<u>751,000</u>	<u>705,614</u>	<u>586,037</u>	<u>710,546</u>	<u>739,000</u>
Secured	705,614	616,037	240,546	92,000	705,614	586,037	230,546	80,000
Unsecured	—	—	480,000	659,000	—	—	480,000	659,000
	<u>705,614</u>	<u>616,037</u>	<u>720,546</u>	<u>751,000</u>	<u>705,614</u>	<u>586,037</u>	<u>710,546</u>	<u>739,000</u>
Fixed-rate borrowings	705,614	616,037	720,546	722,000	705,614	586,037	710,546	710,000
Floating-rate borrowings	—	—	—	29,000	—	—	—	29,000
	<u>705,614</u>	<u>616,037</u>	<u>720,546</u>	<u>751,000</u>	<u>705,614</u>	<u>586,037</u>	<u>710,546</u>	<u>739,000</u>
Carrying amount repayable (based on scheduled payment terms)								
Within one year	705,614	518,379	348,251	422,000	705,614	488,379	338,251	410,000
More than one year, but not more than two years	—	48,252	112,295	150,000	—	48,252	112,295	150,000
More than two years, but not more than five years	—	49,406	260,000	179,000	—	49,406	260,000	179,000
	<u>705,614</u>	<u>616,037</u>	<u>720,546</u>	<u>751,000</u>	<u>705,614</u>	<u>586,037</u>	<u>710,546</u>	<u>739,000</u>
Less: Amount due shown under current liabilities	<u>(705,614)</u>	<u>(518,379)</u>	<u>(348,251)</u>	<u>(422,000)</u>	<u>(705,614)</u>	<u>(488,379)</u>	<u>(338,251)</u>	<u>(410,000)</u>
Amount due after one year shown under non-current liabilities	<u>—</u>	<u>97,658</u>	<u>372,295</u>	<u>329,000</u>	<u>—</u>	<u>97,658</u>	<u>372,295</u>	<u>329,000</u>

The ranges of effective interest rate of the Group and the Company's borrowings are:

	As at December 31,			As at April 30,
	2014	2015	2016	2017
Effective interest rate:				
- Fixed-rate borrowings	5.04%-8.28%	3.72%-8.28%	4.35%-6.89%	4.57%-6.75%
- Floating-rate borrowings	N/A	N/A	N/A	6.30%

All of the Group's borrowings as at December 31, 2014 and 2015 were secured, of which RMB80,000,000 as at December 31, 2014, and RMB80,000,000 as at December 31, 2015 were borrowings secured by certain land use rights included in the prepaid lease payments of the Group. The Group's borrowings of RMB70,000,000 as at December 31, 2014 was guaranteed by Yugang Coking. The remaining borrowings were secured by banker's acceptances or guaranteed by independent third parties.

As at December 31, 2016, the Group's borrowings of RMB 130,000,000 were secured by land use rights or bank deposits of the Group. As at April 30, 2017, the Group's borrowings of RMB92,000,000 were secured by land use rights. The remaining secured borrowings were guaranteed by independent third parties.

30. FINANCIAL GUARANTEE PROVISIONS

The Group and the Company

	<i>RMB'000</i>
At January 1, 2014	<u>98,500</u>
Initial recognition in:	
- Profit or loss	<u>17,200</u>
Release of obligation recognized in:	
- Profit or loss	<u>(94,000)</u>
At December 31, 2014	<u>21,700</u>
Initial recognition in:	
- Profit or loss	<u>15,000</u>
Release of obligation recognized in:	
- Profit or loss	<u>(26,600)</u>
At December 31, 2015	<u>10,100</u>
Release of obligation recognized in:	
- Profit or loss	<u>(6,800)</u>
At December 31, 2016	<u>3,300</u>
Release of obligation recognized in:	
- Profit or loss	<u>(3,300)</u>
At April 30, 2017	<u>—</u>

The Group and the Company provided financial guarantees to a related party and independent third parties in favor of their respective borrowings from the banks. The total amounts of guarantees outstanding as at December 31, 2014, 2015 and 2016 and April 30, 2017 were RMB910.0 million, RMB842.0 million, RMB455.0 million and RMB55.0 million respectively. These amounts are measured at fair value at the initial recognition, the fair values are arrived at on the basis of a valuation carried out by a qualified external appraiser. The initial recognition and release of obligation in respect of the financial guarantee contracts are recognized as other gains and losses in the consolidated statements of profit or loss and other comprehensive income. The Group also recognized corresponding deferred tax credit of RMB19,200,000, RMB2,900,000, RMB1,700,000 and RMB825,000 for the year ended December 31, 2014, 2015, and 2016 and the four months ended April 30, 2017 respectively (Note 22).

31. TRADE AND OTHER PAYABLES

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	201,774	156,544	184,109	195,988	167,355	111,404	142,492	147,477
Bills payables	249,000	218,500	173,854	155,000	195,000	183,550	147,500	100,000
	<u>450,774</u>	<u>375,044</u>	<u>357,963</u>	<u>350,988</u>	<u>362,355</u>	<u>294,954</u>	<u>289,992</u>	<u>247,477</u>
Receipt in advance from customers	22,894	18,917	27,642	27,744	18,850	11,097	6,068	3,302
Salaries and wages payables	6,465	4,049	14,681	11,999	6,447	3,452	13,084	10,003
Other tax payables	3,307	7,880	10,949	13,157	3,307	7,568	7,569	13,593
Consideration payable for purchase of property, plant and equipment	16,141	17,321	29,018	26,669	16,141	15,426	23,402	22,899
Accruals	282	1,652	4,218	4,001	282	1,603	3,437	2,865
Shipping payables	110	5,691	1,457	1,012	110	5,691	1,457	1,012
Consideration payable for acquisition of a subsidiary	—	—	28,621	11,200	—	—	28,621	11,200
Other payables	2,055	640	10,395	9,884	1,978	592	3,315	1,948
	<u>51,254</u>	<u>56,150</u>	<u>126,981</u>	<u>105,666</u>	<u>47,115</u>	<u>45,429</u>	<u>86,953</u>	<u>66,822</u>
	<u>502,028</u>	<u>431,194</u>	<u>484,944</u>	<u>456,654</u>	<u>409,470</u>	<u>340,383</u>	<u>376,945</u>	<u>314,299</u>

The following is an aging analysis of trade payables based on the invoice date at the end of each reporting period:

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	176,403	144,714	165,239	175,030	147,245	103,203	126,649	130,456
91 - 180 days	2,922	2,304	3,509	9,259	—	—	1,858	7,790
181 - 365 days	2,339	548	5,962	4,045	—	—	5,392	2,714
Over 1 year	20,110	8,978	9,399	7,654	20,110	8,201	8,593	6,517
	<u>201,774</u>	<u>156,544</u>	<u>184,109</u>	<u>195,988</u>	<u>167,355</u>	<u>111,404</u>	<u>142,492</u>	<u>147,477</u>

At the end of each reporting period, the Group's bills payables were issued by banks with maturity within 6 months and were secured by the Group's restricted bank balances.

32. AMOUNTS DUE TO SHAREHOLDERS

The Group and the Company

	As at December 31,			As at
	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Jinma Xingye	20,365	—	—	—
Maanshan Steel (Note i)	<u>7,400</u>	<u>—</u>	<u>100,000</u>	<u>41,437</u>
	<u>27,765</u>	<u>—</u>	<u>100,000</u>	<u>41,437</u>

The credit period granted for those balances is between 30 to 180 days. The amount are trade nature, unsecured and interest-free. The following is an aging analysis of amounts due to shareholders of trade payables presented based on the invoice dates at the end of each reporting period:

	As at December 31,			As at
				April 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	865	—	—	—

Note:

(i) The balances were receipt in advance in nature as at December 31, 2014 and 2016 and April 30, 2017.

As at December 31, 2014, 2015 and 2016 and April 30, 2017, the balances included bills payables to shareholders with maturity within 6 months were RMB19,500,000, nil, nil and nil respectively.

33. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

34. AMOUNTS DUE TO RELATED PARTIES

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade in nature								
Bohigh Chemical (Note i)	54	342	—	—	54	118	—	—
Jinhai Industry	—	3,502	500	—	—	3,502	500	—
Jinjiang Refinery (Note ii)	—	68	68	126	—	—	—	58
Fangsheng Chemicals	406	—	51	—	406	—	—	—
A subsidiary of								
Jiangxi Pxsteel (Note ii)	—	—	—	13,390	—	—	—	13,390
	460	3,912	619	13,516	460	3,620	500	13,448

Notes:

(i) As at December 31, 2014 and 2015, the Group's and the Company's balances included receipt in advance were RMB54,000 and RMB54,000, and RMB224,000 and nil respectively.

(ii) The balances were receipt in advance in trade nature as at December 31, 2015 and 2016 and April 30, 2017 for purchase of goods from the Group.

The credit period granted for those balances is between 30 to 180 days. The amounts are trade nature, unsecured, and interest-free. The following is an aging analysis of amounts due to related parties of trade payables presented based on the invoice dates at the end of each reporting period:

	The Group				The Company			
	As at December 31,			As at April 30,	As at December 31,			As at April 30,
	2014	2015	2016	2017	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	406	3,620	51	—	406	3,620	—	—

As at December 31, 2014, 2015 and 2016 and April 30, 2017, the balances included bills payables to related parties with maturity within 6 months were nil, nil, RMB500,000 and nil respectively.

35. PAID-IN CAPITAL/SHARE CAPITAL

The Group and the Company

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year/period	222,220	222,220	326,730	400,000
Capital injection	—	104,510	—	—
Joint stock conversion	—	—	73,270	—
At end of the year/period	<u>222,220</u>	<u>326,730</u>	<u>400,000</u>	<u>400,000</u>

On May 18, 2015, the Company entered into an equity transfer agreement with the shareholders of the Company, Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye, pursuant to which, the Company agreed to purchase 100% of the registered capital of Jinyuan Chemicals, by way of issuing registered capital of RMB104,510,000 in aggregate, among which, Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye subscribed for RMB42,326,000, RMB37,624,000, RMB14,109,000 and RMB10,451,000, respectively.

On August 3, 2016, the Company was converted from a limited liability company into a joint stock company. The share capital was increased to RMB400,000,000, divided into 400,000,000 shares at a par value of RMB1.00 each.

36. RESERVES OF THE COMPANY

	Capital reserve	Statutory surplus reserve	Retained profits	Special reserve	Total
	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note i)</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note ii)</i>	<i>RMB'000</i>
At January 1, 2014	5,419	92,662	108,348	—	206,429
Profit and total comprehensive income for the year	—	—	99,846	—	99,846
Transfer	—	9,985	(9,985)	—	—
At December 31, 2014	5,419	102,647	198,209	—	306,275
Profit and total comprehensive income for the year	—	—	28,901	—	28,901
Dividends paid	—	—	(48,000)	—	(48,000)
Transfer	—	2,890	(3,960)	1,070	—
At December 31, 2015	5,419	105,537	175,150	1,070	287,176
Profit and total comprehensive income for the year	—	—	212,954	—	212,954
Joint stock reorganization	195,546	(105,537)	(163,279)	—	(73,270)
Transfer	—	21,294	(23,504)	2,210	—
At December 31, 2016	200,965	21,294	201,321	3,280	426,860
Profit and total comprehensive income for the period	—	—	143,824	—	143,824
Dividends paid	—	—	(100,000)	—	(100,000)
At April 30, 2017	<u>200,965</u>	<u>21,294</u>	<u>245,145</u>	<u>3,280</u>	<u>470,684</u>

Notes:

- (i) Pursuant to the relevant laws in the PRC, the Company is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of the Company) to the reserve fund (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the Company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the Company.
- (ii) The Company is required to make appropriations based on its revenue in accordance with CaiQi [2006] No. 478 "Tentative measures for the financial management of the production safety fund for the high risk enterprises" that is issued by the Ministry of Finance and the Safety Production General Bureau. The reserve is for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders of the Company.

37. LONG TERM PAYABLE**The Group and the Company**

The amount represents the present value of consideration payable due after December 31, 2017, in relation to the acquisition of 51% interests in Jinning Energy, which is calculated using imputed interest rate of 4.75% per annum by reference to the prevailing market rate.

38. DEFERRED REVENUE**The Group and the Company**

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets-related from government subsidies	<u>3,173</u>	<u>2,946</u>	<u>6,458</u>	<u>7,849</u>

During the years ended December 31, 2014, 2015, and 2016 and the four months ended April 30, 2016 and 2017, the Group received government subsidies of approximately RMB3,400,000, nil, RMB3,782,000, nil (unaudited) and RMB1,560,000, respectively, in relation to incentives for certain plants and equipment acquired by the Group. The amounts were recorded as deferred revenue and released to profit or loss on a systematic basis over the useful lives of the relevant assets. During the years ended December 31, 2014, 2015, and 2016 and the four months ended April 30, 2016 and 2017, subsidy income of approximately RMB227,000, RMB227,000, RMB270,000, RMB76,000 (unaudited) and RMB169,000 were released to profit or loss, respectively.

39. ACQUISITION OF SUBSIDIARIES**(a) For the year ended December 31, 2014***Acquisition of Shanghai Jinma*

In May 2014, the Company entered into an equity transfer agreement with Jinma Xingye to acquire 75% interests in Shanghai Jinma for a cash consideration of RMB15,000,000. Shanghai Jinma is engaged in the trading of coal and coal mining equipment. Shanghai Jinma was acquired so as to allow the Group to trade coal and coal mining equipment. The acquisition has been accounted for using the acquisition method.

RMB'000

The fair value of identifiable assets and liabilities of Shanghai Jinma acquired at the date of obtaining control are as follows:

Property, plant and equipment	18
Trade and other receivables	42,080
Bank balances and cash	301
Trade and other payables	<u>(22,399)</u>
	<u>20,000</u>
Consideration transferred, satisfied by cash	15,000
Plus: Non-controlling interests	5,000
Less: Net assets acquired	<u>(20,000)</u>
	<u>—</u>
Analysis of net outflow of cash and cash equivalents in respect of acquisition of Shanghai Jinma:	
Cash paid	(15,000)
Bank balances and cash acquired	<u>301</u>
Net cash outflow arising on acquisition	<u>(14,699)</u>

In the opinion of the directors of the Company, the fair values of trade and other receivables acquired approximate to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

The non-controlling interests recognized at the date of acquisition was measured by reference to the proportionate share of the recognized value of the net identifiable assets of Shanghai Jinma at the date of acquisition and amounted to RMB5,000,000.

Included in the revenue and profit for the year ended December 31, 2014 were RMB318,252,000 and RMB3,479,000, respectively, generated from Shanghai Jinma. Had the acquisition been completed on January 1, 2014, the Group's revenue and profit for the year ended December 31, 2014 would have been approximately RMB2,711,782,000 and RMB104,386,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on January 1, 2014, nor was it intended to be a projection of future results.

(b) For the year ended December 31, 2015

Acquisition of Jinyuan Chemicals

In May 2015, the Company entered into an equity transfer agreement with the Shareholders to acquire entire interests in Jinyuan Chemicals by issuing additional paid-in capital of the Company of RMB104,510,000. Jinyuan Chemicals is engaged in manufacturing and sale of benzene based chemicals. Jinyuan Chemicals was acquired so as to continue the expansion of the Group's production of coke and processing of coking by-products. The acquisition has been accounted for using the acquisition method.

RMB'000

The fair value of identifiable assets and liabilities of Jinyuan Chemicals acquired at the date of obtaining control are as follows:

Property, plant and equipment	171,276
Deferred tax assets	1,074
Inventories	20,167
Trade and other receivables	46,646
Tax recoverable	1,043
Restricted bank balances	9,000
Bank balances and cash	6,866
Borrowings	(60,000)
Dividend payable	(23,000)
Trade and other payables	(68,562)
	<u>104,510</u>
Issuing additional paid-in-capital of the Company	104,510
Less: Net assets acquired	<u>(104,510)</u>
	<u>—</u>
Analysis of inflow of cash and cash equivalents in respect of acquisition of Jinyuan Chemicals:	
Bank balances and cash acquired	<u>6,866</u>

In the opinion of the directors of the Company, the fair values of trade and other receivables acquired approximate to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

Included in the revenue and profit for the year ended December 31, 2015 were RMB236,266,000 and RMB2,531,000, respectively, generated from Jinyuan Chemicals. Had the acquisition been completed on January 1, 2015, the Group's revenue and profit for the year ended December 31, 2015 would have been approximately RMB2,515,410,000 and RMB29,448,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on January 1, 2015, nor was it intended to be a projection of future results.

(c) **For the year ended December 31, 2016**

(i) *Acquisition of Bohigh Chemical*

In September 2016, the Company entered into equity transfer agreements with independent third parties to acquire remaining 71% interests in Bohigh Chemical for a total cash consideration of RMB42,600,000. Bohigh Chemical is engaged in processing of coal tar and sale of coal tar based chemicals. Bohigh Chemical was acquired so as to continue the expansion of the Group's production of coke and processing of coking by-products. The acquisition has been accounted for using the acquisition method.

RMB'000

The fair value of identifiable assets and liabilities of Bohigh Chemical acquired at the date of obtaining control are as follows:

Property, plant and equipment	44,717
Prepaid lease payment	16,816
Inventories	15,812
Trade and other receivables	45,037
Tax recoverable	160
Restricted bank balances	14,000
Bank balances and cash	7,204
Trade and other payables	(46,526)
Deferred tax liabilities	<u>(7,418)</u>
	<u>89,802</u>
Consideration transferred, satisfied by cash	42,600
Less: Net assets acquired	(89,802)
Previously held as interest in an associate at fair value before the acquisition	<u>23,159</u>
Bargain purchase on acquisition of a subsidiary	<u>(24,043)</u>
Analysis of net outflow of cash and cash equivalents in respect of acquisition of Bohigh Chemical:	
Cash paid	(42,600)
Bank balances and cash acquired	<u>7,204</u>
Net cash outflow arising on acquisition	<u>(35,396)</u>

In the opinion of the directors of the Company, the fair values of trade and other receivables acquired approximate to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

The directors of the Company are informed that the sellers of Bohigh Chemical were actively seeking for buyers to acquire their equity interests in Bohigh Chemical in order to achieve an internal restructuring of the sellers' businesses. The equity interests in Bohigh Chemical was listed on Shanghai United Assets and Equity Exchange for public auction starting from July 2016 for two times. From August 2016 to September 2016, the counterparties have offered discount to the ask prices after the failure of the first auction. Together with the increase in fair value of the land and buildings of Bohigh Chemical after the auction, a bargain purchase on acquisition of a subsidiary is resulted.

Included in the revenue and profit for the year ended December 31, 2016 were RMB61,922,000 and RMB2,512,000, respectively, generated from Bohigh Chemical. Had the acquisition been completed on January 1, 2016, the Group's revenue and profit for the year ended December 31, 2016 would have been approximately RMB3,540,610,000 and RMB270,679,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on January 1, 2016, nor was it intended to be a projection of future results.

(ii) *Acquisition of Jinning Energy*

In December 2016, the Company and shareholders of Jinning Energy, being the key management personnel of the Company, entered into an equity transfer agreement, pursuant to which the Company acquired a 51% interest in Jinning Energy at a consideration of RMB62,220,000. Jinning Energy was engaged in the distribution and sale of coal gas. Jinning Energy was acquired so as to improve the control on the sale and distribution of the coal gas produced by the Group. The acquisition has been completed on December 29, 2016 and accounted for using the acquisition method.

Under the equity transfer agreement, the seller have guaranteed that Jinning Energy will record a net profit of not less than RMB40,667,000 for each of the three financial years ending December 31, 2017, 2018 and 2019 (the "Guaranteed Net Profit"). The total consideration of RMB62,220,000 for the acquisition was determined with reference to an independent valuation and is payable by the Company in four instalments, the first of which in the amount of RMB28,621,000 was settled on March 5, 2017 and the balance of the consideration shall be payable, subject to certain adjustments, in three equal instalments and will be fully settled in 2020. In the event that the actual audited net profit for the relevant year falls below the Guaranteed Net Profit (such shortfall shall be referred to as the "Shortfall"), the relevant instalment amount to be paid by the Company for the relevant instalment shall be adjusted down by the proportion of the Shortfall against the Guaranteed Net Profit.

The fair value of the compensation is estimated to be insignificant because the management considers that it is highly likely that the guarantee net profit can be achieved for the three financial years ending December 31, 2019.

	<i>RMB'000</i>
The fair value of identifiable assets and liabilities of Jinning Energy acquired at the date of obtaining control are as follows:	
Property, plant and equipment	36,057
Prepaid lease payments	600
Intangible assets	93,502
Inventories	15
Trade and other receivables	11,632
Bank balances and cash	11,977
Borrowings	(10,000)
Dividend payable	(4,922)
Tax payable	(2,179)
Deferred tax liabilities	(23,376)
Trade and other payables	<u>(13,385)</u>
	<u>99,921</u>
Consideration at fair value:	
- included in other payables	28,621
- included in long term payables	30,340
Plus: Non-controlling interests	48,961
Less: Net assets acquired	<u>(99,921)</u>
Goodwill arising on acquisition	<u>8,001</u>
Analysis of inflow of cash and cash equivalents in respect of acquisition of Jinning Energy:	
Bank balances and cash acquired	<u>11,977</u>

In the opinion of the directors of the Company, the fair values of trade and other receivables acquired approximate to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

The non-controlling interests recognized at the date of acquisition was measured by reference to the proportionate share of the recognized value of the net identifiable assets of Jinning Energy at the date of acquisition and amounted to RMB48,961,000.

