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

2018 Annual Report

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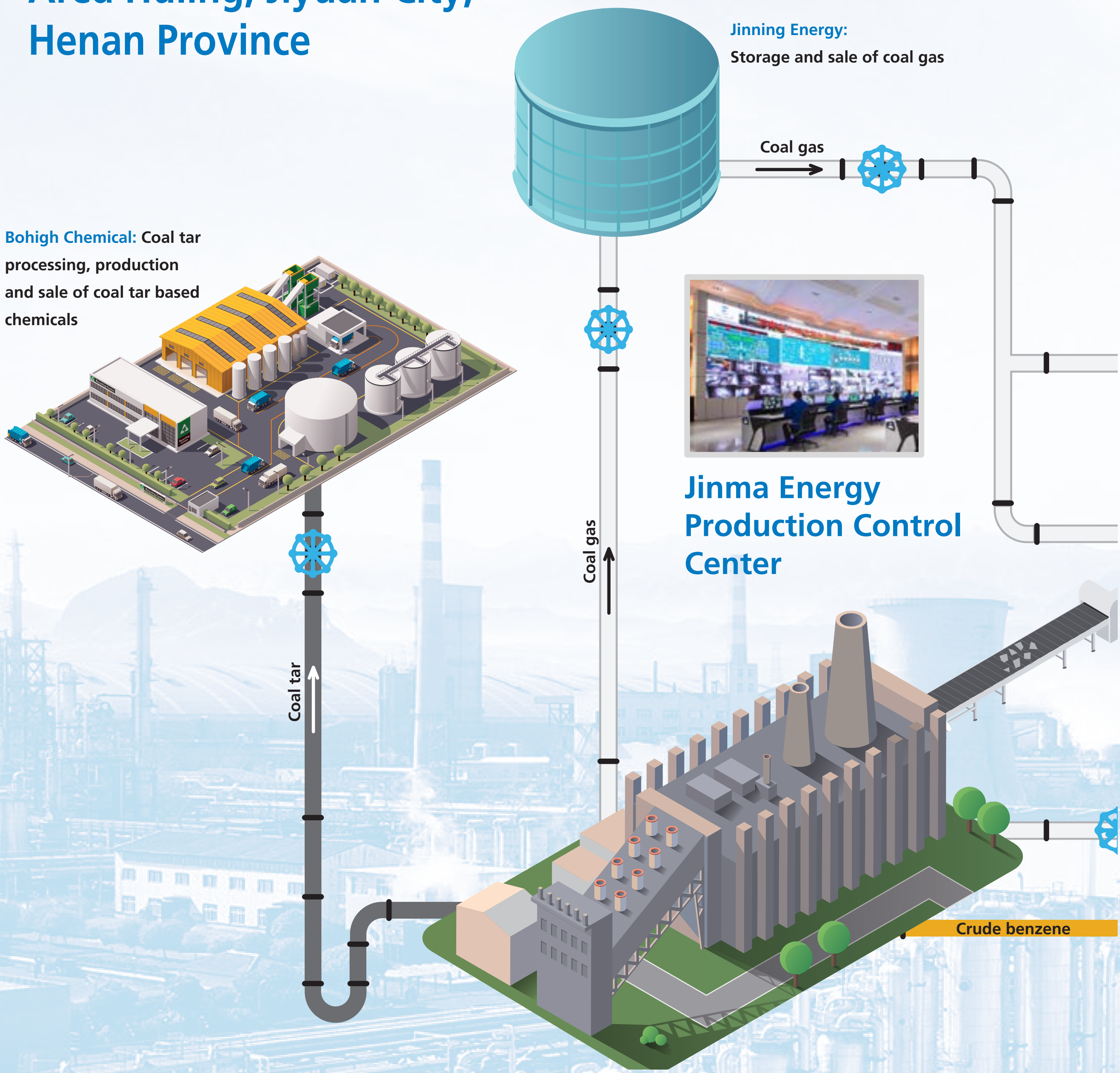