Had the acquisition been completed on January 1, 2016, the Group's revenue and profit for the year ended December 31, 2016 would have been approximately RMB3,540,438,000 and RMB309,827,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor was it intended to be a projection of future results.

40. OPERATING LEASES

As lessee

At the end of each reporting period, the Group was committed to make the following future minimum leases payments in respect of rented properties and premises under non-cancellable operating leases which fully due as follows:

	As at December 31,			As at
				April 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than 1 year	620	620	444	444
Later than 1 year and not later than 5 years	2,481	2,481	1,501	1,476
Later than 5 years	12,613	11,993	5,956	5,833
	<u>15,714</u>	<u>15,094</u>	<u>7,901</u>	<u>7,753</u>

Operating leases are negotiated for lease terms principally ranged from 6 months to 30 years.

As lessor

Land, loading yards, and offices were leased for 9, 2, 2.5 and 1 years as at December 31, 2014, 2015 and 2016 and April 30, 2017, respectively. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at December 31,			As at
				April 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than 1 year	753	—	94	63
Later than 1 year but not later than 5 years	1,814	—	—	—
Later than 5 years	982	—	—	—
	<u>3,549</u>	<u>—</u>	<u>94</u>	<u>63</u>

41. CAPITAL COMMITMENTS

	As at December 31,			As at
	2014	2015	2016	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of:				
Acquisition of property, plant and equipment	<u>6,276</u>	<u>15,558</u>	<u>101,291</u>	<u>133,804</u>
The Group's share of the capital commitments made jointly with other joint ventures relating to its joint ventures are as follows:				
Acquisition of property, plant and equipment	<u>34,676</u>	<u>75,864</u>	<u>56,430</u>	<u>56,430</u>

42. PLEDGE OF ASSETS

At the end of each reporting period, the Group had pledged the following assets to banks and other financial institutions as securities against general banking facilities granted to the Group:

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2014	2015	2016	April 30,	2014	2015	2016	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	—	118,423	109,824	—	—	118,423	109,824	—
Prepaid lease payments	7,913	26,006	7,354	24,135	7,913	26,006	7,354	7,261
Bills receivables	45,618	20,600	5,000	—	45,618	20,600	5,000	—
Restricted bank balances	<u>135,715</u>	<u>122,247</u>	<u>140,071</u>	<u>95,231</u>	<u>135,715</u>	<u>104,247</u>	<u>120,217</u>	<u>70,228</u>
	<u>189,246</u>	<u>287,276</u>	<u>262,249</u>	<u>119,366</u>	<u>189,246</u>	<u>269,276</u>	<u>242,395</u>	<u>77,489</u>

43. CONTINGENT LIABILITIES

During the Track Record Period the Group (i) endorsed certain bills receivables for the settlement of trade and other payables; and (ii) discounted certain bills receivables to banks for raising of cash. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bills receivables are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were derecognized on the Historical Financial Information. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivables at the end of each reporting period are as follows:

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Endorsed bills for settlement of payables	997,864	340,379	2,028,009	1,967,990
Discounted bills for raising cash	<u>408,434</u>	<u>145,400</u>	<u>210,931</u>	<u>25,064</u>
Outstanding endorsed and discounted bills receivables with recourse	<u><u>1,406,298</u></u>	<u><u>485,779</u></u>	<u><u>2,238,940</u></u>	<u><u>1,993,054</u></u>

The outstanding endorsed and discounted bill receivables are maturity within 6 months.

44. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Transactions with related parties

Other than the transactions and balances with related parties disclosed elsewhere in the Historical Financial Information, the Group entered into the following transactions with its related parties during the Track Record Period:

(1) Purchases from and sales to related parties

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Sales of products and services to:					
Maanshan Steel (Note i)	800,955	679,387	895,833	174,997	437,767
Jiangxi PXSteel and its subsidiaries	615,806	414,342	436,651	47,075	407,665
Bohigh Chemical (Note i)	184,362	136,014	103,651	37,676	N/A
Jinyuan Chemicals (Note ii)	160,189	42,753	N/A	N/A	N/A
Jinning Energy	115,663	107,644	147,570	48,979	N/A
Jinhai Industry (Note v)	55,629	49,362	28,057	14,442	—
Jinjiang Refinery	—	1,531	4,256	1,661	36,832
Yugang Coking	135,143	N/A	N/A	N/A	N/A
Jinrun Enterprise (Note v)	—	—	30,517	—	6,318
Jinma Xingye (Note v)	—	—	—	—	4
Purchase of raw materials and services:					
Jinma Xingye (Note v)	45,465	1,925	26,227	—	3,826
Jinhai Industry (Note v)	—	18,129	15,066	9,750	—
Bohigh Chemical	—	1,596	806	—	N/A
Fangsheng Chemicals	2,020	4,363	5,413	1,189	3,421
Luoyang Yuhong Trading Co., Ltd. (Note iii)	—	—	16,120	—	—
Jinjiang Refinery (Note v)	—	—	2,155	—	1,505
Shanghai Jinma	<u>92,725</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(4) *Disposal of an associate and a subsidiary*

Henan Zhongyuan Yungong Co., Ltd. (“Zhongyuan Yungong”) was established in January 2016 by the Company and eight other corporations, comprising Fangsheng Chemicals, Yugang Coking and six independent third parties. The Company held 11.11% equity interest of Zhongyuan Yungong, which was treated as an associate of the Group. In November 2016, the Company entered into an equity transfer agreement with Fangsheng Chemicals to dispose 11.11% interests in Zhongyuan Yungong for a cash consideration of RMB557,000. During the year ended December 31, 2016, there is no material gain or loss recognized for the share of result in the associate and upon the disposal.

In August 2016, the Company entered into equity transfer agreements and disposed respective 51%, 19% and 10% of equity interest in Jinzheng E-commerce, a 80% interest owned subsidiary of the Group established in 2014, to Jinma Xingye, Jinrun Enterprise and an independent third party for nil considerations. As no capital contribution made by the Company since the incorporation and till the date of disposal, there is no gain or loss recognized upon the disposal.

(b) **Compensation of key management personnel**

The remuneration of key management personnel of the Group during the Track Record Period were as follows:

	Year ended December 31,			Four months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Salaries and allowance	1,300	1,300	1,300	433	437
Retirement benefit scheme contributions	186	195	188	63	61
	<u>1,486</u>	<u>1,495</u>	<u>1,488</u>	<u>496</u>	<u>498</u>

Key management represents the directors of the Company and other senior management personnel of the Group disclosed in the Prospectus. The remuneration of key management is determined with reference to the performance of the Group and the individuals.

45. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt (which includes borrowings net of cash and cash equivalents) and equity attributable to owners of the Company (comprising paid-in capital/share capital and reserves).

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

46. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group				The Company			
	As at December 31			As at April 30	As at December 31			As at April 30
	2014	2015	2016	2017	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Loans and receivables (including bank balances and cash)	693,177	659,973	964,117	1,029,798	673,903	607,494	845,739	889,133
Financial liabilities								
Amortized costs	1,226,934	1,103,740	1,306,763	1,339,722	1,192,420	989,300	1,203,492	1,206,102
Financial guarantee contracts (Note 30)	21,700	10,100	3,300	—	21,700	10,100	3,300	—
Total	1,248,634	1,113,840	1,310,063	1,339,722	1,214,120	999,400	1,206,792	1,206,102

Financial risk management objectives and policies

The Group's major financial instruments include advance to an associate, trade and other receivables, amounts due from/to shareholders/subsidiaries/related parties, restricted bank balances, bank balances and cash, trade and other payables, dividend payable, long term payable and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

The Group's operations were in the PRC during the Track Record Period and it mainly made sales and incurred production costs and expenses in RMB that currency risk is insignificant while they expose to other financial risks; principally interest rate risk, credit risk and liquidity risk. Continuous monitoring of these risks ensures that the Group's risks exposure is managed to the extent possible.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to mainly interest-bearing bank balances, bank borrowings and other borrowings at fixed interest rates. The Group is also exposed to cash flow interest rate risk in relation to interest bearing bank borrowings at floating interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rate for the floating-rate borrowing, assuming that the floating-rate borrowing outstanding at the end of the reporting period was outstanding for the whole relevant period. If the interest rate on the floating-rate borrowing had been 50 basis points higher/lower, and all other variables were held constant, the Group's profit after tax would decrease/increase by approximately RMB36,000 for the four months ended April 30, 2017. This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings as at April 30, 2017.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognized financial assets is the carrying amount of those assets stated in the consolidated statements of financial position, and the maximum outstanding amount of contingent liabilities in relation to financial guarantees provided by the Group as disclosed in Note 30.

The Group mainly conducted transactions with customers with good quality and long term relationship. When accepting new customers, the Group requests advanced payment before the goods delivered. In order to minimize the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. Given the long-term relationships with its customers and the financial position of these customers, management considers that the credit risk associated with balances due from customers is low. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk in trade receivables and amounts due from shareholders and related parties that are trade nature with 88%, 84%, 69% and 61% exposure concentrated with five largest outstanding balances as at December 31, 2014, 2015 and 2016 and April 30, 2017 respectively.

The Group's credit risk on bank balances and deposits or bills receivables is limited and there is no significant concentration of credit risk because all banks deposits or bills are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The debt investors of the Group is exposed to heightened default risk in the periods when multiple liabilities of the Group mature in rapid succession. Such situation may impose higher-than-normal stress onto working capital and therefore may cause short term liquidity problems if the Group neither refinances in time, nor manages its liquidity effectively.

Therefore, in the management of liquidity risk, the Group's management monitors and maintains an adequate, but not excessive level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In 2016, in response to falling liquidity, the Group restructured its financing so that borrowings of longer term increased in weight.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed-upon repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest redemption (maturity) date. The analysis include both interest and principal cash flows.

Liquidity and interest risk tables

The Group

	Weighted average Interest rate	As at December 31, 2014				
		Carrying amounts	On demand	6 months to 1 year	1 year to 5 years	Total
			or within 6 months			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	5.04% - 8.28%	705,614	610,873	111,987	—	722,860
Trade and other payables	N/A	475,545	475,545	—	—	475,545
Amounts due to shareholders	N/A	27,765	27,765	—	—	27,765
Amounts due to related parties	N/A	460	460	—	—	460
Dividend payable	N/A	17,550	17,550	—	—	17,550
Financial guarantee contracts (Note 30)	N/A	21,700	910,000	—	—	910,000
		<u>1,248,634</u>	<u>2,042,193</u>	<u>111,987</u>	<u>—</u>	<u>2,154,180</u>

As at December 31, 2015						
	Weighted average Interest rate	Carrying amounts	On demand			Total
			or within 6 months	6 months to 1 year	1 year to 5 years	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings	3.72% - 8.28%	616,037	206,788	341,892	99,992	648,672
Trade and other payables	N/A	402,745	402,745	—	—	402,745
Amounts due to related parties	N/A	3,912	3,912	—	—	3,912
Dividend payable	N/A	81,046	81,046	—	—	81,046
Financial guarantee contracts (Note 30)	N/A	10,100	842,000	—	—	842,000
		<u>1,113,840</u>	<u>1,536,491</u>	<u>341,892</u>	<u>99,992</u>	<u>1,978,375</u>
As at December 31, 2016						
	Weighted average Interest rate	Carrying amounts	On demand			Total
			or within 6 months	6 months to 1 year	1 year to 5 years	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings	4.35% - 6.89%	720,546	74,957	302,978	405,139	783,074
Trade and other payables	N/A	442,135	442,135	—	—	442,135
Long term payables	4.75%	30,340	—	—	33,600	33,600
Amounts due to shareholders	N/A	100,000	100,000	—	—	100,000
Amounts due to related parties	N/A	619	619	—	—	619
Dividend payable	N/A	13,123	13,123	—	—	13,123
Financial guarantee contracts (Note 30)	N/A	3,300	455,000	—	—	455,000
		<u>1,310,063</u>	<u>1,085,834</u>	<u>302,978</u>	<u>438,739</u>	<u>1,827,551</u>

As at April 30, 2017

	Weighted average Interest rate	Carrying amounts	On demand			Total
			or within 6 months	6 months to 1 year	1 year to 5 years	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.57% - 6.75%	751,000	80,679	377,187	355,483	813,349
Trade and other payables	N/A	411,752	411,752	—	—	411,752
Long term payables	4.75%	19,600	—	—	22,400	22,400
Amounts due to shareholders	N/A	41,437	41,437	—	—	41,437
Amounts due to related parties	N/A	13,516	13,516	—	—	13,516
Dividend payable	N/A	102,417	102,417	—	—	102,417
Financial guarantee contracts (Note 30)	N/A	—	55,000	—	—	55,000
		<u>1,339,722</u>	<u>704,801</u>	<u>377,187</u>	<u>377,883</u>	<u>1,459,871</u>

The Company

As at December 31, 2014

	Weighted average Interest rate	Carrying amounts	On demand			Total
			or within 6 months	6 months to 1 year	1 year to 5 years	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	5.04% - 8.28%	705,614	610,873	111,987	—	722,860
Trade and other payables	N/A	387,031	387,031	—	—	387,031
Amounts due to shareholders	N/A	27,765	27,765	—	—	27,765
Amounts due to subsidiaries	N/A	54,000	54,000	—	—	54,000
Amounts due to related parties	N/A	460	460	—	—	460
Dividend payable	N/A	17,550	17,550	—	—	17,550
Financial guarantee contracts (Note 30)	N/A	21,700	910,000	—	—	910,000
		<u>1,214,120</u>	<u>2,007,679</u>	<u>111,987</u>	<u>—</u>	<u>2,119,666</u>

As at December 31, 2015						
	Weighted average Interest rate	Carrying amounts	On demand			Total
			or within 6 months	6 months to 1 year	1 year to 5 years	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	3.72% - 8.28%	586,037	206,030	311,300	99,992	617,322
Trade and other payables	N/A	320,115	320,115	—	—	320,115
Amounts due to subsidiaries	N/A	22,050	22,050	—	—	22,050
Amounts due to related parties	N/A	3,620	3,620	—	—	3,620
Dividend payable	N/A	57,478	57,478	—	—	57,478
Financial guarantee contracts (Note 30)	N/A	10,100	842,000	—	—	842,000
		<u>999,400</u>	<u>1,451,293</u>	<u>311,300</u>	<u>99,992</u>	<u>1,862,585</u>

As at December 31, 2016						
	Weighted average Interest rate	Carrying amounts	On demand			Total
			or within 6 months	6 months to 1 year	1 year to 5 years	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.35% - 6.89%	710,546	74,848	302,978	405,139	782,965
Trade and other payables	N/A	359,871	359,871	—	—	359,871
Long term payables	4.75%	30,340	—	—	33,600	33,600
Amounts due to shareholders	N/A	100,000	100,000	—	—	100,000
Amounts due to subsidiaries	N/A	2,235	2,235	—	—	2,235
Amounts due to related parties	N/A	500	500	—	—	500
Financial guarantee contracts (Note 30)	N/A	3,300	405,000	—	—	405,000
		<u>1,206,792</u>	<u>942,454</u>	<u>302,978</u>	<u>438,739</u>	<u>1,684,171</u>

As at April 30, 2017

	Weighted average Interest rate	On demand				Total
		Carrying amounts	or within 6 months	6 months to 1 year	1 year to 5 years	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.57% - 6.75%	739,000	68,564	377,187	355,483	801,234
Trade and other payables	N/A	294,539	294,539	—	—	294,539
Long term payables	4.75%	19,600	—	—	22,400	22,400
Amounts due to shareholders	N/A	41,437	41,437	—	—	41,437
Amounts due to subsidiaries	N/A	3,862	3,862	—	—	3,862
Amounts due to related parties	N/A	13,448	13,448	—	—	13,448
Dividend payable	N/A	94,216	94,216	—	—	94,216
Financial guarantee contracts (Note 30)	N/A	—	55,000	—	—	55,000
		<u>1,206,102</u>	<u>571,066</u>	<u>377,187</u>	<u>377,883</u>	<u>1,326,136</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangements for the full guaranteed amount if that amount is claimed by the counterparties. The Group considers that it is more likely than not that such amount will not be payable under the arrangement. However, the estimate is subject to change depending on the probability of the counterparties defaulting on the guaranteed financial instruments.

Fair value measurements of financial instruments

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer, to perform the valuation.

The Chief Financial Officer (“CFO”) works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The CFO reports the valuation findings to the management of the Group at the end of each reporting period to explain the fair value measurement of the financial guarantee contracts at the initial recognition.

The fair value of the Group’s financial assets and financial liabilities (excluding financial guarantee contracts) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities (excluding financial guarantee contracts) recorded at amortized costs on the Historical Financial Information are fair representations of their fair values.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	<u>Borrowings</u>	<u>Dividends payable</u>	<u>Loan from shareholders/ related parties</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2014	807,000	44,650	2,600	854,250
Financing cash flow (Note i)	(175,228)	(27,100)	(2,600)	(204,928)
Non-cash changes:				
Finance cost recognized (Note 9)	<u>73,842</u>	<u>—</u>	<u>—</u>	<u>73,842</u>
At December 31, 2014	<u>705,614</u>	<u>17,550</u>	<u>—</u>	<u>723,164</u>
Financing cash flow (Note i)	(202,583)	(8,654)	—	(211,237)
Non-cash changes:				
Acquisition of a subsidiary (Note 39(b))	60,000	23,000	—	83,000
Dividend declared (Note ii)	—	49,150	—	49,150
Finance cost recognised (Note 9)	<u>53,006</u>	<u>—</u>	<u>—</u>	<u>53,006</u>
At December 31, 2015	<u>616,037</u>	<u>81,046</u>	<u>—</u>	<u>697,083</u>
Financing cash flow (Note i)	46,780	(72,845)	—	(26,065)
Non-cash changes:				
Acquisition of a subsidiary (Note 39(c)(ii))	10,000	4,922	—	14,922
Finance cost recognized (Note 9)	<u>47,729</u>	<u>—</u>	<u>—</u>	<u>47,729</u>
At December 31, 2016	<u>720,546</u>	<u>13,123</u>	<u>—</u>	<u>733,669</u>
Financing cash flow (Note i)	12,046	(4,922)	—	7,124
Non-cash changes:				
Dividend set-off with amount due from shareholders	—	(5,784)	—	(5,784)
Dividend declared (Note 12)	—	100,000	—	100,000
Finance cost recognized (Note 9)	<u>18,408</u>	<u>—</u>	<u>—</u>	<u>18,408</u>
At April 30, 2017	<u><u>751,000</u></u>	<u><u>102,417</u></u>	<u><u>—</u></u>	<u><u>853,417</u></u>

Note:

- i: The cash flows represent new borrowing raised, the repayment of borrowings, interest paid, dividend paid and advanced from/repayment paid to shareholders/related parties in the consolidated statements of cash flows.
- ii: The non-cash changes of dividend declared during the year ending December 31, 2015 was dividend declared by the Company to shareholders (Note 12) and dividend declared by a subsidiary to non-controlling interests.

48. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following events took place subsequent to April 30, 2017:

On May 2, 2017, the Company has been released from its financial guarantee contract with Jinjiang Refinery.

Pursuant to the extraordinary general meetings of the shareholders of the Company held on September 18, 2017, the following resolutions were approved by the shareholders of the Company:

- (a) approving for the issue of up to 133,334,000 shares of the Company (without taking into account those shares which may be issued upon any exercise of the Company's over-allotment option) or up to 140,000,000 shares of the Company in total (assuming the Company's over-allotment option is fully exercised) of nominal value of RMB1.00 each and that such shares of the Company be listed on the Stock Exchange; and
- (b) approving the issue price of those shares of the Company to be decided upon completion of the bookbuilding process for the Listing.

49. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to the end of April 30, 2017.

50. DIRECTORS' REMUNERATION

Under the arrangement currently in force, the aggregate amount of remuneration of the directors of the Company payable for the year ending December 31, 2017 is estimated to be approximately RMB930,000.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended December 31, 2016 and the four months ended April 30, 2017 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group as if the Global Offering had taken place on April 30, 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at April 30, 2017 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at April 30, 2017 as derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at April 30, 2017	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>Note 1</i>	<i>Note 2</i>		<i>Note 3</i>	<i>Note 5</i>
Based on a minimum offer price of HK\$2.11 per Share	851,056	208,943	1,059,999	1.99	2.38
Based on a maximum offer price of HK\$3.39 per Share	851,056	346,601	1,197,657	2.25	2.68

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The amount is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at April 30, 2017 of RMB947,612,000, extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus and adjusted for goodwill and intangible assets of approximately RMB8,001,000 and RMB88,555,000, respectively.
- (2) The estimated net proceeds from the Global Offering are based on 133,334,000 H Shares to be issued at a minimum offer price of HK\$2.11 or a maximum offer price of HK\$3.39 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by the Group other than listing expenses which has been recognized in profit or loss up to April 30, 2017. It does not take into account of any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converting from Hong Kong dollars at the rate of HK\$1.00 to RMB0.8368, being the foreign exchange rate prevailing on September 18, 2017 by the People's Bank of China. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis of 533,334,000 Shares in total, assuming that 133,334,000 H Shares to be issued pursuant to the Global Offering and had been completed on April 30, 2017. It is without taking into account of any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to April 30, 2017.
- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted to Hong Kong dollars at the rate of RMB0.8368 to HK\$1.00. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

B. ASSURANCE REPORT FROM INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in relation to the Group’s unaudited pro forma financial information.

Deloitte.

德勤

INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Henan Jinma Energy Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Henan Jinma Energy Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at April 30, 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated September 26, 2017 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the global offering on the Group’s financial position as at April 30, 2017 as if the global offering had taken place at April 30, 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for each of the three years ended 31 December 2016 and the four months ended April 30, 2017, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at April 30, 2017 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 26, 2017

1. TAXATION IN THE PRC

Enterprise Income Tax

Pursuant to the PRC EIT Law promulgated on March 16, 2007 and implemented from January 1, 2008, and amended on February 24, 2017, enterprises that legally established in China according to law, or established according to the law of a foreign country (region) but whose actual management body is in China are resident enterprises, which are subject to an enterprise income tax at a statutory enterprise income tax rate of 25% for its income arising within the PRC or overseas.

In accordance with the requirements of the PRC EIT Law, the enterprises, which are established according to the law of a foreign country (region) and whose actual management body is not in China, but which have established agencies or offices in China, or which haven't established agencies or offices in China but have income earned in China, are non-resident enterprises. Regarding non-resident enterprises which have established agencies or offices in China, it shall pay enterprise income tax on its income earned by such agencies or offices from inside China, and its income which is earned outside China but is actually associated with such agencies or offices. The rate of enterprise income tax of such income is 25%; regarding non-resident enterprises, which haven't established agencies or offices in China, shall be taxed at the reduced rate of 10% on its income earned within China, according to the PRC EIT law and its implementation rules.

Value-added Tax

The Interim Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例), which were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994, amended on November 10, 2008 and February 6, 2016 and the *Detailed Implementing Rules of the Temporary Regulations on Value-added Tax* (增值稅暫行條例實施細則), which were promulgated by the Ministry of Finance and became effective on December 25, 1993, and were amended on December 15, 2008 and October 28, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement services and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling or importing various goods and on taxpayers providing processing, repairing or replacement service. The applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated. For small-scale taxpayers engaged in selling goods or taxable services, a simplified method for the calculation of tax payable according to the sales volume and the rate leviable shall apply, the rate leviable on small-scale taxpayers is 3%.

Moreover, pursuant to the *Pilot Plan for the Imposition of Value-Added Tax to Replace Business* (營業稅改徵增值稅試點方案), since January 1, 2012, the pilot program of replacing business tax with value-added tax (the “**replacing business tax with value-added tax**”) has commenced in the regions where the economic radiation effect is distinct and the reform demonstration function is stronger, and in the production-oriented service industries such as the transportation industry and some of the modern services industries. Pursuant to the *Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax* (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知), promulgated by the Ministry of Finance and State Administration of Taxation on March 23, 2016,

replacing business tax with value-added tax shall be implemented nationwide effective from May 1, 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax.

Tax related to Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the “**IIT Law**”) which was implemented on September 10, 1980, first revised on October 31, 1993, second revised on August 30, 1999, third revised on October 27, 2005, fourth revised on June 29, 2007, fifth revised on December 29, 2007 and sixth revised on June 30, 2011, as well as the Regulations for Implementation of The Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例) (the “**Regulations for Implementation of The Individual Income Tax Law**”) which was promulgated on January 28, 1994, first revised on December 19, 2005, second revised on February 18, 2008, third revised on July 19, 2011 and implemented on September 1, 2011, the individuals, who have no domiciles and do not reside in the PRC or have no domiciles but have resided in the PRC less than one year, receiving interests, dividends and bonus from a company, enterprise or other economic organizations or individuals in the PRC are subject to the IIT individual income tax.

Pursuant to the Notice of the State Administration of Taxation on Proceeds from Stock (Equity) Transfer and Dividends Acquired by Foreign-Invested Enterprises, Foreign Enterprises and Foreign Individuals (國家稅務總局關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知) (Guo Shui Fa [1993] No. 045, the “**Notice 45**”), which was promulgated on July 21, 1993, a foreign enterprise or a foreign individual holding B shares or foreign shares, which/who receive dividends (bonus shares) from an enterprise issuing B shares or foreign shares but is in the PRC, are provisionally exempted from the enterprise income tax or individual income tax. However, Notice 45 was abolished on January 4, 2011 by SAT. Pursuant to Notice of SAT on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045 (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348), which was promulgated on June 28, 2011, for a domestic non-foreign invested enterprise who has been issuing shares in Hong Kong, its foreign individual shareholders may enjoy the relevant preferential tax treatment according to the taxation agreement between the PRC and the country where they reside and the taxation arrangement between the PRC and Hong Kong (or Macau).

Domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends and extra bonus, withhold individual income tax at the rate of 10%, and are not obligated to file an application. Where the individuals who receive the dividends are residents of countries where the agreed tax rate is lower than 10%, the withholding agent shall, according to regulations provisions, handle the applications for relevant preferential treatments and refund the extra tax upon the approval of competent tax authorities. Where the individuals are residents of countries where the agreed tax rate is higher than 10% but lower than 20%, the withholding agent shall withhold the individual income tax according to the agreed actual tax rate when paying the dividends and bonuses

and no applications are needed in such cases. Where the dividend receiving individuals are residents of countries which have not established tax treaties with China or other circumstances exist, the withholding agent shall withhold the individual income tax based on the rate of 20% when paying dividends and bonuses.

Enterprise Investors

Pursuant to PRC EIT Law and its implementation rules, a non-resident enterprise that has not established an organization or premises in the PRC or it has established an organization and premises but the income received has no actual connection with the organization and premises, it shall pay a business income tax at a rate of 10% for the income arising within the PRC. According to the Notice of SAT on Issues Related to the Withholding and Remittance of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-resident Enterprises Which Hold H Shares (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No. 897) promulgated on November 6, 2008 by SAT, where Chinese resident enterprises pay dividends of 2008 and thereafter to overseas non-resident enterprise which hold H shares, the enterprise income tax shall be withheld and remitted at the uniform rate of 10%. Reply of SAT of Imposition of Enterprise Income Tax on B-share Dividends of Non-resident Enterprises (關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆) (Guo Shui Han [2009] No. 394) promulgated on July 24, 2009 by SAT further stated that, any Chinese resident enterprise that publicly offers or lists its shares (A-share, B-share and Overseas Share) within or outside the territory of China shall uniformly withhold and remit 10% of the dividends distributed to non-resident enterprise shareholders as enterprise income tax for any such distributions made in and after 2008. Where any non-resident enterprise shareholder is entitled to the tax agreement treatment, the relevant provisions of the tax agreement shall prevail.

Based on the Arrangement Between Mainland of China and Hong Kong Special Administration Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Income Tax (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) which was signed by China and Hong Kong on August 21, 2006, and revised by the second protocol signed on January 30, 2008, the third protocol signed on May 27, 2010, and the fourth protocol signed on April 1, 2015, the PRC government may impose dividend tax to dividends that a PRC company pay to Hong Kong residents. Where the beneficial owner is a company directly owning at least 25% of the capital of the company which pays the dividends, 5% of the gross amount of the dividends. In any other case, 10% of the gross amount of the dividends.

Tax Treaties

Investors who are not PRC residents and reside in countries which have entered into avoidance of double taxation treaties with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has Avoidance of Double Taxation Treaties with a number of countries and regions including HK, Macau, Austria, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States.

Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Based on the Notice of the State Administration of Taxation on Issues relating to the Implementation of the Dividend Terms of the Taxation Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated and came into effect on February 20, 2009, unless certain conditions are met, Chinese companies are not entitled to special tax treatment for its distribution of dividends under the relevant taxation treaties. For instance, the recipient of dividends shall be eligible under relevant tax treaties and shall directly holds certain shares and shares with voting rights in the Chinese company under pertinent tax treaties within 12 months prior to distribution of dividends. Further, according to the Administrative Measures on Treatment under Tax Treaties of Non-Resident (Tentative) (非居民享受稅收協定待遇管理辦法(試行)) promulgate on August 27, 2015 and came into effect on 1 November 2015, relevant tax treatment is available only after approval of competent local tax authorities.

Taxation on Share Transfer

Individual Investors

According to the IIT Law and Regulations for Implementation of the Individual Income Tax Law, with respect to income from transfer of property, incidental income or income from other sources, individual income tax rates shall be 20 percent. Regulations for Implementation of the Individual Income Tax Law also stipulate that measures for the levy of individual income tax on income from the transfer of shares shall be separately formulated by the department of finance under the State Council and submitted to the State Council for approval before implementation. However, such measure is yet to be publicly implemented to date. Pursuant to Notice on Continuing the Income Tax-Free Policy on the Share Transfer of Individual Holders (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) (Cai Shui Zi [1998] No. 61) promulgated on March 30, 1998 and implemented by Ministry of Finance and SAT, from January 1, 1997 onwards, the income from transfer of shares of listed companies by individuals continues to provisionally exempt from individual income tax. While Notice of Issues concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知) (Cai Shui [2009] No. 167) was promulgated on December 31, 2009 by Ministry of Finance, SAT and China Securities Regulatory Commission, which expressly stipulates that from January 1, 2010 onwards, the income from the transfer of limited shares of listed companies by individuals is subject to individual income tax at a tax rate of 20%. However, at present, there are no laws specifying the tax rate for income from the sales of the shares of listed companies on a stock exchange overseas by a non-PRC resident individual. In practice, tax administrative authorities have not levied individual income tax on income from the transfer of shares.

Enterprise Investors

In accordance with the PRC EIT Law and its implementation rules, a non-resident enterprise that has not established an organization or premises in the PRC or it has established an organization and premises but the income received has no actual connection with the organization and premises, it shall pay a withholding business income tax at a rate of 10% for the income arising within the PRC. The withholding tax may be reduced pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty which came to effect (中華人民共和國印花稅暫行條例) on October 1, 1988 and amended on January 8, 2011, and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty which came to effect (中華人民共和國印花稅暫行條例施行細則) on October 1, 1988, the entities and individuals executing and receiving the certificate specified under this regulation are subject to the stamp duty. The certificate subject to such duty includes: (1) sales, processing and contracting, contracting of construction projects, lease of properties, transportation of goods, storage and warehousing, money-lending, insurance of properties, technical contract or evidence of a contractual nature; (2) instruments of properties transfer; (3) sales ledger; (4) rights and licensing; (5) other certificates confirmed to be taxable by Ministry of Finance. Taxpayers shall pay the tax amount calculated according to the nature of the taxable certificate based on the proportional tax rate or on a fixed number basis.

Environmental Protection Tax

According to the EPTL issued by the Standing Committee of the National People's Congress on December 25, 2016, which will be implemented on January 1, 2018, enterprises which emit taxable air and water pollutants, solid waste and noise shall declare and pay environmental protection tax to the tax authority on a quarterly basis from January 1, 2018. Regarding air pollutants emitted from enterprises, in each emission outlet or without an emission outlet, the top three pollutants as ranked by pollution equivalent number shall be subject to environmental protection tax. The collection of environmental protection tax shall be administered by the tax authority in accordance with the Law of the People's Republic of China on the Administration of Tax Collection (中華人民共和國稅收徵收管理法) and the EPTL. After the EPTL takes effect, the environmental protection tax shall be collected instead of the pollutant drainage fee.

2. THE MANAGEMENT OF FOREIGN EXCHANGE IN THE PRC

The Management of Foreign Exchange system in the PRC is stringent and has undergone several profound changes. Regulations of the PRC on Foreign Exchange Control (中華人民共和國外匯管理條例) (the “**Regulations on the Foreign Exchange**”) was promulgated by the State Council on January 29, 1996 and implemented on April 1 in the same year, and its first amendment was made on January 14, 1997 while the second amendment on August 5, 2008, being the existing major regulations

on the foreign exchange and applicable to the income and expenditures of the foreign exchange or operating activities for the organizations and individuals residing in the PRC as well as the income of the foreign exchange or foreign exchange operating activities for the organizations and individuals residing abroad. The Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange(結匯、售匯及付匯管理規定) was promulgated by the People's Bank of China on June 20, 1996 and implemented on July 1, 1996 stipulates the matters such as settlement and purchase of and payment in foreign exchange as well as the opening of foreign exchange accounts and the overseas payment for the local institutions, resident individuals, organizations established in the PRC and the personnel coming to the PRC.

According to the current Regulations on the Foreign Exchange, China allows foreign exchange to be retained by the local organizations and individuals without compulsory sale and settlement, the income from whom can be transferred to the PRC or overseas according to the regulations. The PRC has realized the exchange for recurring items in RMB. For the recurring income from the foreign exchanges items of the local enterprises, they can decide to retain or sell to financial institutions operating foreign exchange settlement and sale business depending on their own requirements. For the recurring expenditure incurred for the foreign exchange items of the local enterprises, enterprises pay by its own foreign exchange with valid certificates or by purchasing foreign exchanges from the financial institution operating settlement and sale of foreign exchange depending on their own requirement. The convertibility of RMB (into foreign currency) for capital account items is not available yet in the PRC and capital account items is still under restriction. Offshore institutions and individuals who directly invest in and issue negotiable securities or derivatives products in the PRC, as well as the onshore institutions and individuals who directly invest in or issue the negotiable securities or derivatives products beyond the PRC, shall go through the registration of foreign exchange review and approval. The onshore enterprises borrowing foreign debts or guarantee externally shall go through the registration of foreign debts and external guarantee. Foreign income from Capital items' retaining or sale to the financial institution operating foreign exchange settlement and sale business shall be approved by the foreign exchange regulatory authorities (except for that no need requires for approval regulated by the State). The capital from the capital item foreign exchange and settlement shall be used in regard with the purpose approved by the related competent authorities and foreign control authorities.

In addition, the Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知), which was promulgated and implemented on December 26, 2014, stipulates foreign exchange control matters for the local enterprises listed offshore, including:

- The SAFE and its branches (the “**Foreign Exchange Bureaus**”) shall conduct supervision, administration and inspection over the business registration, account opening and use, cross-border receipts and payments, funds exchange, etc., involved in the overseas listing of domestic companies;
- A domestic company shall, within 15 working days after the completion of the initial offering of shares for its overseas listing, go through the registration of overseas listing with the Foreign Exchange Bureau at its place of registration with relevant materials;

- A domestic company shall open a “special foreign exchange account of domestic company for overseas listing” with a domestic bank respectively for the initial public offering (or follow-on offering) of shares and repurchase transactions by producing its overseas listing registration certificate. The account so opened shall be used for handling the exchange and transfer of funds corresponding to the relevant business;
- A domestic company shall open a corresponding account for foreign exchange settlement and pending payment (the “**account for pending payment**”) in the bank with which it opens its special account for overseas listing to deposit its RMB funds obtained from foreign exchange settlement, funds raised from overseas listing and repatriated in RMB, and the funds remitted abroad in RMB for repurchase of Overseas Shares and the surplus thereof;
- The funds raised by a domestic company from overseas listing may be repatriated or be deposited overseas. The use of such funds shall be consistent with those listed in the prospectus documentation for shares or the prospectus documentation for corporate bonds, circulars to shareholders, resolutions of the board of directors or the general meeting and other public disclosure documents. Where a domestic company intends to repatriate the funds raised from issuing convertible corporate bonds, it shall repatriate the funds to its domestic special account for external debts and go through relevant formalities pursuant to the provisions on external debt management; where it intends to repatriate the funds raised by issuing other forms of securities, it shall repatriate the funds to its special account for overseas listing (foreign exchange) or the account for pending payment (RMB);
- A domestic company may, according to its needs, apply to the deposit bank for domestic transfer of or payment from the special account for overseas listing or foreign exchange settlement and transfer to the account for pending payment.

PRC LAWS AND REGULATIONS

The PRC legal system

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, regulations on the exercise of autonomy and separate rules, regulations of State Council departments, rules of local governments and international treaties of which the PRC government is a signatory. Court judgments do not constitute legally binding precedents, although judgments may be used for judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (中華人民共和國立法法) (the “**Legislation Law**”), the National People’s Congress (the “**NPC**”) and the standing committee of the NPC (the “**Standing Committee**”) are empowered to exercise the legislative power of the State. The NPC enacts and amends basic laws governing criminal offences, civil affairs, the State organs and others. The Standing Committee enacts and amends laws other than those that shall be formulated by the NPC, and during the period of adjournment of the NPC, the Standing Committee may partially supplement and amend the laws enacted by the NPC, but not in contradiction to the basic principles of such laws. The State Council is the highest organ of state administration and enacts administrative regulations based on the Constitution and laws. The people’s congresses at the provinces, autonomous regions and municipalities and their standing committees may, in light of the specific circumstances and actual needs of their respective administrative areas, enact local regulations, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of ethnic autonomous regions have the power to enact autonomous regulations and special rules in the light of the political, economic and cultural characteristics of ethnic groups in the region. Such autonomous regulations or special rules shall not contravene the basic principles of laws or administrative regulations. In addition, no adaptations shall be made to the provisions of the Constitution, the Law on Regional National Autonomy and other relevant laws or administrative regulations specifically enacted for the ethnic autonomous regions.

The ministries and commissions of the State Council, the PBOC, the National Audit Office as well as other state organs endowed with administrative functions directly under the State Council may, according to laws, administrative regulations, decisions and orders of the State Council, formulate ministerial rules within their authorities. The people’s governments of the provinces, autonomous regions, municipalities with subordinate districts and autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations and rules may contravene the Constitution. The force of laws is greater than that of administrative regulations, local regulations and rules. The force of administrative regulations is greater than that of local regulations and rules. The force of local regulations is greater than that of the rules of the local governments at or below the

corresponding level. The force of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee has the power to annul any administrative regulation that contravenes the Constitution and laws, to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or local regulation which has been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and local rules. The people's congresses of provinces, autonomous regions or municipalities have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at lower level.

The power to interpret laws is vested in the Standing Committee by the Constitution. According to the Resolutions of the Standing Committee of the National People's Congress on Improving Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議), in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the Standing Committee shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee for interpretation or decision. Interpretation of questions not involving the specific application of laws and decrees in judicial and procuratorial work shall be provided by the State Council and competent departments. In cases where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments under the people's governments of provinces, autonomous regions and municipalities.

The PRC judicial system

According to the Constitution and the Law of Organization of the People's Courts of the PRC (中華人民共和國人民法院組織法) (the "**Law of Organization of the People's Courts**"), the People's Courts consist of the Supreme People's Court, the local people's courts, the military courts and other special people's courts.

The local people's courts comprise the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and economic divisions. The intermediate people's courts have divisions similar to those of the basic people's courts, and other divisions, such as the intellectual property division, where necessary.

The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The people's procuratorates also have the power to exercise legal supervision over the litigation proceedings of people's courts at the same level or below. The Supreme People's Court is the highest judicial organ of the PRC and it supervises the judicial work of the local people's courts and special people's courts at all levels.

The people's courts have adopted a "second instance as final" appellate system. A party may appeal against a judgment or ruling by the people's court of first instance to the people's court at the next higher level prior to the judgment or the ruling of the first instance is legally effective. The judgment or the ruling of the second instance by the people's court at the next higher level is final and legally binding. First judgments or rulings by the Supreme People's Court are final as well. However, in the case that the Supreme People's Court or the people's court at a higher level finds definite error(s) in the legally effective judgment by the people's court at a lower level, or the presiding judge of the people's court finds definite error(s) in the legally effective judgment by the court over which he/she presides, the case may then be retried in accordance with the judicial supervisory procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (the "**Civil Procedure Law**") sets forth provisions for the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a local court in the defendant's place of domicile. The parties to a contract may, by express agreement, select a court of jurisdiction where civil actions may be brought, provided that the court of jurisdiction should be located in the plaintiff's or the defendant's place of domicile, the place of execution or implementation of contract, or the place of the subject of the action, in other locations which have actual connections with the dispute and provided that, in any case, the provisions of the Civil Procedure Law regarding jurisdiction by level and exclusive jurisdiction shall not be violated.

A foreign individual, enterprise and organization generally have the same litigation rights and obligations as a citizen, legal person and other organization of the PRC. Should the judicial system of a foreign country limit the litigation rights of PRC citizens or enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country.

If any party to a civil action refuses to comply with a legally effective judgment or ruling by a people's court or an effective award by an arbitration tribunal in the PRC, the other party may apply to the people's court for the compulsory enforcement of the judgment, ruling or award. However, specific time limits are imposed on the right to apply for such compulsory enforcement. The time limit for the submission of an application for enforcement shall be two years. The termination or suspension of the time limit for the submission of an application for enforcement shall be governed by the provisions on the termination or suspension of the statute of limitation.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country on the mutual recognition and enforcement of judgments and rulings, or if the judgment or ruling satisfies the court's examination based on the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in the violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons related to the public interest.

The PRC Company Law, Special Regulations and Mandatory Provisions

On December 29, 1993, the PRC Company Law was adopted by the standing committee of the Eighth NPC, which came into effect on July 1, 1994 and was amended for the first time on December 25, 1999, the second time on August 28, 2004, the third time on October 27, 2005 and the fourth time on December 28, 2013. The newly amended PRC Company Law was implemented on March 1, 2014.

The Special Regulations were adopted at the 22nd Standing Committee Meeting of the State Council on July 4, 1994. The Special Regulations were formulated according to the then applicable Article 85 and Article 155 of the PRC Company Law and apply to the overseas share issue and listing of joint stock limited companies.

The Mandatory Provisions were promulgated and implemented by the former Securities Commission of the State Council and the former State Economic System Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association (which are summarized in Appendix V). The summaries of PRC Company Law, Special Regulations and Mandatory Provisions which are applicable to our company are set out below.

1. *General provisions*

A "joint stock limited company" ("**a company**") is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with law and public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liability associated with the debts of the invested enterprises.

2. *Incorporation*

A company may be incorporated by promotion or public subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. A company incorporated by promotion is one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, unless otherwise provided, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific persons.

The PRC Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce. Shares in the company shall not be offered to others until the shares subscribed by the promoters were fully paid up. For companies incorporated by way of public subscription, the registered capital is the amount of total paid-up share capital as registered with the relevant administrative bureau for industry and commerce. The promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed by law if such assets are to be contributed as capital.