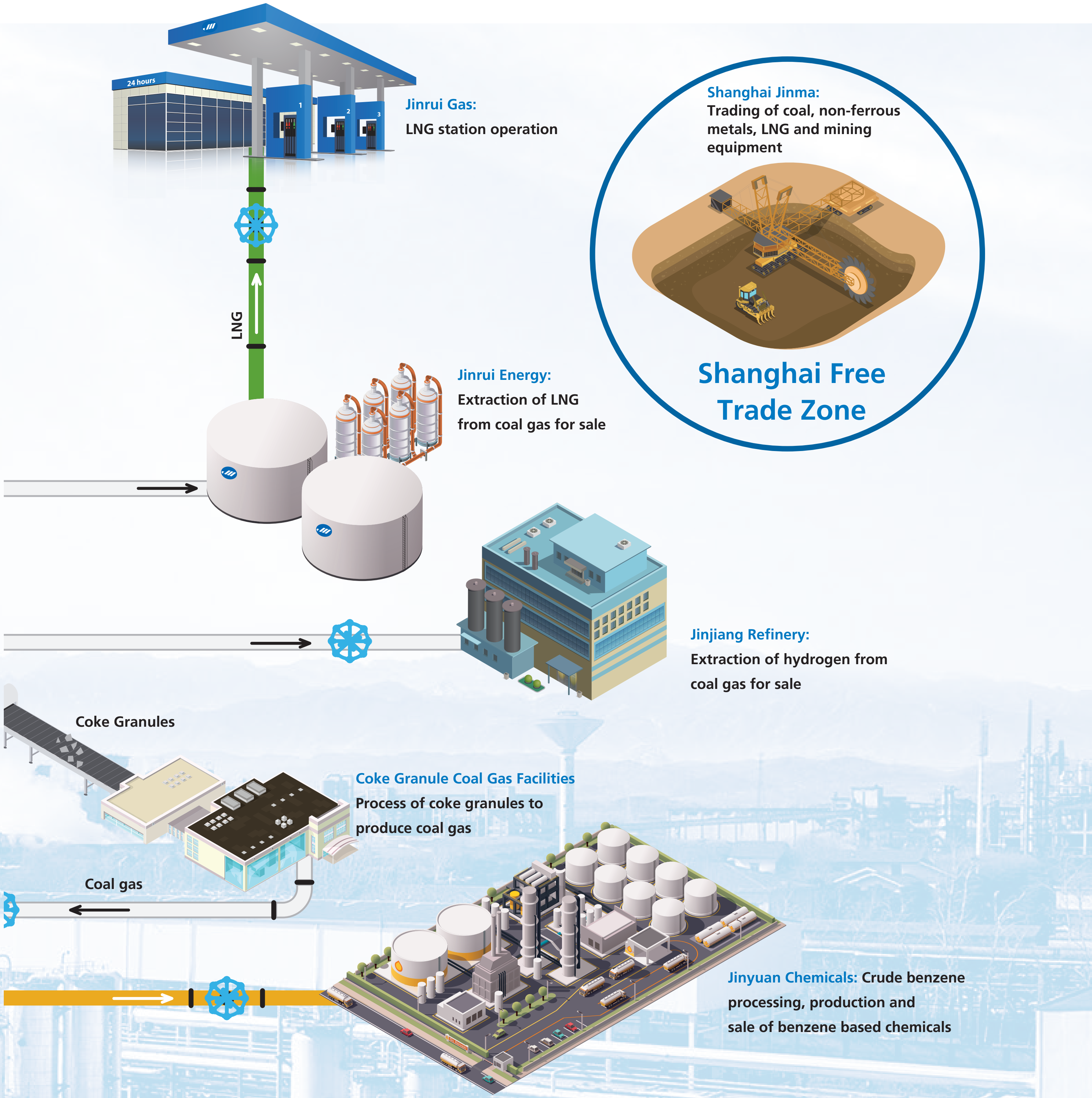
Chemical Industry Park, Industry Centralization Area Huling, Jiyuan City, Henan Province