The latest revision of the PRC Company Law no longer imposes restrictions on minimum amount or requirements for payment deadlines of paid-up registered capital. However, if there are laws, administrative regulations and other requirements imposed by the State Council provide for payment deadlines of paid-up registered capital or minimum amount of a limited liability company and joint stock company, such laws, administrative regulations and requirements shall prevail. The promoters shall convene an inaugural meeting within 30 days after the issued shares have been completely paid up, and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of promoters and subscribers holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the inaugural meeting include adopting the draft articles of association proposed by the promoters and electing the board of directors and the board of supervisors of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant administrative bureau for industry and commerce and a business license has been issued.

The promoters of a company shall individually and jointly be liable for: the payment of all liabilities and expenses incurred in the incorporation process if the company cannot be incorporated; the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

3. *Share capital*

The promoters of a company may make capital contributions in cash, or in kind that can be valued in currency and transferable according to laws such as intellectual property rights or land-use rights based on their appraised value.

There is no limit under the PRC Company Law as to the percentage of shares held by an individual shareholder in a company. If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares. A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and subscribed for in foreign currency are foreign-invested shares, foreign-invested shares listed overseas are defined as overseas-listed foreign-invested shares, and those issued to investors within the PRC other than the aforementioned areas and subscribed for in Renminbi are defined as Domestic Shares. Qualified Foreign Institutional Investors (the “**QFII**”) approved by the CSRC may make investments in the PRC securities market.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the Special Regulations. The share offering price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council. No modification registration shall be made to the register of shareholders within 20 days prior to the shareholders’ meeting being held or within five days prior to the benchmark date set for the purpose of distributing dividends. However, if there are laws that provide for the change of registers of members for a listed company, such provisions shall prevail.

4. *Increase in capital*

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for above-mentioned conditions of obtaining approval at the general meeting required by the PRC Company Law, the PRC Securities Law requires the following conditions for a company to offer new shares to the public: the

company is a complete and well-operated organization; the company is capable of making profits continuously and maintaining a healthy financial status; no false records or significant irregularities in its financial statements over the last three years; the company is able to fulfill any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council. The public offer requires the approval of the securities administration authority of the State Council. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

5. *Reduction of share capital*

A company may reduce its registered capital in accordance with the following procedures stipulated by the PRC Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction in registered capital within 10 days and publish an announcement of the reduction in newspapers within 30 days of the resolution approving the reduction in capital being passed;
- creditors of the company may require the company to clear its debts or provide guarantees covering the debts within the statutory time limit; and
- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

6. *Repurchase of shares*

A company shall not purchase its own shares other than for the following purposes:

- to reduce the registered capital by cancelling its shares or to merge with another company holding its shares;
- to grant shares as a reward to the staff of the company;
- to purchase the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting; or
- other purposes permitted by laws and administrative regulations.

If a company acquired its own shares for reducing its registered capital, such shares shall be cancelled within 10 days from the date of acquisition; or in the case of merging with another company which holds its shares or at the request of its shareholders against a resolution regarding a merger or

separation, such shares shall be transferred or cancelled within six months. The shares repurchased by the company as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any fund for the repurchase shall be paid out of after-tax profits of the company, and the shares repurchased shall be transferred to the staff of the company within one year. The Mandatory Provisions stipulate that upon obtaining approvals from relevant supervisory authorities in accordance with the articles of association of the company, a company may, for the aforementioned purposes, repurchase its issued shares by way of a general offer to its shareholders or purchase on a stock exchange or through over-the-counter contract.

7. *Transfer of shares*

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock changes established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement or in any other manner specified in applicable laws and regulations. Bearer shares are transferred by delivering the shares to relevant transferees. The Mandatory Provisions stipulate that within thirty days prior to a general meeting or within five days prior to the record date for dividend distribution set by the Company, no entry may be made in the register of shareholders to record any change resulting from any share transfer. Shares held by the promoter(s) of a company shall not be transferred within one year from the date of incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of its shares being listed on a stock exchange.

Directors, supervisors and senior executives of the company shall not transfer over 25% of the total shares they hold in the company each year during their term of office, and shall not transfer shares of the company held by each of them within one year from the date on which the shares of the company are first listed and traded; and the aforesaid persons shall not transfer the shares of the company held by them within six months upon their resignation. Moreover, the articles of association of a company may set forth other restricted rules for directors, supervisors and senior executives of the company on transferring their shares of the company.

8. *Shareholders*

The articles of association of a company set forth the shareholders' rights and obligations and are binding on all the shareholders. Pursuant to the PRC Company Law and the Mandatory Provisions, a shareholder's rights include:

- the right to attend in person or appoint a representative to attend the general meeting and to vote in respect of the amount of shares held;
- the right to transfer his/her shares in accordance with applicable laws and regulations as well as the articles of association;

- the right to inspect the company's articles of association, shareholders' registers, corporate bond counterfoils, minutes of general meeting, board resolutions, supervisor resolutions and financial accounting reports, and to put forward proposals or raise questions on the business operations of the company;
- if a resolution approved by the general meeting or by the board of directors violates any law or regulation, or infringes on the shareholders' lawful rights and interests, the right to institute an action in a people's court demanding that the infringing action be stopped;
- the right to receive dividends based on the number of shares held; and
- any other shareholders' rights specified in the articles of association.

The obligations of shareholders include: abide by the articles of association of the company; pay the subscription monies in respect of shares subscribed for; be liable for debts and liabilities of the company to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up; no abuse of shareholders' rights to damage the interests of the company or other shareholders of the company; no abuse of the independent status of the company as a legal person and its joint stock companies with limited liability as to damage the interests of the creditors of the company; and any other obligation specified in the articles of association of the company.

9. *General meeting*

The general meeting is the organ of authority of a company, which exercises its functions and powers in accordance with the PRC Company Law. The general meeting exercises the following functions and powers:

- to decide on operational policies and investment plans of the company;
- to elect or remove the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or the supervisors;
- to review and approve annual financial budgets and financial accounts proposed by the company;
- to review and approve proposals for profit distribution and for recovery of losses of the company;
- to decide on increase and reduction of the registered capital of the company;

- to decide on bond issuances of the company;
- to decide on merger, division, dissolution and liquidation of the company and other issues;
- to amend the articles of association of the company; and
- other functions and powers specified in the articles of association of the company.

The annual general meeting must be convened once a year. An extraordinary general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the articles of association of the company;
- the losses of the company which are not made up reach one-third of the total paid-up share capital of the company;
- as requested by a shareholder holding, or shareholders holding in aggregate, more than 10% of the shares of the company;
- when deemed necessary by the board of directors;
- as suggested by the board of supervisors; or
- other matters required by the articles of association of the company.

The general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board of directors.

The notice to convene an annual general meeting and an extraordinary general meeting shall be given to all shareholders 20 days and 15 days, respectively, before the general meeting pursuant to the PRC Company Law, and 45 days before the general meeting pursuant to the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the general meeting. Under the Special Regulations and the Mandatory Provisions, shareholders intending to attend are required to send written confirmations of their attendance to the company 20 days before the general meeting.

There is no specific provisions in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting, although the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within 5 days of the last day for receipt of the replies notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting, and the annual general meeting may be held thereafter. A shareholder may entrust a proxy to attend a general meeting. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorization scope.

Under the PRC Company Law, a shareholder's holding, or shareholders' holding in aggregate, more than 3% of the shares of the company may entitle such shareholder, or such shareholders, to put forth an interim proposal and submit the proposal in writing to the board of directors 10 days before a general meeting. The board of directors shall notify other shareholders within 2 days after receiving such proposal, and submit the interim proposal for review by the general meeting if the proposal is within the scope of its duties and powers. According to the Special Regulations, at the annual general meeting of the company, shareholders with more than 5% of the voting rights in the company are entitled to propose to the company in writing new proposals to be considered at the general meeting, which if within the functions and powers of the general meeting, are required to be added to the agenda of the general meeting. Shareholders present at the general meeting possess one vote for each share they hold. However, the company shall have no vote for any of its own shares the company holds. Resolutions proposed at the general meeting shall be approved by more than half of the voting rights cast by shareholders present in person (including those represented by proxies) at the general meeting, except that such resolutions as merger, division, dissolution, increase or reduction of registered capital, the issue of corporate bonds, the change in the form of the company or the amendment to the articles of association, shall be approved by shareholders with more than two-thirds of the voting rights cast by shareholders present (including those represented by proxies).

The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of Domestic Shares and holders of overseas-listed foreign-invested shares are deemed to be different classes of shareholders for this purpose.

10. *Directors*

A company shall have a board of directors, which shall consist of 5 to 19 members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms upon re-election.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least 10 days before the meeting. As for extraordinary meetings convened by the board of directors, the way of giving notice and the notice period may be otherwise determined.

Under the PRC Company Law, the board of directors exercises the following functions and powers:

- to convene the general meeting and report on its work to the shareholders;
- to implement the resolution of the general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;

- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate plans for the merger, division, dissolution or change of corporate form of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company. Interim board meetings may be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. Meetings of the board of directors could be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the PRC Company Law, the following persons may not act as a director of a company:

- persons without civil capacity or with restricted civil capacity;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

- persons who are former directors, factory general managers or general managers of a company or enterprise that has been bankrupt and liquidated, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked or was ordered to close due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license; or
- persons who have a relatively large amount of debt due and outstanding; or other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to): to preside over general meetings and convene and preside over meetings of the board of directors; and to check on the implementation of the resolutions of the board of directors.

The legal representative of a company may, in accordance with the PRC Company Law, be the chairman, any executive director (if no board of director for that limited liability company) or the general manager, but the Mandatory Provisions require that the legal representative of the company be the chairman.

The Special Regulations provide that a company's directors, supervisors, general managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix V) contains further elaborations of such duties.

11. Supervisors

A company shall have a board of supervisors composed of not less than three members. Each term of office of a supervisor is three years, and the supervisors may hold consecutive terms upon re-election. The board of supervisors is made up of shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

The board of supervisors exercises the following functions and powers:

- to check the financial affairs of the company;
- to supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior executive who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;
- to require the director or senior executive to make corrections if his act is detrimental to the interests of the company;
- to propose the convening of extraordinary general meetings, and to convene and preside over shareholders' meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' meetings;
- to put forward proposals at general meetings;
- to initiate actions against directors or senior executives; and
- other functions and duties specified in the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply *mutatis mutandis* to supervisors of a company.

12. General managers and senior executives

A company shall have a general manager who shall be appointed or removed by the board of directors. The general manager is accountable to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business and investment plans;

- formulate plans for the establishment of the company's internal management structure;
- formulate the basic administration system of the company;
- formulate the company's specific rules;
- recommend the appointment and dismissal of deputy general managers and any financial officer and appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association.

The PRC Company Law provides that the senior executives of a company include the general manager, vice general manager, financial officers, secretary of the board of directors of a listed company and other executives as specified in the articles of association of the company. The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to general managers and officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, general managers and other senior executives of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior executives of a company have been incorporated in the Articles of Association (a summary of which is set out in Appendix V).

13. *Duties of directors, supervisors, general managers and senior executives*

Directors, supervisors, general managers and other senior executives of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. Each director, supervisor, general manager and senior executive of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the shareholders.

Any directors, supervisors, general managers and other senior executives who contravenes any laws, regulations or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, general manager and other senior executives of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

14. *Finance and accounting*

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the responsible financial department of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited and verified as provided by law.

A company shall make available its financial statements at the company for the inspection by the shareholders at least 20 days before the convening of the annual general meeting. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve (except where such reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders' meeting or the general meeting, the company may make an allocation to a discretionary common reserve from the after-tax profits. If the aggregate balance of the company's statutory surplus reserve is not enough to make up for the losses of the company of the previous year, the current year's profits shall first be used for making good the losses before the statutory surplus reserve is set aside according to the provisions of the preceding paragraph.

After the losses have been made up and statutory surplus reserves have been set aside, the remaining after-tax profits shall be distributed to shareholders in proportion to the number of shares held by shareholders as in the case of a joint stock limited company, except as otherwise provided in the articles of association. The capital common reserve of a joint stock limited company is made up of the premium over the nominal value of the shares of the company on issue, and other amounts required by the financial department of the State Council to be treated the capital reserve. The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company, but the capital reserve shall not be used for making up the company's losses. Where the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve shall not be less than 25% of the registered capital after such conversion.

15. *Appointment and removal of auditors*

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and review and check other financial reports. The PRC company law regulates that the engagement of any accounting firm undertaking the audit of a company, and the termination of the engagement shall, pursuant to the company's articles of association, be decided by the shareholders' meeting, the general meeting or the board of directors. The term of accounting firm shall start at the close of the annual general shareholders' meeting and continue until the close of the next annual shareholders' meeting. If there is a voting on a dismissal of the accounting firm, the accounting firm shall be entitled to make a statement. The company shall provide the accounting firm engaged with truthful and complete accounting proofs, account books, financial and accounting reports and other accounting materials, and may not refuse to provide or conceal any required information or make any false statements.

16. *Distribution of profits*

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas-listed foreign-invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

17. *Amendments to articles of association*

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. As for matters involving the company's registration, the company shall modify its registration with the companies' registration authority.

18. *Dissolution and liquidation*

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the people's court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the PRC Company Law, a company shall be dissolved in any of the following events:

- (1) the term of its operations set out in the company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;
- (2) the shareholders in a general meeting have resolved to dissolve the company;
- (3) the company is dissolved by reason of its merger or demerger;
- (4) the company is subject to the revocation of business license, a closure order or dismissal in accordance with laws; or
- (5) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days from the date of dissolution. Members of the liquidation committee shall be appointed by the shareholders in the general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment. The liquidation committee shall notify the company's creditors within 10 days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- handle the company's assets and prepare a balance sheet and an inventory of the assets;
- notify creditors or issue public notices;
- deal with and settle any outstanding business of the company;
- pay any tax overdue;
- settle the company's financial claims and liabilities;
- handle the surplus assets of the company after its debts have been paid off; and
- represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the Shareholders of the company in proportion to the number of Shares held by them. Upon entering into liquidation procedures, a company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the general meeting or the relevant supervisory department for approval. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of the liquidation committee is liable to indemnify the company and its creditors with respect to any loss arising from his willful or material default.

19. *Overseas listing*

The shares of a company could be listed on overseas stock exchange after obtaining approval from the CSRC. In accordance with the Circular on Relevant Issues Concerning Enterprises' Application for Overseas Listing issued by the CSRC (中國證券監督管理委員會關於企業申請境外上市有關問題的通知) (the “**1999 Circular**”) issued on July 14, 1999, domestic companies were required to achieve the following requirements for overseas listings: an annual after-tax profit of at least RMB60,000,000 for the latest year; net assets of not less than RMB400,000,000; a fundraising size of not less than US\$50 million based on a reasonably expected price/earnings ratio.

The 1999 Circular was replaced by the Regulatory Guidelines for the Application Documents and Examination Procedures for Overseas Share Issuance and Listing by Joint Stock Companies (關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引) (the “**New Guidelines**”) which was issued on December 20, 2012, and came into force on January 1, 2013. The New Guidelines abolished the foregoing thresholds and stipulate that all joint stock companies legally incorporated under the PRC Company Law are entitled to apply to the CSRC for overseas share issuance and listing.

Under the New Guidelines, a PRC domestic company may submit its primary overseas listing application to overseas securities regulatory authorities and stock exchanges after the CSRC has accepted its overseas listing application for processing, and may submit its official application to overseas securities regulatory authorities and stock exchanges for hearing after the CSRC has examined and approved its overseas listing application. The approval document in respect of the overseas share issuance and listing from the CSRC is valid for 12 months.

On December 26, 2014, the SAFE promulgated the Circular on Certain Issues Concerning the Foreign Exchange Administration for Overseas Listings (國家外匯管理局關於境外上市外匯管理有關問題的通知), pursuant to which a domestic company shall register with the relevant exchange authority for the overseas listing within 15 working days after its offerings for overseas listing.

20. *Loss of H share certificates*

In the event H share certificates in registered form are either stolen or lost, shareholder may, in accordance with the relevant provision set out in the PRC Civil Procedure Law, apply to a people's court for a declaration that such certificates will no longer be valid. After such a declaration has been made, the shareholder may apply to the company for the issue of replacement certificates. The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

21. *Suspension and termination*

Pursuant to the latest PRC Securities Law, amended on August 31, 2014, the trading of shares of a company on a stock exchange may be suspended if so decided by the securities administration department of the State Council under one of the following circumstances:

- the total share capital or shareholding distribution no longer complies with the necessary requirements for a listed company;
- the company failed to make public its financial position in accordance with the requirements or there is false information in the company's financial report with the possibility of misleading investors;
- the company has committed a major breach of the law;
- the company has incurred losses for three consecutive years; or
- other circumstances as required by the listing rules of the relevant stock exchange(s).

Under the PRC Securities Law, in the event that the conditions are not satisfied within the period stipulated by the relevant stock exchange in the case described in (1) above, or the company has refused to rectify the situation in the case described in (2) above, or the company fails to become profitable in the next subsequent year in the case described in (4) above, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

22. *Merger and demerger*

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved. In the case of the division of a company, the property thereof shall be divided accordingly and the balance sheet and a list of property of the company shall also be prepared. The company shall notify its creditors within ten days after the resolution on division is made, and shall publish an announcement in newspapers within 30 days. The companies after the division shall bear joint and several liabilities for the debts of the company prior to the division, unless otherwise agreed upon prior to the division by the company and its creditors in a written agreement concerning the settlement of debts.

PRC Securities Law and other relevant regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information by a company. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for co-coordinating the drafting of securities regulations, formulating securities related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC.

The CSRC is the regulatory body of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking research and analysis. In 1998, the State Council consolidated the Securities Committee and the CSRC, and the CSRC has taken the original functions of the Securities Committee since then.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations mainly deal with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information related to joint stock limited liability companies with domestically listed foreign shares.

The PRC Securities Law took effect on July 1, 1999 and was revised for the first time on August 28, 2004, for the second time on October 27, 2005, for the third time on June 29, 2013 and for the fourth time on August 31, 2014. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the PRC Securities Law provides that a company must obtain prior approval from the State Council's securities regulatory authorities to list shares outside the PRC. Article 239 of the PRC Securities Law provides that specific measures with respect to shares of companies in the PRC that are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and enforcement of arbitral awards

The Arbitration Law of the People's Republic of China (中華人民共和國仲裁法) (the “**Arbitration Law**”) was passed by the Standing Committee on August 31, 1994, became effective on September 1, 1995 and amended on August 27, 2009. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in a company's articles of association and, in the case of the Listing Rules, also in contracts with each of the directors and supervisors, to the effect that whenever any disputes or claims arise between holders of H Shares and the company; holders of H Shares and the directors, supervisors, general manager or other senior executives; or holders of H Shares and holders of Domestic Shares, with respect to any disputes or claims in relation to the companies affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration. Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim shall comply with the arbitration. Disputes with respect to the definition of shareholders and disputes related to a company's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties.

HONG KONG LAWS AND REGULATIONS**A. Summary of material differences between Hong Kong and PRC Company Law**

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Hong Kong Companies Ordinance and the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and validly existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate existence

Under the Companies Ordinance, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. Unless specially required by any other laws, administrative regulations and the State Council's decisions, there is no minimum capital requirement for a joint stock limited company. Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, issue new shares of the company. The PRC Company Law does not prescribe any authorized capital requirement (except for registered capital). If a joint stock limited company is incorporated by promotion, its registered capital shall be the total amount of capital subscribed by all promoters as registered with the registration authority to which the company relates. If a joint stock limited company is incorporated by public subscription, its registered capital shall be the total amount of paid-in capital registered with the registration authority to which the company relates. Any increase in our registered capital must be approved by our shareholders at a shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets that can be used for monetary valuation and can be transferred according to laws. For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on shareholding and transfer of shares

Under PRC law, domestic shares of a joint stock limited company which are denominated and subscribed for in Renminbi may be subscribed for or traded by the PRC domestic investors and qualified foreign institutional investors. Since April 2013, investors from Hong Kong, Macau and Taiwan may also open an A share account. Overseas listed foreign shares of a joint stock limited company, which are denominated in Renminbi and subscribed for in foreign currency, may only be subscribed for, and trade by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, and other qualified domestic institutions.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering shall not be transferred within one year from the listing of the shares on the Stock Exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company shall not be transferred within one year from the listing date of the shares, and also shall not be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholder's disposal of shares.

Financial assistance for acquisition of shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix V to this prospectus.

Under the Hong Kong Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders representing at least 75% of the nominal value of shares in the class in question, (iii) with the consent of all shareholders of a Hong Kong company, or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on the rights of directors in making major disposals, restrictions on companies providing certain benefits in respect of the prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law restricts any interested directors to vote in respect of any board resolutions involving any companies in which such directors have an interest or a connected relationship. The Mandatory Provisions, however, contain certain provisions and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office. The relevant provisions have been included in the Articles of Association, a summary of which has been included in Appendix V to this prospectus.

Supervisory committee

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his rights or performance of his obligations, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative action by minority shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides that in the event where the directors and senior management violate their fiduciary obligation to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates the fiduciary obligation to the company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court.

Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under contingent circumstances, failure of initiating immediate proceeding may cause irreparable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

Moreover, the PRC Company Law provides that to the extent that the directors or senior management of the company violate the laws, administrative regulations or the requirements of the articles of association and cause harm to the interest of shareholders as a result, the shareholders may also initiate proceedings. The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of overseas listed foreign shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking for observing the articles of association in favor of the company. This allows minority shareholders to take action against directors and supervisors in default.

Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either liquidate such company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a people's court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of shareholders' general meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting must be given not less than 20 days before the meeting, whereas notice of a shareholders' special general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholders' general meeting must be given at least 30 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the general meeting must return the written reply slip for attending the meeting to the company at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum periods of notice are 14 days and 21 days in the case of a general meeting to be convened for the adoption of an ordinary resolution and a special resolution. The notice period is 21 days in the case of an annual general meeting.

Quorum for shareholders' general meetings

Under Hong Kong company law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that a company shall calculate the total number of voting shares represented by shareholders who intend to attend a shareholders' general meeting based on the written replies to the notice of that meeting received at least 20 days prior to the meeting. When the number of voting shares represented by shareholders who intend to attend the meeting is more than 50% of the total number of voting rights of the company, the company may convene the shareholders' general meeting. Otherwise, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong company law, an ordinary resolution is passed by a simple majority by the shareholders attending a shareholders' general meeting in person or by proxy, and a special resolution is passed by a majority of at least 75% by shareholders attending a the shareholders' general meeting in person or by proxy. Under the PRC Company Law, the passing of any resolution at a shareholders' general meeting requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting in person or by proxy, except

in cases of proposed amendments to a company's articles of association, increase or reduction of registered capital, merger, division or dissolution of a joint stock limited company, or change of company form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting in person.

Financial disclosure

Under the PRC Company Law, a company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a company of which the shares are publicly offered must publish its financial condition in accordance with the PRC Company Law. The annual balance sheet shall be verified by its certified accountant. The Hong Kong Companies Ordinance requires a company incorporated in Hong Kong to send every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before the annual general meeting. A company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on directors and shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings, and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the information provided to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its overseas shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members under Division 2 of Part 13 of the Hong Kong Companies Ordinance, which requires the sanction of the court. Under PRC Company Law, merger, division, dissolution or change of company form of a company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the Hong Kong International Arbitration Center (the “HKIAC”) or the China International Economic and Trade Arbitration Commission (the “CIETAC”), at the claimant’s choice.

Mandatory deductions

Under the PRC Company Law, a company, in distributing profits after tax to the shareholders, is required to make transfers equivalent to 10% of its after tax profit to the statutory common reserve fund. When the accumulated amount of the statutory common reserve fund of the company reaches 50% of the registered capital of the company, it may cease to transfer any amount to the statutory common reserve fund. Following the transfer to the statutory common reserve fund from its after tax profit, the company may transfer applicable amount to the discretionary common reserved fund from its after tax profit. There are no corresponding provisions under Hong Kong law.

Remedies of our Company

Under the PRC Company Law, if a director, supervisor or senior management officer in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management officer shall be liable to the company for such damages. In addition, the Listing Rules require listed companies’ articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management officer).

Dividends

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of overseas listed foreign shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors.

Under the PRC Company Law and the Special Regulations, directors, supervisors and senior management of a company shall undertake a fiduciary obligation to the company and are not allowed to conduct any activities that are in competition with or detrimental to the interest of the company.

Closure of Register of Shareholders

The Hong Kong Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions and the Special Regulations, share transfers shall not be registered within 30 days before the date of a shareholders' general meeting or within five days before the benchmark date set for the purpose of distribution of dividends.

B. Listing Rules

The Listing Rules provide additional requirements which apply to an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to our Company.

Compliance adviser

A company seeking listing on the Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after the listing date so as to provide professional advice on continuous compliance with the Listing Rules and all other applicable laws and regulations, rules, codes and guidelines, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed. If the Stock Exchange is not satisfied that the compliance adviser in fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

Accountants' report

Unless the accounts relating to the accountants' report have been audited pursuant to the standards similar to the requirements of Hong Kong, international audit standards or PRC audit standards, the Stock Exchange will generally not accept an accountants' report of a PRC issuer. The relevant report must normally be drawn up in conformity with Hong Kong Financial Reporting Standards or International Financial Reporting Standards or China Accounting Standards for Business Enterprises (the "CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Process agent

Our Company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his, her or its appointment, the termination or his, her or its appointment and his, her or its contact particulars.

Public shareholding

If at any time the PRC issuer has issued securities, other than foreign shares, listed on the Stock Exchange, the Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the foreign shares for which listing is sought must not be less than 15% of the PRC issuer's total issued share capital, having an expected market capitalisation at the time of listing of not less than HK\$50 million. The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if our Company is expected to have a market capitalisation at the time of listing of more than HK\$10 billion.

Independent non-executive directors and supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of its shareholders as a whole can be adequately represented. Supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

Mandatory provisions

In order strengthen the protection of investors, the Stock Exchange provides that a PRC company whose primary listing place is on the Stock Exchange shall incorporate the Mandatory Provisions, as well as the provisions with respect to the change, removal and resignation of an auditor, shareholders' general meetings of class of securities and acts of the supervisory committee of the company into its articles of association. Such provisions have been included into the Articles of Association, a summary of which is set out in Appendix V to this prospectus.

Redeemable shares

Our Company shall not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of its holders of the Foreign Shares are adequately protected.

Pre-emptive rights

Except in the circumstances mentioned below, Directors of our Company are required to obtain approval by way of a special resolution of Shareholders at general meeting, and the approvals by way of special resolutions of the holders of Domestic Shares and Foreign Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by its Articles of Association, prior to the following: (1) authorizing, allotting, issuing or granting shares or convertible securities, or share options, warrants or similar rights to subscribe for any shares or such convertible securities; or (2) any such authorization, allotment, issuance or grant given by any major subsidiaries of our Company, which would materially dilute the percentage of shareholdings owned by our Company and its Shareholders in the relevant subsidiaries.

No such approval (subject to the extent of such approval) will be required to the extent that the existing shareholders of a company have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every twelve months, not more than 20% of each of the existing issued Domestic Shares and Foreign Shares as at the date of the passing of the relevant special resolution, or such shares are issued as part of the company's plan at the time of its establishment to issue Domestic Shares and Foreign Invested Shares and which plan is implemented within fifteen months from the date of approval by the CSRC; or after the approval by the securities regulatory and management authority of the State Council.

Supervisors

Our Company shall adopt rules governing dealings by the Supervisors in securities of our Company on terms no less exacting than those of the Model Code (as set out in Appendix 10 to the Listing Rules) issued by the Stock Exchange.

Our Company shall obtain the approval of its shareholders at a general meeting (at which the relevant Supervisor and his associates must abstain from voting on the matter) prior to our Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of our Company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires our Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The remuneration committee of our Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise Shareholders (other than Shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of our Company and its Shareholders as a whole and advise Shareholders on how to vote.

Amendment to articles of association

Our Company shall not permit or cause any amendment to be made to its Articles of Association which would contravene the Listing Rules and the Mandatory Provisions or the PRC Company Law.

Documents for inspection

Our Company shall make available at a place in Hong Kong for inspection by the public and Shareholders of our Company free of charge, and for copying by its Shareholders at reasonable charges of the following:

- a complete duplicate register of Shareholders;
- a report showing the status of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- its special resolutions;
- reports showing the number and nominal value of securities repurchased by our Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- copy of the latest annual report filed with the State Administration for Industry & Commerce of the PRC or other competent PRC authorities; and
- for Shareholders only, copies of minutes of shareholders' general meetings.

Receiving agents

Our Company shall appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in share certificates

Our Company shall ensure that all of its listing documents and share certificates of H Shares include the statements stipulated below and instruct and cause each of its share registrars to register the subscription, purchase or transfer of any of its shares in the name of any particular holder after such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with our Company and each of its Shareholder, and it agrees with each of its Shareholder, to observe and comply with the PRC Company Law, the Special Regulations, its Articles of Association, and other relevant laws and administrative regulations;
- agrees with our Company, each Shareholder, Director, Supervisor, manager and other senior management officer, and our Company (acting both for itself and for each Director, Supervisor, manager and other senior management officer), agree with each Shareholder to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our Company's affairs to arbitration in accordance with the Articles of Association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with our Company and each Shareholder that Shares are freely transferable by the holder thereof; and
- authorizes our Company to enter into a contract on his behalf with each Director, Supervisor and senior management officer whereby such Directors, Supervisors and senior management undertake to observe and comply with their obligations to Shareholder as stipulated in the Articles of Association.

Compliance with the PRC Company Law, the Special Regulations and Articles of Association

Our Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

Contract between our Company and its Directors, Senior Management and Supervisors

Our Company is required to enter into a contract in writing with every Director and senior management containing at least the following provisions:

- an undertaking by the Director or senior management to itself to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Codes on Takeovers and Mergers and Share Buy-backs and an agreement that it must have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- an undertaking by the Director or senior management to our Company acting as agent for each Shareholder to observe and comply with his obligations to our Shareholders as stipulated in the Articles of Association;

- an arbitration clause which provides that whenever any disputes or claims arise from the contract, its Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between our Company and its Directors or senior management and between a holder of H shares and a Director or senior management, such disputes or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral tribunal elected by the claimant. Such arbitration will be final and conclusive;
- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of the HKIAC;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations; and
- the award of the arbitral tribunal is final and shall be binding on the parties thereto; and Disputes over who is a Shareholder and over the share registrar do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

English Translation

All notices or other documents required under the Listing Rules to be sent by our Company to the Stock Exchange or to holders of the H shares are required to be in English, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of the Listing.

C. Other legal and regulatory provisions

Upon the Listing on the Stock Exchange, the provisions of the Securities and Futures Ordinance, the Codes on Takeovers and Mergers and Share Buy-backs and such other relevant ordinances and regulations will apply to our Company.

D. Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

E. PRC Legal Matter

Our PRC Legal Advisers have sent to us a legal opinion confirming that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This letter is available for inspection as referred to in “*Appendix VII — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection.*” Any person wishing to have detailed advice on the PRC laws and the laws of any jurisdictions is recommended to seek independent legal advice.

This Appendix contains a summary of the Articles of Association. The principal objective is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. As stated in “*Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection*,” a copy of the Articles of Association is available for inspection.

The Articles of Association and relevant amendments thereto were adopted by our shareholders at shareholders’ general meetings in accordance with applicable laws and regulations, including the PRC Company Law, the PRC Securities Law, the Circular on Opinion concerning Supplementary Amendments to Articles of Association of Companies Listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), the Special Regulations, the Mandatory Provisions and the Hong Kong Listing Rules. The Articles of Association will become effective on the date that the H Shares are listed on the Hong Kong Stock Exchange.

A. Directors and Other Officers

Power to Allot and Issue Shares

There is no provision in the Articles of Association empowering the Directors to allot and issue Shares.

To increase the capital of the Company, the Board is responsible for formulating proposals for approval at a shareholders’ general meeting by way of special resolution. Any such increase must be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations.

Power to Dispose of the Assets of the Company or any Subsidiary

The Board is accountable to the shareholders’ general meeting.

The Board shall not, without the prior approval or consent of shareholders’ general meeting, dispose or agree to dispose of, any fixed assets of the Company where the anticipated value of the assets to be disposed, together with the value of any fixed assets of the Company that has been disposed in the period of four (4) months immediately preceding the proposed disposition, exceeds 33% of the value of the Company’s fixed assets as shown in the last balance sheet placed before the shareholders’ general meeting.

The validity of a disposition by the Company of fixed assets shall not be affected by the breach of the above paragraph.

For the purposes of the Articles of Association, a disposition of fixed assets includes an act involving the transfer of an interest in assets other than the provision of fixed assets as security.

The Board shall not, without the prior approval or consent of shareholders’ general meeting by way of special resolution, purchase and sell or agree to purchase and sell, any substantial assets of the Company where the anticipated value of the assets to be purchased and sold exceeds 30% of the value of the Company’s latest audited total assets.

The validity of purchasing and selling substantial assets by the Company shall not be affected by the breach of the above paragraph.

For the purposes of the Articles of Association, the transaction of purchase and sale of substantial assets include:

- i. To sell, purchase and/or swap equity or non-equity assets;
- ii. To establish a new enterprise with others, or increase or reduce the registered capital of an investee enterprise;
- iii. To manage other enterprise's operating assets by trust or lease, or to entrust or lease the operating assets of the Company to other enterprise;
- iv. To accept donation which will create obligations of the Company, or donate assets to others;
- v. other transactions which are identified by Hong Kong Exchange according to the principles of prudent supervision.

Emoluments and Compensation or Payments for Loss of Office

The Company shall, with the prior approval of shareholders' general meeting, enter into a contract in writing with each of the Directors or Supervisors wherein his or her emoluments are stipulated. The aforesaid emoluments include:

- i. emoluments in respect of his or her service as a Director, Supervisor or member of senior management of the Company;
- ii. emoluments in respect of his or her service as a Director, Supervisor or member of senior management of any subsidiary of the Company;
- iii. emoluments in respect of provision of other services in relation to the management of the Company and any subsidiary of the Company; and
- iv. payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

Unless otherwise provided by the contract in the preceding paragraph, a Director or Supervisor shall not file legal proceedings against the Company in respect of the benefits due to him/her from the aforesaid matters.

The contracts concerning the emoluments between the Company and its Directors or Supervisors should provide that, in the event of an acquisition of the Company, the Directors and Supervisors shall, subject to the prior approval of the shareholders' general meeting, have the right to receive compensation or other payment in respect of his/her loss of office or retirement. An "acquisition of the Company" referred to in this paragraph means either:

- i. a takeover offer made by any person to all shareholders; or
- ii. a takeover offer made by any person to enable the offeror to become a "controlling shareholder" with the meaning set out in the Articles of Association.

If the relevant Director or Supervisor does not comply with the above, any sum so received by him/her shall belong to those persons who have sold their Shares as a result of the offer made. The expenses incurred in distributing such sum pro rata amongst those persons shall be borne by the relevant Director or Supervisor and not paid out of that sum.

Loans to Directors, Supervisors and Other Officers

The Company shall not directly or indirectly make a loan to, or provide any security in connection with the making of a loan to a Director, Supervisor, our General Manager or other members of senior management of the Company or of the Company's parent company or any of their respective Related Persons.

However, the following transactions are not subject to such prohibition:

- i. the provision by the Company of a loan or a security of a loan to a company which is a subsidiary of the Company;
- ii. the provision by the Company of a loan or a security in connection with the making of a loan or any other funds to any of its Directors, Supervisors, our General Manager and other members of senior management for them to pay for expenditure incurred or to be incurred by him/her for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties properly, in accordance with the terms of a service contract approved by the shareholders' general meeting; and
- iii. The Company may make a loan to or provide a security in connection with the making of a loan to any of the relevant Directors, Supervisors, our General Manager and other members of senior management or their respective Related Persons on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the provision of a security of a loan.

A loan made by the Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan, regardless of the terms of the loan.

A security provided by the Company in breach of the above provisions shall be unenforceable against the Company, unless:

- i. the security was provided in connection with a loan to a Related Person of any of the Directors, Supervisors, our General Manager and other members of senior management of the Company or of the Company's parent company and at the time the loan was advanced the lender did not know the relevant circumstances; or
- ii. the collateral provided by the Company has been lawfully sold by the lender to a bona fide purchaser.

For these purposes:

- (a) the term "security" shall include an undertaking or property provided to secure the performance of obligations by the obligor; and
- (b) the definition of Related Person as referred to in the sub-section headed "*Duties*" below applies, mutatis mutandis, to this sub-section.

Financial Assistance for the Acquisition of Shares in the Company or any of its Subsidiaries

Subject to the exceptions in the Articles of Association, the Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire shares of the Company. The said acquirer of shares of the Company includes a person who directly or indirectly incurs any obligations (as defined below) due to the acquisition of the shares.

The Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer as referred to above for the purpose of reducing or discharging the obligations assumed by that person.

The following acts shall not be deemed to be prohibited:

- i. the provision of financial assistance by the Company where the financial assistance is given in good faith in the interest of the Company, and the main purpose of the financial assistance is not the acquisition of shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;
- ii. the lawful distribution of the Company's assets by way of dividend in accordance with law;
- iii. the allotment of bonus shares as dividends;
- iv. a reduction of registered capital, a repurchase of shares of the Company or a reorganization of the shareholding structure of the Company effected in accordance with the Articles of Association;

- v. the lending of money by the Company in the ordinary course of its business, where the lending of money is part of the scope of business of the Company (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits); and
- vi. the provision of money by the Company for contributions to employee share scheme (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

- (a) “financial assistance” includes (without limitation) the following meanings:
 - (1) gift;
 - (2) security (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation incurred by the Company’s own default) or release or waiver of any rights;
 - (3) provision of a loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights under such loan or agreement; or
 - (4) any other form of financial assistance given by the Company when the Company is unable to pay its debts or has no net assets or when its net assets would thereby be reduced to a material extent.
- (b) “incurring an obligation” includes the incurring of obligations by the changing of the obligor’s financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

Disclosure of Interests in Contracts with the Company or any of its Subsidiaries

Where a Director, Supervisor, our General Manager or other member of senior management of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his/her contract of service with the Company), he shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, regardless whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board under normal circumstances.

Unless the interested Director, Supervisor, General Manager or other member of senior management discloses his/her interests in accordance with the Articles of Association and the contract and transaction or arrangement is approved by the Board at a meeting in which the interested Director, Supervisor, General Manager or other member of senior management is not counted in the quorum and refrains from voting, a contract, transaction or arrangement in which that Director, Supervisor, our General Manager or other member of senior management is materially interested is voidable at the option of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, our General Manager or other member of senior management.

For these purposes, a Director, Supervisor, our General Manager or other member of senior management of the Company is deemed to be interested in a contract, transaction or arrangement in which an Related Person with the meaning set out under the sub-section “Duties” below of his/hers is interested.

Where a Director, Supervisor, our General Manager or other member of senior management of the Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description, which may subsequently be made by our Company, such notice shall be deemed for the purposes of this sub-section to be a sufficient declaration of his/her interests, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by our Company.

Remuneration

The remuneration of Directors must be approved by the shareholders’ general meeting, as referred to under “— *Emoluments and Compensation or Payments for Loss of Office*” above.

Appointment, Removal and Retirement

The term of office of the chairman of the Board and the other Board members shall be three years. If the term of appointment of a Director expires and he is re-elected, the Director may be reappointed for consecutive terms.

Directors shall be elected and removed by the shareholders’ general meeting. A written notice of the intention to propose a person for election as director and a notice in writing by that person indicating his/her acceptance of such election is required to be given to the Company after the issue of notice of the relevant shareholders’ general meeting for such election and no less than seven days prior to commencement of such meeting. The length of period of such notices shall be at least seven days.

The chairman and vice-chairman shall be elected and removed by a majority of all of the Directors. A Director is not required to hold shares of the Company.

A person may not serve as a Director, Supervisor, our General Manager and any other member of senior management of the Company if any of the following circumstances apply:

- i. a person without or with restricted capacity of civil conduct;
- ii. a person who has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offence; or who has been deprived of his/her political rights, in each case where no more than five (5) years has elapsed since the date of the completion of implementation of such punishment or deprivation;
- iii. a person who is a former director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation because of mismanagement and he is personally liable for the insolvency of such company or enterprise, where no more than three (3) years has elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- iv. a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the law and who incurred personal liability, where no more than three (3) years has elapsed since the date of the revocation of the business license;
- v. a person who has a relatively large amount of debts due and outstanding;
- vi. a person who is under criminal investigation or prosecution by judicial organization for violation of the criminal law which investigation or prosecution is not yet concluded;
- vii. a person who is not eligible for enterprise leadership according to laws and administrative regulations;
- viii. a non-natural person;
- ix. a person convicted of the contravention of provisions of relevant securities regulations by a relevant government authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years has elapsed since the date of the conviction; or
- x. a person who is restricted according to laws, regulations, requirements of relevant securities regulatory organ, or the listing rules.

The validity of an act of a Director, our General Manager or other member of senior management on behalf of the Company with respect to, a bona fide third party shall not be affected by any irregularity in his/her appointment, election or any defect in his/her qualification.

There is no provision in the Articles of Association which imposes any age limit for Directors beyond which retirement as a Director is mandatory.

Borrowing Powers

Subject to compliance with applicable laws and administrative regulations of the PRC and Hong Kong Listing Rules, the Company has the power to raise and borrow money, which includes, without limitation, the issue of debentures and the charging or mortgaging of part or whole of the Company's properties. The Articles of Association (a) do not contain any specific provision in respect of the manner in which borrowing powers may be exercised by the Directors (other than provisions which give the Directors the power to formulate proposals for the issue of bonds by the Company); and (b) provisions which provide that the issue of bonds must be approved by the shareholders' general meeting by way of a special resolution.

Duties

In addition to obligations imposed by laws, administrative regulations or required by the stock exchanges on which Shares are listed, each of the Company's Directors, Supervisors, our General Manager and other members of senior management owes a duty to each shareholder, in the exercise of the functions and powers that the Company entrusted to him/her:

- i. not to cause the Company to exceed the scope of the business stipulated in its business license;
- ii. to act honestly in the best interest of the Company;
- iii. not to expropriate the Company's property, including (without limitation) usurpation of opportunities advantageous to the Company; and
- iv. not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company approved by the shareholders' general meeting in accordance with the Articles of Association.