Jinma Energy: Coking of coal, production and sale of coke, production of coking by-products (crude benzene, coal tar and coal gas) for further processing and sale by Group Companies


24 hours
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Shanghai Free Trade Zone
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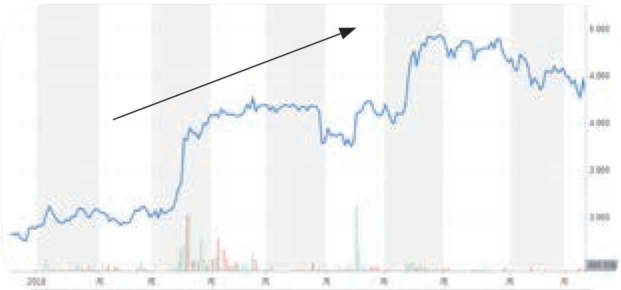
MILESTONES

Henan Jinma Energy Company Limited



Increase of Share Price the First year After Listing

On 10 October 2018, the first anniversary of the listing of the Company's H shares, the share price closed at HK$4.46 which was substantially higher than the share issue price. Subsequently, the share price rose steadily. The share price closed at HK$4.92 on 18 March 2019, rose 64% as compared with the share issue price of HK$3.

Corporate Accolades

In 2018, the Company was again recognized as one of Henan Top 100 Private Enterprises (河南民營企業100強) as well as, Henan Top 100 Private Enterprises in the Manufacturing Industry (河南民營企業製造業100強); and honored as the 6th of Henan Top 100 Private Enterprises Fulfilling Social Responsibilities (河南民營企業社會責任100強). These recognisations, the enterprises's efforts in technology innovation, caring for employees, public charity, environmental protection, etc, have drawn accolades from its sector and the community.

Named as the Smart Factory in Henan Province

The Group has been actively developing itself into a smart and green medium-to-high end enterprise. In October 2018, the Group was named the Smart Factory in Henan Province for 2018 by the Department of Industry and Information Technology of Henan Province. The Group's Jinma Energy Production Control Center has enjoyed the convenience and efficiency from smart production control and energy management in adopting the new trends of development in energy technology. Accordingly, it has enhanced the overall utilization of resources, maximized the value of resources and optimized the positive effects to the environment.

Full Commencement of Liquefied Natural Gas (LNG) Production Facilities

To match the policy of new clean energy actively promoted by the State, the Company commenced construction of the LNG production facilities with a total investment of approximately RMB342.0 million in the first quarter of 2017. The facilities commenced full production and sales in the third quarter of 2018, with an annual production capacity of approximately 123.0 million m^3.

Coke Granule Coal Gas Facilities

The Company commenced construction of coke granule coal gas facilities in August 2017 to ensure sufficient coal gas supply for the production of LNG, with total investment of approximately RMB174.5 million. The facilities will fully commence operation in mid 2019, providing approximately 300.0 million m^3 of coal gas required for LNG production annually.

The Production Capacity Expansion Plan for Benzene Based Chemicals

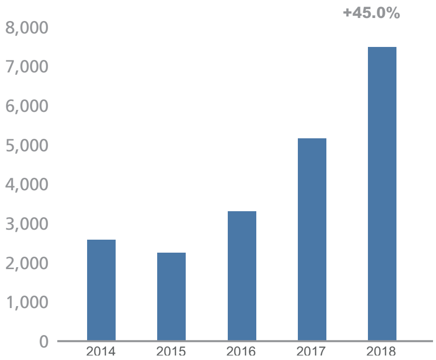
The Company invested RMB38.0 million in expanding the crude benzene processing capacity of Jinyuan Chemicals from 120,000 tons to 200,000 tons. This project will be at full production in the third quarter of 2019.