Each of the Company's Directors, Supervisors, our General Manager and other members of senior management owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of the Company's Directors, Supervisors, our General Manager and other members of senior management shall exercise his/her powers or carry on his/her duties in accordance with the principle of fiduciary and shall not put himself/herself in a position where his/her duty and his/ her interest may conflict. This principle includes (without limitation) discharging the following obligations:

- i. to act honestly in the best interests of the Company;
- ii. to exercise powers within the scope of his/her powers and not to exceed those powers;

- iii. to exercise the discretion vested in him/her personally and not to allow himself/herself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders' general meeting, not to delegate the exercise of his/her discretion to others;
- iv. to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- v. except in accordance with the Articles of Association or with the informed consent of shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;
- vi. without the informed consent of shareholders' general meeting, not to use the Company's property for his/her own benefit;
- vii. not to exploit his/her position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;
- viii. without the informed consent of shareholders' general meeting, not to accept commissions in connection with the Company's transactions;
- ix. to abide by the Articles of Association, faithfully execute his/her official duties and protect the Company's interests, and not to exploit his/her position and power in the Company to advance his/her own private interests;
- x. not to compete with the Company in any form without the informed consent of shareholders' general meeting;
- xi. not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his/her own name or other names for the deposit of the Company's assets and not to provide a security for debts of a shareholder of the Company or other individual(s) with the Company's assets; and
- xii. unless otherwise permitted by informed shareholders' general meeting, not to disclose any confidential information acquired by him/her in the course of and during his/her tenure of office and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:
 - (1) disclosure is required by law;
 - (2) the interests of the public require disclosure;
 - (3) the interests of the relevant Director, Supervisor, our General Manager or other member of senior management require disclosure.

Each Director, Supervisor, our General Manager or other member of senior management of the Company shall not cause the following persons or institutions (the “**Related Persons**”) to do what he is prohibited from doing:

- i. the spouse or minor children of that Director, Supervisor, our General Manager or other member of senior management;
- ii. a trustee of that Director, Supervisor, our General Manager or other member of senior management or any person referred to in the preceding paragraph;
- iii. a partner of that Director, Supervisor, our General Manager or other member of senior management or any person referred to in paragraphs (i) and (ii) above;
- iv. a company in which that Director, Supervisor, our General Manager or other member of senior management, alone or jointly with one or more persons referred to in paragraphs (i), (ii) and (iii) above and other Directors, Supervisors, our General Manager and other members of senior management have a de facto controlling interest; and
- v. the directors, supervisors, general manager and other members of senior management of the controlled company referred to in the preceding paragraph.

The fiduciary duties of the Directors, Supervisors, our General Manager and other members of senior management of the Company do not necessarily cease upon the termination of their tenure. The duty of confidence in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period on a fair basis depending on the time lapse between the termination and the act concerned and the circumstances and conditions under which the relationships between them and the Company are terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, General Manager or other member of senior management of the Company is in breach of his/her duties to the Company, the Company has a right to:

- i. claim damages from the Director, Supervisor, our General Manager or other member of senior management in compensation for losses sustained by the Company as a result of such breach;
- ii. rescind any contract or transaction entered into by the Company with the Director, Supervisor, our General Manager or other member of senior management or with a third party (where such third party knows or should know that there is such a breach of duties by such Director, Supervisor, our General Manager or other member of senior management);
- iii. require the relevant Director, Supervisor, General Manager or other member of senior management return the benefits received by him/her as a result of the breach of the obligations;

- iv. recover any funds received by the Director, Supervisor, our General Manager or other member of senior management that should have been received by the Company, including (without limitation) commissions; and
- v. require the relevant Director, Supervisor, the General Manager or other senior officer to return the interest that is earned or may have been earned from the fund which should have been payable to the Company.

B. Alterations to Constitutional Documents

The Company may amend its Articles of Association in accordance with the requirements of laws, administrative regulations and the Articles of Association.

Amendments to the Articles of Association involving the contents of the Mandatory Provisions¹ and Circular of CSRC² shall become effective upon approvals by the companies approving department authorized by the State Council and the CSRC. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

C. Variation of Rights of Existing Shares or Classes of Shares

Apart from the holders of other classes of shares, holders of Domestic Shares and holders of overseas listed foreign Shares of the Company shall be considered as different classes of shareholders, and holders of the Unlisted Foreign Shares shall be treated as if they are in the same class as the holders of the Domestic Shares.

Rights conferred on any class of shareholders in the capacity of shareholders (“class rights”) may not be varied or abrogated unless approved by a special resolution of shareholders’ general meeting and by holders of Shares of that class at a separate meeting conducted in accordance with Article 92 to 96 stipulated in the Articles of Association.

The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class:

- i. to increase or reduce the number of shares of that class or the increase or reduce the number of shares of another class which carries the same or more voting rights, distribution right or other privileges;
- ii. to effect an exchange of all or part of the Shares of such class into Shares of another class or to effect an exchange or create a right of exchange of all or part of the Shares of another class into the Shares of such class;

¹ “Mandatory Provisions” refers to the “Mandatory Provisions for Articles of Association of Companies to be Listed Overseas” jointly promulgated by the former Securities Commission of the State Council and the former State Commission for Economic System Reform (No.21 [1994] Zheng Wei Fa).

² “Circular of CSRC” refers to the “Circular on Opinion Concerning Supplementary Amendments to Articles of Association of Companies Listed in Hong Kong” (No.1 [1995] CSRC) jointly promulgated by Listing Division of CSRC and Production System Division of State Commission of System Reform Committee.

- iii. to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to Shares of such class;
- iv. to reduce or remove a dividend preference or a liquidation preference attached to Shares of such class;
- v. to add, remove or reduce conversion privileges, options, right to vote, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to Shares of such class;
- vi. to remove or reduce rights to receive payment payable by the Company in particular currencies attached to Shares of such class;
- vii. to create a new class of Shares having voting or equity rights or privileges equal or superior to those of the Shares of such class;
- viii. to restrict the transfer of ownership of the Shares of such class or add to such restriction;
- ix. to allot and issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
- x. to increase the rights or privileges of Shares of another class;
- xi. to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring; and
- xii. to vary or abrogate provisions in chapter 9 of the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but interested shareholder(s) shall not be entitled to vote at class meetings.

The meaning of "interested shareholder(s)" in the preceding paragraph is:

- i. in the case of a repurchase of Shares by offers to all shareholders pro rata according to Article 30 under the Articles of Association or public dealing on a stock exchange, a "controlling shareholder" within the meaning of Article 56 stipulated in the Articles of Association;
- ii. in the case of a repurchase of Shares by an off-market contract according to Article 30 provided in the Articles of Association, a holder of the Shares to which the proposed contract relates; and
- iii. in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

Resolutions of a class of shareholders shall be passed by votes representing more than two-thirds of the voting rights represented at the relevant meeting who are entitled to vote at class meetings.

If the number of Shares carrying voting rights at the meeting represented by the shareholders who intend to attend the class meeting reaches more than half of the voting Shares at the class meeting, the Company may hold the class meeting; if not, the Company shall within five (5) days notify the shareholders of the class by public announcement, of the matters to be considered, the date and the place for the class meeting. The Company may then hold the class meeting after publication of such notice.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of shareholders' general meetings. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any meeting of a class of shareholders.

The special procedures for voting at a class of shareholders shall not apply in the following circumstances:

- i. where the Company issues Domestic Shares, the Unlisted Foreign Shares, and overseas-listed foreign-invested Shares, upon the approval by a special resolution of its shareholders' general meeting, either separately or concurrently once every twelve months, not exceeding 20% of each of its existing issued;
- ii. where the Company's plan to issue Domestic Shares and overseas-listed foreign invested Shares at the time of its establishment is carried out within fifteen (15) months from the date of approval of the CSRC; or
- iii. Where the Domestic Shares and the Unlisted Foreign Shares held by the Shareholders, upon the approval by the CSRC, may be listed or traded on the overseas stock exchange.

D. Resolutions Majority Required

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

To adopt a special resolution, votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

The shareholders (including their proxies) attending the meeting shall clearly show approval or objection to every matter to be voted on. As for the unpolled vote or abstention, the Company will not treat it as the vote with voting right when calculating the voting result of this matter.

E. Voting Rights (generally, on a poll and right to demand a poll)

A shareholder (including proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote. However, shares of the Company held by the Company shall not enjoy voting rights and shall not be calculated in the total number of shares with voting rights held by the present shareholder.

At any general meeting of shareholders a resolution shall be decided by a show of hands unless a poll is (before or after any vote by show of hands) demanded:

- i. by the chairman of the meeting;
- ii. by at least two shareholders entitled to vote present in person or by proxy; or
- iii. by one or more shareholders present in person or by proxy and representing more than 10% of all shares carrying the right to vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman that a resolution has on a show of hands been carried, unanimously, or carried by, a particular majority, or lost, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution. The demand for a poll may be withdrawn by the person who makes such demand.

A poll demanded on the election of the chairman of the meeting, or on an issue of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other issue shall be taken at such time as the chairman of the meeting directs, and any business, other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded. On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his/her votes in the same way.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall have a casting vote.

F. Requirements for Annual General Meetings

The Board shall convene an annual shareholders' general meeting once a year and within six(6) months from the end of the preceding financial year.

G. Accounts and Audit

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance regulatory department of the State Council.

The Board shall place before the shareholders at every annual general meeting such financial reports as required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company.

The Company's financial reports shall be made available for shareholders' inspection at the Company twenty (20) days before the date of every shareholders' annual general meeting.

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either International Financial Reporting Standards, or that of the overseas place where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in an appendix to the financial statements. When the Company is to distribute its after-tax profits, it is required to distribute dividends based on the lower of the Company's distributable after-tax profits determined under the two accounting standards.

Any interim results or financial information published or disclosed by the Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either International Financial Reporting Standards or that of the overseas place where the Company's shares are listed.

The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty (60) days after the expiration of the first six (6) months of each fiscal year and the annual financial report shall be published within one hundred and twenty (120) days after the expiration of each fiscal year.

H. Notice of Meetings and Business to be Conducted thereat

The shareholders' general meeting, enter into any contract with any person other than a Director, Supervisor, our General Manager or other member of senior management whereby the management and administration of the whole or any substantial part of the business of the Company is to be handed over to such person. Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meeting shall be convened by the Board.

Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two (2) months:

- i. when the number of Directors is less than the number of Directors required by the PRC Company Law or two-thirds of the number of Directors specified in the Articles of Association;

- ii. when the unrecovered losses of the Company amount to one-third of the total amount of its share capital;
- iii. when shareholder(s) holding 10% or more of the Company's issued and outstanding shares carrying voting rights request(s) the convening of an extraordinary general meeting;
- iv. when deemed necessary by the Board or as requested by the supervisory committee;
- v. when proposed by at least two (2) independent non-executive Directors ;
- vi. the other circumstance as stipulated by laws, administrative regulations, departmental rules, securities regulations of the locality where the Company's shares are listed and the Articles of Association.

When the Company convenes a shareholders' general meeting, written notice of the meeting shall be given forty-five (45) days before the date of the meeting to notify all of the shareholders in the share register of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver his/her written reply concerning the attendance of the meeting to the Company twenty (20) days before the date of the meeting.

When the Company convenes a shareholders' general meeting, shareholders who hold either alone or in aggregate 3% or more of voting shares may raise interim motions and submit them in writing to the board of directors.

The Company shall, based on the written replies received twenty (20) days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting reaches more than one half of the Company's total voting shares, the Company may hold the meeting. If not, then the Company shall within five (5) days notify the shareholders again by public announcement of the matters to be considered, the place and the date for the meeting. The Company may hold the meeting after the publication of such notice.

A shareholders' extraordinary general meeting shall not decide on those matters not stated in the notice of meeting.

A notice of meeting of shareholders shall be required to:

- i. be in writing;
- ii. specify the place, the date and the hour of the meeting;
- iii. state the matters to be discussed at the meeting;
- iv. provide such information and explanations as are necessary for the shareholders to exercise a sensible judgment on the proposals before them. Without limiting the generality of the

foregoing, where a proposal is made to amalgamate the Company with another, to repurchase shares, to reorganize the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;

- v. contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, our General Manager or other member of senior management in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of the shareholders of the same class;
- vi. contain the full text of any special resolution proposed to be voted at the meeting;
- vii. contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him/her and that a proxy need not be a shareholder; and
- viii. specify the time and place for delivering proxy forms for the relevant meeting.

Notice of shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting), by personal delivery or prepaid mail to their addresses as shown in the register of shareholders. For the holders of Domestic Shares, notice of the meetings may be issued by way of public announcement.

The public notice shall be published in one or multiple newspapers designated by the securities supervisory authority of the State Council within the interval between forty-five (45) days and fifty (50) days before the date of the meeting. After the publication of such notice, the holders of Domestic Shares and Unlisted Foreign Shares shall be deemed to have received the notice of the relevant shareholders' general meeting. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting and the resolution adopted thereat.

The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

- i. work reports of the Board and the supervisory committee;
- ii. plans formulated by the Board for the distribution of profits and for making up losses;
- iii. appointment and removal of the members of the Board and members of the supervisory committee, their remuneration and method of payment;
- iv. annual financial budgets, statement of final accounts, balance sheets and profit and loss statements and other financial statements of the Company; and

- v. matters other than those required by the laws and administrative regulations or by the Articles of Association to be adopted by special resolution.

The following matters shall be resolved by a special resolution at a shareholders' general meeting:

- i. the increase or decrease of share capital and the issue of shares of any class, warrants and other similar securities;
- ii. the issue of debentures of the Company;
- iii. the division, merger, change of the corporate form, dissolution, liquidation of the Company;
- iv. a guarantee which exceeds 10% of the value of the Company's latest audited net assets, or any guarantee where the sum of total amount of guarantees exceeding 30% of the value of the Company's latest audited total assets;
- v. purchasing and selling any substantial assets of the Company where the anticipated value of the assets to be purchased and sold exceeds 30% of the value of the Company's latest audited total assets;
- vi. equity incentive plan;
- vii. amendments to the Articles of Association; and
- viii. any other matters stipulated by law, administrative regulation or Articles of Association, and matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

I. Transfer of Shares

All the fully paid-up H Shares can be freely transferred in accordance with the Articles of Association. However, unless such transfer complies with the following requirements, the board of directors may refuse to recognize any instrument of transfer without providing any reason:

- i. the registration fee of each instrument of transfer which represents the highest amount according to the then requirements of the Listing Rules has been paid to the Company for the purpose of registering the instruments of transfer and other documents relating to or affecting the title to shares;
- ii. the instrument of transfer only relates to H shares;
- iii. the stamp duty which is chargeable on the instrument of transfer has already been paid;

- iv. the relevant share certificate(s) and any other evidence which the board of directors may reasonably require to show that the transferor has the right to transfer the shares have been provided;
- v. if the shares are transferred to joint holders, the number of joint holders shall not exceed four; and
- vi. if the shares are not subject to any lien.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

No changes in the shareholders' register due to the transfer of shares shall be made within thirty (30) days before the date of a shareholders' general meeting or within five (5) days before the record date for the Company's distribution of dividends.

Upon approval by the securities regulatory organ of the State Council, the Company may issue shares to domestic investors and overseas investors.

J. Power of the Company to Purchase its Own Shares

In accordance with the provisions of the Articles of Association, the Company may reduce its registered share capital.

The Company may, with approval according to the procedures provided in the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its issued shares under the following circumstances:

- i. cancellation of shares for the reduction of its capital;
- ii. merging with another company that holds shares in the Company;
- iii. awarding shares to the Company's employees;
- iv. being requested to repurchase the shares of the Company by the shareholders who object to the resolution adopted at the shareholders' general meeting concerning merger and division of the Company; or
- v. other circumstances permitted by laws and administrative regulations.

Where the Company needs to repurchase its shares for any reasons mentioned in Items (i) to (iii) of the preceding paragraph, it shall be subject to a resolution passed at a general meeting. Shares repurchased by the Company under circumstance mentioned in Item (i) shall be cancelled within ten (10) days after the purchase, while shares repurchased under circumstance mentioned either in Item (ii) or Item (iv) shall be transferred or cancelled within six (6) months.

Shares repurchased by the Company under circumstance mentioned in Item (iii) of the preceding paragraph shall not exceed five percent (5%) of the total shares issued by the Company. The funds used for the repurchase shall be paid from the after-tax profits of the Company. The shares repurchased by the Company shall be transferred to the employees within one (1) year.

The Company shall repurchase its issued and outstanding shares in accordance with the provisions of Article 30 to Article 34.

The Company may, with the approval of the relevant competent authority of the state, repurchase its shares, conducting the repurchase in one of the following ways:

- i. making a pro rata general offer of repurchase to all of its shareholders;
- ii. repurchase shares through public dealing on a stock exchange;
- iii. repurchase by an agreement outside a stock exchange; or
- iv. other circumstances permitted by laws and administrative regulations.

Where the Company repurchases its shares by an off-market agreement, the prior approvals of the general meeting shall be obtained in accordance with the Articles of Association. The Company may release, vary or waive its rights under a contract so entered into by the Company with the prior approval of shareholders obtained in the same manner.

A contract to repurchase shares previously mentioned includes (without limitation) an agreement to become obliged to repurchase or an acquisition of the right to repurchase shares. The Company shall not assign the contracts to repurchase shares and its rights under such contracts.

Shares repurchased in accordance with law by the Company shall be cancelled within the period prescribed by laws and administrative regulations, and the Company shall apply to the original company registration authority for registration of the change of its registered shares capital. The amount of the Company's registered shares capital shall be reduced by the aggregate par value of those cancelled shares.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued Shares:

- i. where the Company repurchases Shares of the Company at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a new issue of Shares made for that purpose;

- ii. where the Company repurchases Shares of the Company at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of Shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
 - (1) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company; or
 - (2) if the Shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of Shares made for that purpose, provided that the amount paid out of the proceed of the new issue shall not exceed the aggregate of premiums received by the Company on the issue of the Shares repurchased nor the current amount of the Company's share premium account (including the premiums on the fresh issue);
- iii. payment by the Company in consideration of the following shall be made out of the Company's distributable profits:
 - (1) acquisition of rights to repurchase Shares of the Company;
 - (2) variation of any contract to repurchase Shares of the Company; and
 - (3) release of any of the Company's obligations under any contract to repurchase Shares of the Company; and
- iv. after the Company's registered share capital has been reduced by the total par value of the cancelled Shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value portion of the Shares repurchased shall be transferred to the Company's capital reserve fund account.

Any law, regulation or relevant provision relating to financial treatment of the aforesaid stock repurchase by the regulatory authorities in the place where the Company is listed shall prevail over the proceeding articles.

K. Power of Any Subsidiary of the Company to Own Shares in the Company

There are no provisions in the Articles of Association preventing ownership of Shares in the Company by a subsidiary.

L. Dividends and Other Methods of Profit Distribution

The Company may distribute dividends in the following form:

- i. Cash;
- ii. Stock;
- iii. Combination of cash and stock.

Before making up the losses and contributing to the statutory surplus reserve, the Company shall not make profit distribution.

Dividends or other payments declared by the Company to be payable to holders of Domestic Shares shall be declared and calculated in RMB, and paid in RMB. Those payable to holders of foreign-invested Shares shall be declared and calculated in RMB, and paid in Hong Kong dollars. The dividends to holders of the Unlisted Foreign Shares shall be paid in foreign currency. As for the foreign currency which are payable to holders of foreign invested shares, it shall be handled in accordance with any related national regulations on foreign exchange control.

The Company shall appoint receiving agents on behalf of holders of the foreign investment shares to receive on behalf of such shareholders dividends declared and all other monies payable by the Company in respect of their foreign investment shares. The receiving agents appointed on behalf of holders of the foreign investment shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

M. Proxies

Any shareholder entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more other persons (whether a shareholder or not) as his/her proxy to attend and vote on his/her behalf, and a proxy so appointed shall:

- i. have the same right as the shareholder to speak at the meeting;
- ii. have authority to demand or join in demanding a poll; and
- iii. have the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

Shareholders shall appoint proxy in writing. The proxy form shall be signed by the appointer or its authorized representative who has been authorized in writing. If the appointer is a legal person, the document shall be affixed with the legal person's seal or signed by its director or duly authorized executive or duly appointed attorney. Such proxy form must clearly indicate the number of shares which are represented by the proxy. Where a shareholder appoints more than one proxy, he/she shall specify the number of shares and their classes represented by each proxy in the proxy form.

The proxy form for voting shall be placed at the domicile of the Company, or at other place designated in the notice of meeting, at least twenty-four (24) hours prior to convening of the meeting which the relevant matters will be voted on, or twenty-four (24) hours prior to the designated voting time. If the proxy form is signed by a person authorized by the appointer, the power of attorney or other authorization document shall be notarized. The notarized power of attorney or other authorization document shall be placed together with the proxy form authorizing the proxy to vote at the domicile of the Company or other place designated in the notice of meeting.

If the appointer is a legal entity, its legal representative or such person as is authorized by resolution of its board of directors or other governing body to act as its representative may attend at any meeting of shareholders of the Company as a representative of the appointer.

Proxies of shareholders shall produce their identity documents and the proxy form signed by the shareholders or their attorney when attending a general meeting.

Any form issued to a shareholder by the Board for use by him/her for appointing a proxy to attend and vote at a meeting of the Company shall be such as to enable the shareholder according to his/her intention, to instruct the proxy to vote in favor of or against each resolution dealing with matters to be voted at the meeting. Such a form shall contain a statement that in the absence of instructions by the shareholder the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which proxy is used.

N. Calls on Shares and Forfeiture of Shares

There are no provisions in the Articles of Association relating to the making of calls on Shares or for the forfeiture of Shares.

Under precondition of compliance with PRC laws and regulations, the power of forfeiting unclaimed dividends shall not be exercised by the Company unless the relevant validity period has lapsed.

As for the dividend warrants sent by mail to shareholders, the Company is entitled to cease sending such dividend warrants by mail only after two (2) consecutive failures of cashing after the posting of such dividend warrants. However, if the first dividend warrant fails to reach the shareholder and is returned undelivered, the Company is entitled to exercise such right.