FIVE YEAR FINANCIAL HIGHLIGHTS

Revenue

For the year ended 31 December

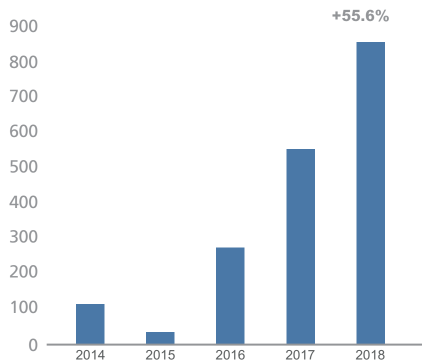
RMB million RMB**7,451.8**million



Profit

For the year ended 31 December

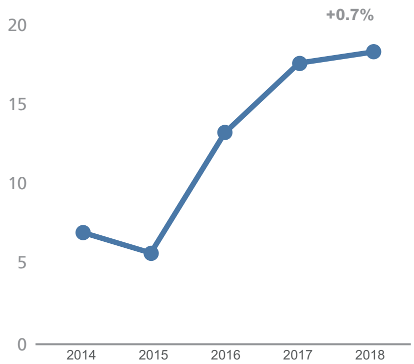
RMB million RMB**852.2**million



Gross profit margin

For the year ended 31 December

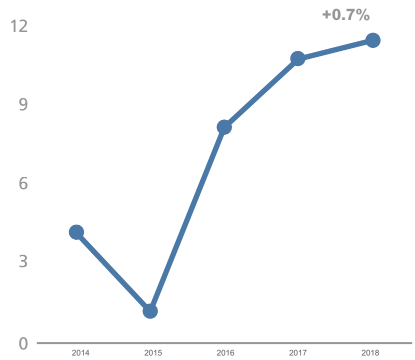
% **18.3%**



Net profit margin

For the year ended 31 December

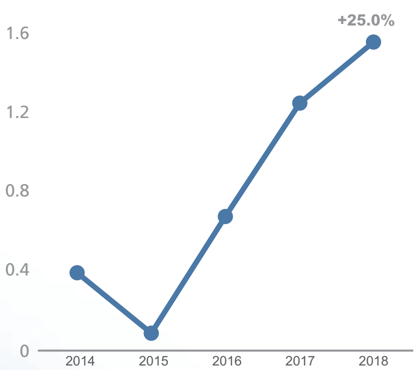
% **11.4%**



Basic earnings per share

For the year ended 31 December

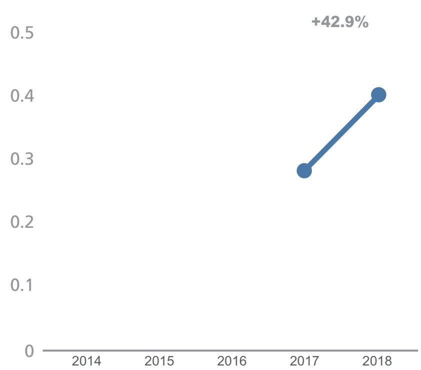
RMB RMB**1.55**



Dividend per share

For the year ended 31 December

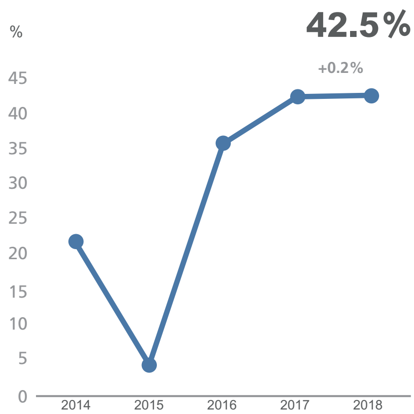
RMB RMB**0.40**per share



Note: The above figure shows the dividend distribution of the Company after its listing in 2017, and the 2018 dividends included paid interim and final dividend recommended by the Board .