The Company's right to sell the shares of untraceable shareholders shall not be exercised unless:

- i. at least three (3) dividends in respect of the shares have been distributed in the past twelve (12) years and no such dividends have been claimed during such period; and

- ii. the Company has published an advertisement on newspapers upon expiry of the period of twelve (12) years, stating its intention to sell the shares, and has notified the same to the Hong Kong Stock Exchange.

O. Rights of Shareholders (including inspection of register)

The Company may, in accordance with the mutual understanding and agreements made between the securities supervisory authorities of the State Council and overseas securities regulatory organizations, maintain the register of shareholders for holders of overseas-listed foreign invested shares overseas and appoint overseas agent(s) to manage such register of shareholders. The original register of shareholders for holders of H shares listed in Hong Kong shall be maintained in Hong Kong.

A duplicate register of shareholders for holders of overseas-listed foreign invested shares shall be maintained at the domicile of the Company. The appointed overseas agent(s) shall ensure consistency between the original and the duplicate register of shareholders at all times.

If there is any inconsistency between the original and the duplicate register of shareholders for holders of overseas-listed foreign invested shares, the original register of shareholders shall prevail.

The Company shall maintain a complete register of shareholders.

The register of shareholders shall comprise the following parts:

- i. register of shareholders other than those provided in paragraphs (ii) and (iii) below kept at the place of residence of the Company;
- ii. the register of shareholders in respect of the holders of overseas-listed foreign invested shares of the Company which is maintained in the same place where the overseas stock exchange on which the shares are listed is located; and
- iii. the register of shareholders which is maintained in such other place as the board of directors may consider necessary for the purposes of the listing of the Company's shares.

Different parts of the register of shareholders shall not overlap. No transfer of any shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

Any amendments or corrections to the different parts of the register of shareholders shall be carried out according to the governing laws of the place where the register of shareholders are kept.

No change may be made in the register of shareholders as a result of a transfer of shares within thirty (30) days prior to the date of a general meeting or within five (5) days before the determination date for the Company's distribution of dividends.

When the Company needs to convene a general meeting, distribute dividends, conduct liquidation or perform other acts as required for the purpose of determining shareholdings, the board of directors shall determine a record date for the determination of shareholdings. The shareholders of the Company shall be such persons who appear in the register of shareholders at the close of such record date.

Any person who disputes the register of shareholders and asks for inclusion of his/her/its name (title) in or removal of his/her/its name (title) from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register of members.

P. Quorum for Meetings and Separate Class Meetings

The Company shall, based on the reply slip received twenty (20) days before the date of the general meeting (excluding the date of the general meeting), calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting reaches more than one half (1/2) of the Company's total voting shares, the Company may hold the general meeting; Otherwise, the Company shall within five (5) days notify the shareholders again, by way of an announcement, of the matters to be considered at, and the venue and date for, the meeting. The Company may then proceed to hold the general meeting.

Q. Rights of the Minorities in Relation to Fraud or Oppression

In addition to obligations imposed by laws, administrative regulations or required by the stock exchange on which Shares of the Company are listed, a controlling shareholder shall not exercise his/her voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders generally or of some part of the shareholders of the Company:

- i. to relieve a Director or Supervisor of his/her duty to act honestly in the best interests of the Company;
- ii. to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any guise, of the Company's property, including (without limitation) opportunities beneficial to the Company; or
- iii. to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person) of the individual rights or interests of other shareholders, including (without limitation) rights to distributions and voting rights save pursuant to a restructuring submitted to shareholders for approval and adopted by the shareholders' general meeting in accordance with the Articles of Association.

For these purposes, a "controlling shareholder" means a person who satisfies any one of the following conditions:

- i. he alone, or acting in concert with others, has the power to elect more than half of the Board of Directors;

- ii. he alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;
- iii. he alone, or acting in concert with others, holds 30% or more of the issued and outstanding shares of the Company; or
- iv. he alone, or acting in concert with others, in any other manner has de facto control of the Company.

See also “— *Variation of Rights of Existing Shares or Classes of Shares*” above.

R. Procedures on Liquidation

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

- i. expiry of valid term of business license;
- ii. a resolution for dissolution is passed by shareholders’ general meeting;
- iii. dissolution is necessary due to a merger or division of the Company;
- iv. the Company is legally declared bankrupt due to its failure to repay debts due;
- v. being ordered to close down, revocation of business license, or being dissolved in accordance with law; or
- vi. a court order of dissolution of the Company by the people’s court in accordance with Article 182 of the PRC Company Law.

In the case of dissolution of the Company under items (i), (ii), (v) and (vi) of the preceding article, a liquidation committee shall be formed within fifteen (15) days thereafter and the members of the liquidation committee shall be determined by general meeting through ordinary resolution. Where a liquidation committee is not established according to schedule, the creditors may apply to the people’s court to organize the relevant personnel to establish a liquidation committee to proceed with the liquidation.

In the case of dissolution of the Company under item (iv) of the preceding article, the people’s court shall, according to relevant legal provisions, organize the shareholders, relevant departments and professionals to form a liquidation committee to carry out liquidation.

Where the Board proposes to liquidate the Company due to causes other than the declaration of insolvency, the Board shall include a statement in its notice convening a shareholders’ general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay off its debts in full within twelve (12) months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders' general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once a year to the shareholders' general meeting on the committee's income and expenditure, the business of the Company and the progress of the liquidation and to present a final report to the shareholders' general meeting on completion of the liquidation.

S. Other Provisions Material to the Company and our Shareholders

General Provisions

The Company is a limited company by joint shares of foreign investment in perpetual existence.

Being approved by the shareholders' general meeting by way of an special resolution, the Articles of Association is the code of conduct of the Company and will become effective on the date when the H Shares of the Company are listed on the Hong Kong Stock Exchange.

The Articles of Association shall be the legally binding document regulating the structure and behavior of the Company and the rights and obligations between the Company and its shareholders and among shareholders, from the date when it becomes effective.

The Company may invest in other limited liability companies and joint stock limited companies and shall assume responsibilities to an invested company with limitation to its capital contribution. The Company shall not become a shareholder with unlimited liability of profit-making bodies. Except as otherwise provided by law, the Company shall not become a capital contributor that shall be jointly and severally liable for the debts of its investee enterprises.

Transfer of Shares

The Company may, based on its operating and development needs, authorize the increase of its capital pursuant to relevant provisions of the Articles of Association.

The Company may increase its capital in the following ways:

- i. by offering new shares for subscription by unspecified investors;
- ii. by offering new shares for subscription by specified investors;
- iii. by placing new shares to its existing shareholders;
- iv. by allotting new shares to its existing shareholders;
- v. by converting capital reserves;
- vi. by any other means which is permitted by the laws and administrative regulations.

After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of the Articles of Association and Hong Kong listing rules, and the issuance shall be made in accordance with the procedures set out in the relevant laws and administrative regulations of the State and Hong Kong listing rules.

Unless otherwise stipulated in the laws and administrative regulations, paid-up shares of the Company shall be freely transferable and are not subject to any lien.

The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital in accordance with the procedures provided for in the Articles of Association, PRC company law and other relevant laws and regulation. The Company shall notify its creditors within ten (10) days of adopting the resolution to reduce its registered capital and shall publish at least three (3) announcements in newspaper within thirty (30) days. A creditor shall have the right within thirty (30) days from the receipt of a written notice or, for those who have not received a written notice, within forty-five (45) days from the date of the first public announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debt. The Company's registered capital shall not, after the reduction in capital, be less than the minimum amount as prescribed by law.

Shareholder

A shareholder of the Company is a person who lawfully holds shares of the Company and whose name (title) is entered in the register of shareholders.

A shareholder shall enjoy rights and assume obligations according to the class and amount of shares held by him/her; shareholders who hold shares of the same class shall enjoy the same rights and assume the same obligations.

The holders of the Unlisted Foreign Shares shall be treated as the holders of the Domestic Shares (especially, the holders of the Unlisted Foreign Shares shall be entitled to be present at, vote in, and be informed of shareholders' meetings in the same class with the holders of the Domestic Shares). The following are the exclusive rights for the Unlisted Foreign Shares:

- i. to receive the dividends declared by the Company in foreign currency; and
- ii. once the Company is dissolved and liquidated, to transfer the remaining assets of the Company respectively owned by them out of China according to the applicable national regulations on foreign exchange control in China.

The shareholders of ordinary shares of the Company shall enjoy the following rights:

- i. the right to receive dividends and other distributions in proportion to their shareholdings;
- ii. the right to attend or appoint a proxy to attend general meetings and the right to exercise the voting rights;

- iii. the right to supervise the Company's business operations, the right to present proposals or to raise queries;
- iv. the right to transfer shares in accordance with laws, administrative regulations as well as the Articles of Association;
- v. the right to obtain relevant information in accordance with the Articles of Association, in which information includes:
 - (1) the right to obtain the Articles of Association, subject to payment of costs;
 - (2) the right to inspect and copy, subject to payment of a reasonable fee as follows:
 - (i) all parts of the register of shareholders;
 - (ii) personal particulars of each of the directors, supervisors, general managers and other senior management members of the Company, including:
 - (a) present and former name and alias;
 - (b) principal address (place of residence);
 - (c) nationality;
 - (d) primary and all other part-time occupations and duties; and
 - (e) identification documents and the numbers thereof;
 - (3) status of share capital of the Company;
 - (4) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the last accounting year and the aggregate amount paid by the Company for this purpose;
 - (5) minutes of general meetings; board meetings and supervisory meetings;
 - (6) counterfoils of corporate bond certificates; and
 - (7) financial reports previously published or disclosed;
- vi. in the event of the termination and liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the number of shares held;

- vii. the right to request the Company to purchase back its/his/her shares at a reasonable price, in the event that the shareholder votes against the relevant resolution of any combination or division of the Company approved by the shareholders' general meeting;
- viii. the right to put forward an interim proposal and submit it to the board of directors in written form ten (10) days in advance of a general meeting, if any shareholder holds or shareholders together hold three percent (3%) or more of the shares of the Company;
- ix. other rights conferred by laws, administrative regulations as well as the Articles of Association.

The shareholders of ordinary shares of the Company shall assume the following obligations:

- i. to comply with laws, administrative regulations and the Articles of Association;
- ii. to pay subscription money according to the number of shares subscribed and the method of subscription;
- iii. to be liable to the company to the extent of the shares it/he/she has subscribed for;
- iv. not to withdraw any share capital unless otherwise provided for in any law ; and
- v. other obligations imposed by laws, administrative regulations as well as the Articles of Association.

To the extent of the conditions prescribed in the subscriptions, the shareholder shall not be liable for any further contribution to the share capital of the Company.

Board

The Board is responsible to the shareholders' general meeting and exercises the following powers:

- i. to be responsible for convening shareholders' general meetings and to report on its work to the shareholders' general meeting;
- ii. to implement the resolutions of the shareholders' general meetings;
- iii. to decide on the Company's business plans and investment plans;
- iv. to formulate the Company's annual financial budget and final accounts;
- v. to formulate the Company's profit distribution plan and loss recovery plan;
- vi. to formulate debt policy, financial policy, and proposals for the increases or decrease of the Company's registered capital and the issue of corporate debentures;

- vii. to formulate proposals for the purchase and sell of substantial assets of the Company and the plans for merger, division, change of form or dissolution of the Company;
- viii. to decide on the establishment of the Company's internal management structure;
- ix. to appoint or remove the Company's General Manager, based on the recommendations of the General Manager, to appoint or remove deputy General Manager and chief financial officer, to appoint or remove the secretary of the board of directors and, to decide on their remuneration and award matters;
- x. to formulate proposals for any amendment to the Articles of Association;
- xi. to approve the guaranties which are not subject to the approval of the shareholders' general meeting;
- xii. to approve the purchase and sell of substantial assets of the company which are not subject to the approval of the shareholders' general meeting;
- xiii. to formulate the Company's basic management system;
- xiv. to determine other major affairs and administrative matters, and sign other important contracts, except the issues to be determined by the shareholders' general meeting according to the Articles of Association;
- xv. to exercise other function or power conferred on the Board by the shareholders' general meeting;
- xvi. to appoint or remove the directors and shareholder representative supervisors of the wholly owned subsidiaries, and to replace, remove or recommend the shareholder's representative, candidates of directors and candidates of shareholder representative supervisors of the holding subsidiaries and the associated enterprises;
- xvii. to suggest to the shareholders' general meeting any proposed appointment or dismissal of an accounting firm as the Company's auditor;
- xviii. to administrate the information disclosure affairs of the Company;
- xix. to decide and supervise the Company's risk management system, including risk assessment, financial control, internal audit, legal risk control.

Except for the Board's resolutions in respect of the matters specified in the above paragraphs (vi), (vii) and (x), which shall be passed by more than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by more than half of the Directors.

Meetings of the Board shall be held at least four times a year and convened by the chairman of the Board. Notice of the meeting shall be served on all of the Directors fourteen (14) days before the date of the meeting. A regular board meeting shall not be convened by way of circulation of written resolutions to obtain approval from the board of directors. In case of emergency, a special board meeting may be held upon requisition by either the chairman, one third (1/3) or more of the Directors or board of supervisors or shareholders representing more than ten percent (10%) voting rights or the general manager. In such case, a special board meeting is not restricted by notice of meeting in Article 103. All reasonable expenses incurred by the Directors for attending the board meeting shall be borne by the Company.

Board meetings shall be held only if more than half (1/2) of all the Directors (including any alternate director appointed by written authorization in accordance with Article 106) are present. Each director shall have one (1) vote. The voting method used in board meetings must be in a manner of show of hands or ballot. The Board of Directors' resolutions must be voted for by more than half of all the Directors. In the case of an equality of votes, the chairman of the meeting shall be entitled to a casting vote.

A director shall abstain from voting on adoption of any contract or arrangement in which he himself or any of its/his/her associates (as defined in the Listing Rules) is materially interested or any resolution proposed at a board meeting. Such director shall not be counted in the quorum of the relevant meeting.

Independent Non-Executive Directors

The Company shall have a Board. The Board shall consist of 9 Directors. The member of external directors shall no less than one-half (1/2) of the Board and at least 2 of whom shall be independent non-executive Directors.

Supervisory Committee

The Company shall have a supervisory committee which exercises the supervisory function. The Directors, our General Manager and other members of senior management, including but not limited to our Chief Financial Officer, shall not act concurrently as Supervisors. The Supervisory Committee shall be composed of 6 Supervisors. The Supervisory Committee shall include shareholders representative supervisors and employee representative supervisors. The proportion of employee representative supervisors in the Supervisory Committee shall be specified in the Articles of Association but in any event shall be no less than one third (1/3) of the supervisors appointed. One of the members of the Supervisory Committee shall act as the chairman. The term of office of Supervisors shall be three years, renewable upon re-election and reappointment. The election or removal of the chairman of the Supervisory Committee shall be determined by two-thirds or more of the members of the Supervisory Committee. Decisions of the Supervisory Committee shall be made by the affirmative vote of two-thirds or more of the Supervisors.

The Supervisory Committee shall comprise 2 representatives of shareholders, 2 representative of employees of the Company and 2 independent supervisors. The representatives of shareholders shall be elected and removed by shareholders' general meeting; the representative of employees of the Company shall be elected and removed by the employees of the Company democratically thereby.

The Supervisory Committee shall be accountable to the shareholders' general meeting and exercise the following powers in accordance with law:

- i. to examine the Company's financial situation;
- ii. to supervise the performance by the Directors, General Manager and other members of senior management of their duties, and propose to remove the aforesaid personnel for violation of the applicable laws, regulations or the Articles of Association;
- iii. to demand rectification from a Director, General Manager and other members of senior management when the acts of such persons are harmful to the Company's interest if necessary;
- iv. to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board to the shareholders' general meetings and, should any queries arise, to engage, in the name of the Company, qualified accounting and auditing firms for a re-rectification on aforesaid information;
- v. to propose to convene an extraordinary shareholders' general meeting;
- vi. to represent the Company in communication with Directors or institute proceedings against the Directors; and
- vii. to exercise other powers specified in laws, regulations and administrative rules and the Articles of Association.

The Supervisory Committee may give advice on the Company's engagement of accounting firms. When necessary, the committee may authorize, in the Company's name, accounting firms to review the Company's financial position independently and may report the situation directly to the securities regulatory organ of the State Council and other relevant departments.

Members of the Supervisory Committee may sit in meetings of the Board.

Chairman of the Board

The chairman of the Board shall exercise the following powers:

- i. to preside over the shareholders' meeting, convene and preside over the meetings of the Board;
- ii. to inspect the implementation of the resolutions of the Board;
- iii. to sign the securities issued by the Company; and
- iv. to exercise other powers authorized by the Board.

If the chairman of the board of directors is unable or fails to perform his duties, the vice-chairman shall perform the duties. If the vice-chairman is unable or fails to perform his duties, a director jointly nominated by a majority of directors shall perform the duties.

General Manager of the Company

The Company shall have one General Manager, who shall be appointed and dismissed by the Board.

Our General Manager shall be accountable to the Board and exercise the following powers:

- i. to be in charge of the Company's operation and management and to organize the implementation of the resolutions of the Board;
- ii. to organize the implementation of the Company's annual business plan and investment plan;
- iii. to draft plans for the establishment of the internal organizational structure of the Company;
- iv. to draft plans for the establishment of the Company's branches;
- v. to draft the Company's basic management system;
- vi. to formulate basic rules and regulations for the Company;
- vii. to propose the appointment or dismissal of our deputy General Manager and Chief Financial Officer;
- viii. to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;
- ix. to exercise other powers conferred by the Articles of Association and the Board.

Our General Manager may sit in meetings of the Board. However, the General Manager shall have no voting rights at the meetings unless he is also a director.

Our General Manager, in performing his/her functions and powers, shall act honestly and diligently and in accordance with laws, regulations and the Articles of Association.

Common Reserve Fund

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining profits shall be distributed to the shareholders in proportion to their respective shareholdings.

The profits shall not be distributed until the Company has made up for its losses and made allocations to the statutory common reserve fund.

Secretary of the Board

The secretary of the Board shall be a natural person(s) who has the requisite professional knowledge and experience, and shall be appointed by the Board. The primary responsibilities include:

- i. to ensure that the Company's documents and records are complete;
- ii. to ensure the lawful preparation and submission by the Company of reports and documents as required by relevant authorities;
- iii. to ensure that the register of shareholders is properly maintained, and to ensure that persons who are entitled to obtain the Company's records and documents can timely obtain the relevant records and documents.

Accounts and Audit

Appointment of auditors.

The Company shall appoint independent auditors who are qualified under the relevant regulations of the PRC to audit the Company's annual financial statements and review the Company's other financial reports. The first accounting firm of the Company may be appointed by the founders' meeting before the first annual general meeting. The term of appointment of the accounting firm shall terminate at the end of the first annual general meeting. If the founders' meeting does not exercise its functions and powers according to the aforesaid provisions, then the board of directors shall exercise its functions and powers.

Before the convening of the shareholders' general meeting, the Board may fill any casual vacancy in the office of the auditors, provided that if there is another auditor in office for the Company during the period of such vacancy, such auditor may act.

The shareholders' general meeting may, by ordinary resolution, remove an auditor before the expiration of its office, notwithstanding the stipulations in the contract between the Company and the auditor, but without prejudice to the auditor's right to claim, if any, for damages in respect of such removal.

The remuneration of an auditor or the manner in which such auditor is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of an auditor appointed by the Board shall be determined by the Board.

Change and removal of auditor.

The Company's appointment of, removal of and non-reappointment of an auditor shall be resolved by shareholders' general meetings and shall be put on file to the securities regulatory organ of the State Council.

Where it is proposed that any resolution be passed at a shareholders' general meeting concerning the appointment of an auditor, which is not an incumbent firm, to fill a casual vacancy in the office of the auditor, reappointment of a retiring auditor which was appointed by the Board to fill a casual vacancy, or removal of the auditor before the expiration of its term of office, the following provisions shall apply:

- i. A copy of the proposal shall be sent to the auditor proposed to be appointed or proposing to leave its post or the auditor which has left its post before notice of meeting is given to the shareholders. Leaving includes leaving by removal, resignation and retirement.
- ii. If the auditor leaving its post makes presentations in writing and requests the Company to notify such presentations to the shareholders, the Company shall (unless the presentations are received too late):
 - (1) in any notice of the resolution given to shareholders, state the fact of the presentations having been made; and
 - (2) attach a copy of the presentations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association.
- iii. If the auditor's presentations are not sent in accordance with the preceding paragraph, the relevant auditor may require that the presentations be read out at the shareholders' general meeting and may lodge further complaints.
- iv. An auditor which is leaving its post shall be entitled to attend:
 - (1) the shareholders' general meeting at which its term of office would otherwise have expired;

- (2) any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and
- (3) any shareholders' general meeting convened on its resignation.

An auditor which is leaving its post shall be entitled to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former auditor of the Company.

Resignation of auditor.

Where the auditor resigns, it shall state to the shareholders' general meeting whether there has been any impropriety on the part of the Company. Any auditor may resign by depositing at the Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

- i. a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or
- ii. a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days after receiving of such notice send a copy of the notice to the relevant governing authority. If the notice contains a statement under subparagraph (ii) of the preceding paragraph, the Company shall also send a copy of such statement to every Shareholder who is entitled to receive financial report of the Company.

Where the auditor's notice of resignation contains a statement of any circumstances which should be brought to the notice of the shareholders or creditors of the Company, the auditor may require the Board to convene a shareholders' extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

T. Settlement of Disputes

The Company shall follow the following dispute settlement rules:

- i. If any dispute or claim concerning the Company's business on the basis of rights and obligations provided in the Company's Articles, the PRC Company Law or other relevant laws or administrative regulations arises between a shareholder of overseas-listed foreign invested shares and the Company, between a shareholder of overseas-listed foreign invested shares and a director, supervisor, general manager or other senior management members of the Company, between a shareholder of overseas-listed foreign invested shares and a shareholder of Domestic Shares, or between the shareholder of overseas-listed foreign invested shares and a shareholder of the Unlisted Foreign Shares the parties concerned shall submit the dispute or claim for arbitration.

When a dispute or claim as described above is submitted for arbitration, such dispute or claim shall be in its entirety, and all persons, being the Company or the shareholder, director, supervisor, general manager or other senior management members of the Company, that have a cause of action due to the same facts or whose participation is necessary for the settlement of such dispute or claim shall abide by arbitration. Disputes concerning the definition of shareholders and the register of shareholders shall not be required to be settled by means of arbitration.

- ii. An arbitration applicant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. After the arbitration applicant submits the dispute or claim for arbitration, the arbitration shall be carried out in the arbitration institution selected by the applicant.

If the arbitration applicant opts for arbitration by the Hong Kong International Arbitration Center, either party may request arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center.

- iii. Unless otherwise provided by laws or administrative regulations, laws of the PRC shall apply to the settlement by means of arbitration of disputes or claims referred to in item (i) of this article.
- iv. The award of the arbitration institution shall be final and binding upon each party.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Predecessor was established in the PRC on February 13, 2003. Our Company was converted from a limited liability company into a joint stock company with limited liability on August 3, 2016. Our Company established a place of business and principal office in Hong Kong at 20/F, Alexandra House, 18 Chater Road, Central on March 1, 2017 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 11, 2017, with Mr. Wong Hok Leung appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the PRC under the PRC Company Law (a copy of which is available for inspection at our Company's principal office in Hong Kong), it operates subject to the laws and regulations of the PRC and to its constitution comprising the Articles (a copy of which is available for inspection at our Company's principal office in Hong Kong). A summary of certain relevant aspects of the laws and regulations of the PRC and various provisions of the Articles of our Company are set out, respectively, in Appendix IV and V to this prospectus.

2. Changes in the share capital of our Company

Our Predecessor was established on February 13, 2003 with an initial registered capital of RMB200 million. For details of the changes in the registered share capital of our Predecessor and our Company since our establishment, please see "*History, Development and Reorganization — Corporate History — Our Predecessor and our Company.*"

As of the Latest Practicable Date, our Company had a share capital of RMB400 million divided into 400,000,000 shares at a par value of RMB1.00. Jinma HK, our Controlling Shareholder, was interested in 162,000,000 Unlisted Foreign Shares, representing 40.5% of the share capital of our Company.

Immediately following completion of the Global Offering but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the issued share capital of our Company will be RMB533,334,000 divided into 533,334,000 Shares, all fully paid or credited as fully paid.

Save as disclosed above and in "*History, Development and Reorganization — Corporate History — Our Predecessor and our Company.*" in this prospectus, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus up to the Latest Practicable Date.

3. Changes in the share capital of our Company's subsidiaries

The principal subsidiaries of our Company are set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in “*History, Development and Reorganization*” of this prospectus, there are no changes in the share capital of our Company’s subsidiaries during the two years preceding the date of this prospectus.

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization to rationalize our Group’s structure in preparation for the listing of the Shares on the Stock Exchange. For further details, please see “*History, Development and Reorganization — The Reorganization.*”

5. Resolutions of the shareholders of our Company

Pursuant to the extraordinary general meetings of the shareholders of our Company held on January 17, 2017 and September 18, 2017, among other things, the following resolutions were passed by our Shareholders:

- (a) subject to the completion of the Global Offering, approving and adopting the Articles with effect from the Listing;
- (b) approving the issue of up to 133,334,000 H Shares (without taking into account the H Shares which may be issued upon any exercise of the Over-allotment Option) or up to 140,000,000 H Shares in total (assuming the Over-allotment Option is fully exercised) of nominal value of RMB 1.00 each and that such H Shares be listed on the Stock Exchange, and the issue price of the H Shares to be decided upon completion of the bookbuilding process for the Listing; and
- (c) authorizing the Board and the person(s) authorized by the Board to handle all relevant matters relating to the issue of H Shares and the Listing.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

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

- (a) an equity transfer agreement dated August 9, 2016 entered into between our Company and Jinrui Energy, pursuant to which our Company agreed to dispose of 100% interest in Jinrui Gas to Jinrui Energy for nil consideration;
- (b) an equity transfer agreement dated August 12, 2016 entered into between our Company and Jinma Xingye, pursuant to which our Company agreed to dispose of a 51% interest in Jinzheng E-commerce to Jinma Xingye for a consideration of RMB5,100,000;

- (c) an equity transfer agreement dated August 12, 2016 entered into between our Company and 濟源市金潤實業有限公司 (Jiyuan Jinrun Enterprise Co., Ltd.*), pursuant to which our Company agreed to dispose of a 19% interest in Jinzheng E-commerce to Jiyuan Jinrun Enterprise Co., Ltd. for a consideration of RMB1,900,000;
- (d) an equity transfer agreement dated August 12, 2016 entered into between our Company and Hao Pengfei (郝鵬飛), pursuant to which our Company agreed to dispose of a 10% interest in Jinzheng E-commerce to Hao Pengfei for a consideration of RMB1,000,000;
- (e) a confirmation letter dated August 16, 2016 entered into by our Company, Jinma Xingye, 濟源市金潤實業有限公司 (Jiyuan Jinrun Enterprise Co., Ltd.*) and Hao Pengfei (郝鵬飛) in connection with certain amendments (such as revising the amount of the relevant consideration to nil) to the equity transfer agreements set out in sub-paragraphs (b) to (d) above;
- (f) an equity transfer agreement dated September 28, 2016 entered into between our Company, Bohigh Chemical and 卡博特(中國)投資有限公司 (Cabot (China) Limited*), pursuant to which our Company agreed to acquire a 26% interest in Bohigh Chemical from Cabot (China) Limited for a consideration of RMB15,600,000;
- (g) an equity transfer agreement dated September 30, 2016 entered into between our Company and 上海華誼能源化工有限公司 (Shanghai Huayi Energy Chemicals Co., Ltd.*) (“**Huayi Energy**”), pursuant to which our Company agreed to acquire a 45% interest in Bohigh Chemical from Huayi Energy for a consideration of RMB27,000,000;
- (h) an equity transfer agreement dated November 29, 2016 entered into between our Company and Fangsheng Chemicals, pursuant to which our Company agreed to dispose of an 11.11% interest in Zhongyuan Yungong to Fangsheng Chemicals for a consideration of RMB557,188.108;
- (i) an equity transfer agreement dated December 22, 2016 entered into between our Company and the then 10 individual equity holders of Jinning Energy: Li Yan (李研), Wang Lijie (王利杰), Wang Mingzhong (王明忠), Li Tianxi (李天喜), Fan Jianguo (范建國), Li Haitao (李海濤), Kong Deming (孔德明), Ju Lixing (嵒理興), Li Guoxin (李國新) and Shi Jiahai (史家海), pursuant to which our Company agreed to acquire a 51% interest in Jinning Energy from the said 10 individuals for an aggregate consideration of RMB62,220,000, subject to certain adjustments;
- (j) a capital increase agreement dated December 12, 2016 entered into between our Company, 四川空分設備(集團)有限責任公司 (Sichuan Kongfen Equipment (Group) Co., Ltd.*) (“**Sichuan Kongfen**”), 鄭州福祥汽車銷售服務有限公司 (Zhengzhou Fuxiang Vehicle Sales Services Co., Ltd.*) (“**Zhengzhou Fuxiang**”) and Jinrui Energy, pursuant to which our Company, Sichuan Kongfen and Zhengzhou Fuxiang agreed to inject RMB20,000,000, RMB19,000,000 and RMB10,000,000, respectively, into the capital of Jinrui Energy and thereby increasing Jinrui Energy’s registered capital from RMB51,000,000 to RMB100,000,000;

- (k) a deed of indemnity dated September 18, 2017 executed by Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye in favor of our Company, details of which are set out in the paragraph headed “— *D. Other Information — 1. Indemnities*” in this Appendix;
- (l) a deed of non-competition undertaking dated September 18, 2017 entered into between Yiu Chiu Fai and our Company in respect of the non-competition undertaking given by Yiu Chiu Fai in favor of our Company, details of which are set out in the section headed “*Relationship with our Controlling Shareholder — Non-competition Undertaking*” in this prospectus;
- (m) a cornerstone investment agreement dated September 8, 2017 entered into between our Company, Risun Coal Chemicals Group Limited, the Sole Global Coordinator and the Sole Sponsor, pursuant to which Risun Coal Chemicals Group Limited has agreed to acquire at the Offer Price the number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) that may be purchased with US\$5 million, details of which are set out in the section headed “*Cornerstone Investor*” in this prospectus; and
- (n) the Hong Kong Underwriting Agreement.



2. Our intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks:

	<u>Trademark registration number</u>	<u>Trademark</u>	<u>Registered owner</u>	<u>Place of registration</u>	<u>Class</u>	<u>Expiry date</u>
1.	6782346		Our Company	PRC	1	September 27, 2020
2.	6786487		Our Company	PRC	4	February 20, 2022
3.	6782349		Our Company	PRC	1	March 13, 2021
4.	6782351		Our Company	PRC	4	April 20, 2021
5.	303965671	金馬能源 金馬能源	Our Company	Hong Kong	1, 4, 19	November 16, 2026
6.	303965662		Our Company	Hong Kong	1, 4, 19	November 16, 2026

As at the Latest Practicable Date, we had applied for registration of the following trademarks:

	<u>Trademark application number</u>	<u>Trademark</u>	<u>Applicant</u>	<u>Place of application</u>	<u>Class</u>	<u>Application date</u>
1.	22138463	 金馬能源 JINMA ENERGY	Our Company	PRC	1	December 5, 2016
2.	22138614	 金馬能源 JINMA ENERGY	Our Company	PRC	4	December 5, 2016

(b) *Domain names*

As at the Latest Practicable Date, we had registered the following domain names:

<u>Domain name</u>	<u>Registered owner</u>	<u>Date of registration</u>	<u>Expiry date</u>
hnjmny.com	Our Company	June 7, 2014	June 7, 2018
hnjmny.com.cn	Our Company	March 28, 2017	March 28, 2022

Save as disclosed above and in “*Business — Intellectual Property*”, there are no trademarks, patents or other intellectual property rights which are material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS**1. Service contracts**

Our Company has entered into a contract with each of the Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observance of the Articles of Association and provisions on arbitration. Except as disclosed above, our Company has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors’ and Supervisors’ remuneration

The aggregate amount of compensation (including fees, salaries, pension-defined contribution, allowances, benefits in kind and discretionary bonuses) which were paid to our Directors and Supervisors for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017 were approximately RMB644,000, RMB646,000, RMB643,000 and RMB215,000, respectively.

Save as disclosed in this prospectus, no other payments had been paid or are payable by any member of our Group to the Directors and Supervisors for the three years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017. Under the arrangements presently in force, we estimate the aggregate remuneration, excluding discretionary bonuses, of our Directors and Supervisors payable for the year ending December 31, 2017 will be approximately RMB930,000.

3. Disclosure of Directors' interests

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), based on the information available on the Latest Practicable Date, the interests or short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Long positions in the Shares of our Company

Name	Nature of interest	Class of securities	Number of Shares held ^(Note 1)	Immediately after the completion of the Global Offering (assuming no exercise of the Over-allotment Option)	
				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%	30.37%

Notes:

- The letter "L" denotes the person's long position in such Shares.
- As advised by the PRC Legal Advisers, holders of the Unlisted Foreign Shares will be treated as if they are in the same class as the holders of Domestic Shares upon completion of the Global Offering. The calculation is based on the total number of 400,000,000 Domestic Shares and Unlisted Foreign Shares in issue and 133,334,000 H Shares in issue immediately after completion of the Global Offering (without taking into account any H Shares that may be issued upon any exercise of Over-allotment Option).
- The calculation is based on the total number of 533,334,000 Shares in issue immediately after completion of the Global Offering (without taking into account any H Shares that may be issued upon any exercise of Over-allotment Option).
- Mr. Yiu Chiu Fai (an executive Director) is the legal and beneficial owner of the entire issued share capital of Golden Star. Golden Star, in turns, holds 96.3% of the issued share capital of Jinma Coking, and Jinma HK is wholly owned by Jinma Coking. Accordingly, Mr. Yiu is deemed to be interested in Jinma HK's interest in our Company by virtue of the SFO.

4. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons, not being Directors, Supervisors or chief executive of our Company, will have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of SFO, or, directly or indirectly, be 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 our Company.

Name	Nature of interest	Class of securities	Number of Shares held ^(Note 1)	Immediately after the completion of the Global Offering (assuming no exercise of the Over-allotment Option)	
				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)
Jinma HK	Beneficial owner	Domestic Shares	162,000,000 (L)	40.50%	30.37%
Jinma Coking	Interest in a controlled corporation ^(Note 4)	Domestic Shares	162,000,000 (L)	40.50%	30.37%
Golden Star	Interest in a controlled corporation ^(Note 5)	Domestic Shares	162,000,000 (L)	40.50%	30.37%
Ms. Lam Yuk Wai (林育慧)	Interest of spouse ^(Note 6)	Domestic Shares	162,000,000 (L)	40.50%	30.37%
Maanshan Steel	Beneficial owner	Domestic Shares	144,000,000 (L)	36.00%	27.00%
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%	27.00%
Jiangxi PXSteel	Beneficial owner	Domestic Shares	54,000,000 (L)	13.50%	10.12%

Name	Nature of interest	Class of securities	Number of Shares held ^(Note 1)	Immediately after the completion of the Global Offering (assuming no exercise of the Over-allotment Option)	
				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)
遼寧方大集團實業有限公司 (Liaoning Fangda Group Industrial Co., Ltd.)	Interest in a controlled corporation ^(Note 8)	Domestic Shares	54,000,000 (L)	13.50%	10.12%
北京方大國際實業投資有限公司 (Beijing Fangda International Enterprise Investment Co., Ltd.)	Interest in a controlled corporation ^(Note 9)	Domestic Shares	54,000,000 (L)	13.50%	10.12%
Mr. Fang Wei (方威)	Interest in a controlled corporation ^(Note 10)	Domestic Shares	54,000,000 (L)	13.50%	10.12%
Jinma Xingye	Beneficial owner	Domestic Shares	40,000,000 (L)	10.00%	7.50%
Mr. Wang Lijie (王利杰)	Interest in a controlled corporation ^(Note 11)	Domestic Shares	40,000,000 (L)	10.00%	7.50%
Ms. Zheng Jing (鄭菁)	Interest of spouse ^(Note 12)	Domestic Shares	40,000,000 (L)	10.00%	7.50%

Notes:

- The letter “L” denotes the entity’s/person’s long position in such Shares.
- As advised by the PRC Legal Advisers, holders of the Unlisted Foreign Shares will be treated as if they are in the same class as the holders of Domestic Shares upon completion of the Global Offering. The calculation is based on the total number of 400,000,000 Domestic Shares and Unlisted Foreign Shares in issue and 133,334,000 H Shares in issue immediately after completion of the Global Offering (without taking into account any H Shares that may be issued upon any exercise of Over-allotment Option).
- The calculation is based on the total number of 533,334,000 Shares in issue immediately after completion of the Global Offering (without taking into account any H Shares that may be issued upon any exercise of Over-allotment Option).
- Jinma HK is wholly owned by Jinma Coking. Accordingly, Jinma Coking is deemed to be interested in Jinma HK’s interest in our Company by virtue of the SFO.
- Jinma Coking is held as to 96.3% by Golden Star. Accordingly, Golden Star is deemed to be interested in Jinma Coking’s, and in turn, Jinma HK’s interest in our Company by virtue of the SFO.
- Ms. Lam Yuk Wai (林育慧) 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 our Company by virtue of the SFO.
8. As per their confirmations, while 遼寧方大集團實業有限公司 (Liaoning Fangda Group Industrial Co., Ltd.) ("**Liaoning Fangda**") is directly and indirectly interested in approximately 29.91% of Jiangxi PXSteel, Liaoning Fangda is the holding company of Jiangxi PXSteel. Accordingly, Liaoning Fangda is deemed to be interested in Jiangxi PXSteel's interest in our Company by virtue of the SFO.
9. 北京方大國際實業投資有限公司 (Beijing Fangda International Enterprise Investment Co., Ltd.) ("**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 our 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 our 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 our 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.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors, Supervisors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any of our Directors of our Company, no person has an interest or short position in the Shares and underlying shares of our Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is 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 our Group;
- (c) none of our Directors or Supervisors nor any of the persons listed in "*— D. Other Information — 8. Qualifications and consents of experts*" below is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (d) none of our Directors or the persons listed in “— *D. Other Information — 8. Qualifications and consents of experts*” below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) none of the persons listed in “— *D. Other Information — 8. Qualifications and consents of experts*” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors or their associates or any shareholder of our Company (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers of our Group.

D. OTHER INFORMATION

1. Indemnities

Each of Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye (the “**Indemnifiers**”) has, pursuant to the Deed of Indemnity dated September 18, 2017 referred to in “— *B. Further Information About Our Business — 1. Summary of material contracts,*” given indemnity, on a several basis, in favor of our Group from and against, among other things:

- (a) any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date; and
- (b) any claims, costs, expenses, fines, penalties, liabilities and losses which any member of our Group may suffer as a result (whether directly or indirectly) of or in connection with any member of our Group’s non-compliance with, or breach or violation of any applicable PRC laws, rules and/or regulations on or before the Listing Date, including but not limited to the non-compliance incidents during the Track Record Period as detailed in “*Business — Regulatory Compliance*” of this prospectus,

provided that, the Indemnifiers will, however, not be liable for any such liabilities or claim:

- (i) to the extent that such liability or claim arises or is incurred as a result of any retrospective change in law or the interpretation or practice by the relevant authority or retrospective increase in tax rates coming into force on or after the Listing Date;
- (ii) to the extent that provision has been made for such liability or claim in the audited accounts of any member of our Group for any accounting period up to April 30, 2017;
- (iii) for any liability which would not have arisen but for any act, transaction, omission of or transactions voluntarily effected by any member of our Group (other than pursuant to a legally binding commitment created before the Listing Date) on or after the Listing Date and otherwise than carried out in the ordinary course of business after the Listing Date; or

- (iv) to the extent that the liability or claim is caused by the act or omission of, or transaction voluntarily effected by, any members of our Group which are carried out or effected in the ordinary course of business after April 30, 2017.

2. Estate duty

Our Directors have been advised that, under the PRC law no material liability for estate duty is likely to fall on any member of our Group in the PRC, being the jurisdiction in which the companies comprising our Group are incorporated.

3. Litigation

Save as disclosed in “*Business — Legal Proceedings*” in this prospectus, as of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sponsor

The Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sponsor’s fees in connection with the Global Offering are approximately HK\$5 million.

The Sponsor has made an application on our Company’s behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our H Shares (including any Offer Shares which may be issued upon the exercise of the Over-allotment Option). All necessary arrangements have been made for the H Shares to be admitted into CCASS.

5. Preliminary expenses

Our estimated preliminary expenses were approximately RMB1.8 million and were paid by our Company.

6. No material adverse change

Saved as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our financial or trading position since April 30, 2017 (being the date on which the latest audited consolidated financial information of our Group was prepared).

7. Promoter

Our Promoters are Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
Haitong International Capital Limited	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity
Deloitte Touche Tohmatsu	Certified public accountants
EY Chen & Co. Law Firm	Qualified PRC lawyers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Each of the experts named above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinions and/or the references to its name included herein in the form and context in which it is respectively included.

9. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and

- (v) no commission has been paid or payable for subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of its subsidiaries;
- (b) there has not been any interruption in our business which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (c) there is no arrangement under which future dividends have been waived;
- (d) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (e) this prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the Application Forms, (ii) the written consents referred to in the paragraph headed “*D. Other Information — 8. Qualifications and consents of experts*” in Appendix VI to this prospectus, and (iii) copies of the material contracts referred to in the paragraph headed “*B. Further Information about Our Business — 1. Summary of material contracts*” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Reed Smith Richards Butler at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date that is 14 days from the date of this prospectus:

- (a) the Articles;
- (b) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for each of the three financial years ended December 31, 2016 and the four months ended April 30, 2017;
- (d) the report in relation to the unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) copies of the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations;
- (f) the PRC legal opinions prepared by EY Chen & Co. Law Firm, our legal advisors on PRC law, in respect of certain aspects of our Group and the property interests of our Group;
- (g) the market research report prepared by Frost & Sullivan referred to in the section headed “*Industry Overview*” of this prospectus;
- (h) the material contracts referred to in the paragraph headed “*B. Further Information about Our Business — 1. Summary of material contracts*” in Appendix VI to this prospectus;
- (i) the contracts with each of the Directors referred to in the paragraph headed “*C. Further Information about Our Directors, Supervisors and Substantial Shareholders — 1. Service contracts*” in Appendix VI to this prospectus; and
- (j) the written consents referred to in the paragraph headed “*D. Other Information — 8. Qualifications and consents of experts*” in Appendix VI to this prospectus.



河南金馬能源股份有限公司
HENAN JINMA ENERGY COMPANY LIMITED



集中精力抓安全 集中智慧

煤化工
HENAN JINMA ENERGY

安全管理务实
创安全环保精品