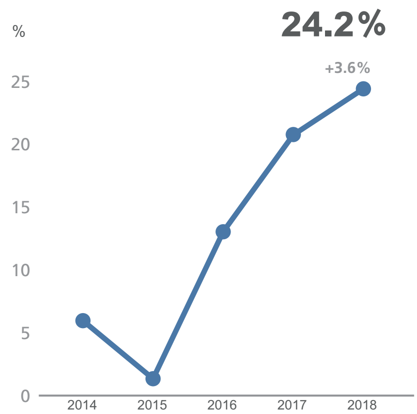
Return on equity

For the year ended 31 December



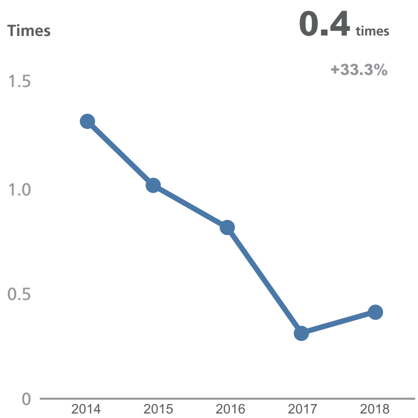
Return on assets

For the year ended 31 December



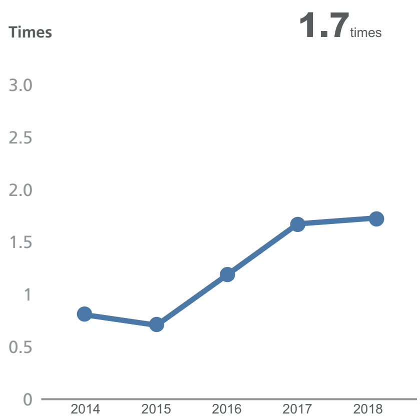
Gearing ratio

For the year ended 31 December



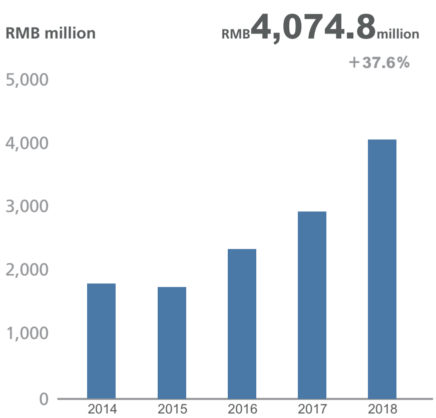
Current ratio

For the year ended 31 December



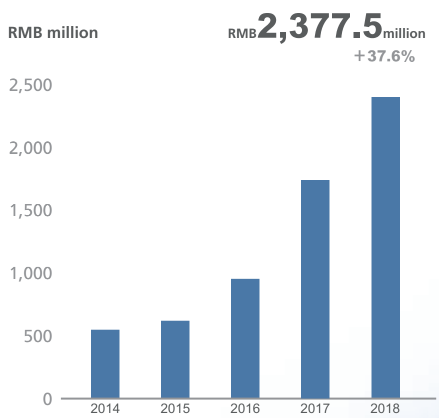
Total assets

As at 31 December



Total equity

As at 31 December



CHAIRMAN'S STATEMENT

"I am pleased to present the annual results of Jinma Energy Group for 2018, the second year after the listing of the Group.

The year 2018 was both a turbulent and fruitful year. Economic performance was uncertain due to the China-US trade dispute and the instability in international politics. However, with the State's stabilization policy, the demand from customers for the Group's products remained stable. Meanwhile, the stringent enforcement of environment protection policies by the government helped maintain the prices of products of the Group at a relatively high level on average. With the favorable influence from both supply and demand factors, the profit of the Group achieved a record high reaching RMB852.2 million, representing a growth of 55.6% over 2017."

Overall, the Group achieved a number of major developments in 2018 which are summarized as follows:

- Under the leadership of our senior management and the joint efforts of all our employees, the major businesses of each company of the Group maintained the results of full production and full sales.

  Revenue recorded RMB7,451.8 million, representing a growth of 45.0% over 2017, of which, the sales of energy products increased by 52.4% to RMB360.2 million and the revenue of trading business increased significantly by 487.5% to RMB1,568.0 million.

  Gross profit margin increased to 18.3% from 17.6% in 2017.

  Earnings per share increased by RMB0.31 to RMB1.55 from RMB1.24 in 2017.

  Return on equity increased to 42.5% from 42.3% in 2017.

- In respect of business operations, the production and construction team of the Company maintained its consistently strong execution capability.

The LNG production facilities with a total investment of RMB342.0 million began operation in March of the year as scheduled after construction for over a year, and commenced overall production and sale in the third quarter. The coke granule coal gas facilities, at a total investment of RMB174.5 million, aimed to provide coal gas to enable the LNG facility to reach full production capacity, was approximately 80% completed by the end of 2018. Therefore, it is estimated that the LNG production facilities can operate at 100% capacity in mid 2019, producing approximately 123 million m^3 of LNG for sale.

In respect of environmental protection facilities, the coke oven coal gas desulfurization and denitrification modification project with a total investment of RMB48.6 million, which began construction in 2018, was close to completion at the end of the year. It is now in use and facilitates the coke production of the Group in reaching the ultra-low emission standard, effectively reducing the payment of environmental resources tax newly imposed in 2018.

The real-time production control center, which began construction by end of 2017, commenced operation in 2018 and was recognized as the "2018 Smart Factory in Henan Province" by the Commission of Industry and Information Technology of Henan Province in October of the same year. This center illustrates the ease and efficiency of smart production control and energy management, and enhances the integrated resources utilization rate for the achiement of value maximization of resources and optimization of environmental benefit.

Looking ahead, the continuous infrastructure construction in China will lead to a steady demand for coke in the steel industry. The Group will actively expand its vertical integrated business in the coking chemical value chain of the coal chemical industry. In January 2019, the Company issued an announcement to inform that it will establish a joint venture company by contributing approximately RMB1,145 million and the Company will hold 51% interest in the equity of the joint venture. Its business includes a focus on projects and opportunities in the coking chemical value chain. Subject to the approval of the shareholders of the Company at the extraordinary general meeting on 1 April this year, the Company will complete the registration of the joint venture company in Shenzhen and start to seek investment opportunities.

In view of our satisfactory results, I am pleased to announce that the Board of Jinma Energy recommended the payment of a final dividend of RMB0.35 per share to the shareholders of the Company according to the dividend policy formulated by the Company. Together with the interim dividend distributed, the dividend for the whole year amounts to RMB0.40 in 2018.

In summary, our Group will build on the Board's visionary leadership, management's strong execution capability, stringent corporate governance and abundant financial resources, and together with the support of shareholders and partners, to bring a long-term and stable development for the Group.

Finally, I would like to take this opportunity to thank all the Group's employees, shareholders and business partners for their continuous support to Jinma Energy Group.

Yiu Chiu Fai
Chairman

18 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a leading coke producer and processor of coking by-products in the coking chemical industry in Henan province. The Group operates a vertically integrated business model along the coking chemical value chain from coke production to the processing of coking by-products into refined chemicals and energy products. The Group's vertically integrated business model enables the Group to maximize the value of the Group's coking by-products, thereby allowing the Group to achieve a high recovery and re-utilization business model.

Capitalizing on the Group's years of operations in the coking chemical industry and the Group's long-term relationships with coal suppliers, the Group also engages in the trading of coal, coal mining equipments, nonferrous materials and natural gas mainly through the Group's trading company. As a continuing effort in extending the Group's vertical integration business model and expanding the Group's product portfolio along the coking chemical value chain, the Group commenced operation of its LNG production facilities in the first quarter of 2018 and fully launched the production and sale in the third quarter.

In 2018, the Group's revenue was mainly generated from the following major business segments:

- **Coke:** which involves the production and sale of coke;
- **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 coke oven crude gas into coal gas , extraction of LNG from coal gas and sale of coal gas and LNG; and
- **Trading:** which mainly involves the trading of coal and nonferrous materials.

The Group's revenue for the years ended 31 December 2018 and 2017 was approximately RMB7,451.8 million and RMB5,137.7 million respectively, representing an increase of approximately 45.0% (2017: 55.8%).

The Group's gross profit for the years ended 31 December 2018 and 2017 was approximately RMB1,361.4 million and RMB904.8 million respectively, representing an increase of approximately 50.5% (2017: 107.9%).

The Group's profit for the years ended 31 December 2018 and 2017 was approximately RMB852.2 million and RMB547.8 million respectively, representing an increase of approximately 55.6% (2017: 105.3%).

The Group's gross profit margin for the years ended 31 December 2018 and 2017 was approximately 18.3% and 17.6% respectively. The Group's net profit margin for the corresponding period was approximately 11.4% and 10.7% respectively.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE GROUP

The Group's results of operations are affected by a number of factors. Set forth below is a discussion of the most significant factors that may affect the Group's results of operations.

General Economic Conditions and the Demand in Downstream Industries

The Group sells all its products in the PRC. General economic conditions of the PRC affect the market prices and demands for the Group's products, as well as the prices of coal, the primary raw material for the production of the Group's coke, refined chemicals and energy products. During economic downturns, the average selling prices of the Group's products may decrease and the Group may need to adjust the Group's purchase and sale strategies to adapt to such conditions, such as reducing the Group's purchase of raw materials or engaging in more financing activities to increase the Group's working capital. The Group's trading activities may also decrease during economic downturns. When economic conditions recover, the Group may increase the selling prices of the Group's products along with the increase in market demands and raw material prices. In addition, the Group may increase the Group's prepayments for raw materials in order to secure raw material supplies. The Group's trading activities may also increase as the demands for coal, coal mining equipment, nonferrous materials and natural gas increase when economic conditions recover. The market price for the Group's coke recovered substantially in 2016 and continued to increase from 2017 to 2018. The Group's results of operations, working capital position, as well as operating cash flows changed correspondingly as a result.

Sale of the Group's products of coke and refined chemical depend primarily on the domestic consumption of such products 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 various downstream industries such as rubber, textiles and pharmaceutical industries. Coking refined chemicals are often taken as cost-competitive substitutes for petroleum-based refined chemicals in China as it has rich coal resources, the price of which is relatively cheaper than petroleum resources. Therefore, the demand and pricing for the Group's refined chemicals are also affected by the petroleum price and the development in the petrochemical industry.

Prices of the Group's Raw Materials and Products

The Group is exposed to movements in the market prices of the Group's products and coal, as well as changes in the spread between those prices. The Group generally sells the Group's products based on the prevailing market prices in the regions where the Group sells its products, by reference to various other factors applicable to individual customers. Market forces of supply and demand generally determine the pricing of the Group's products. Historically, market prices for coke and its refined chemicals have fluctuated as a result of alternating periods of increase and decrease in demand. The prices of the Group's products are affected by a number of factors including:

- supply of and demand for the Group's products, which is mainly affected by (i) the PRC laws, regulations and policies affecting the coal, coking and iron and steel industries, (ii) the demands in the iron, steel and chemical industries and (iii) the PRC domestic as well as global economic cycles;
- price of coal, the Group's principal raw material, which is affected by the supply of and demand for coal and subject to the PRC domestic as well as global economic cycles;
- the Group's product characteristics and quality (as different types of coke command different prices in the market);
- prices of chemicals in the international market; and
- the Group's transportation costs, the availability of transportation capacity and means of transportation.

In addition, as most of the Group's refined chemicals, such as pure benzene, toluene, coal asphalt and industrial naphthalene, can be produced from both coking by-products and petroleum, prices of the Group's products are also affected by the fluctuations in petroleum prices. Historically, when petroleum price went down, the prices of the Group's products usually decreased.

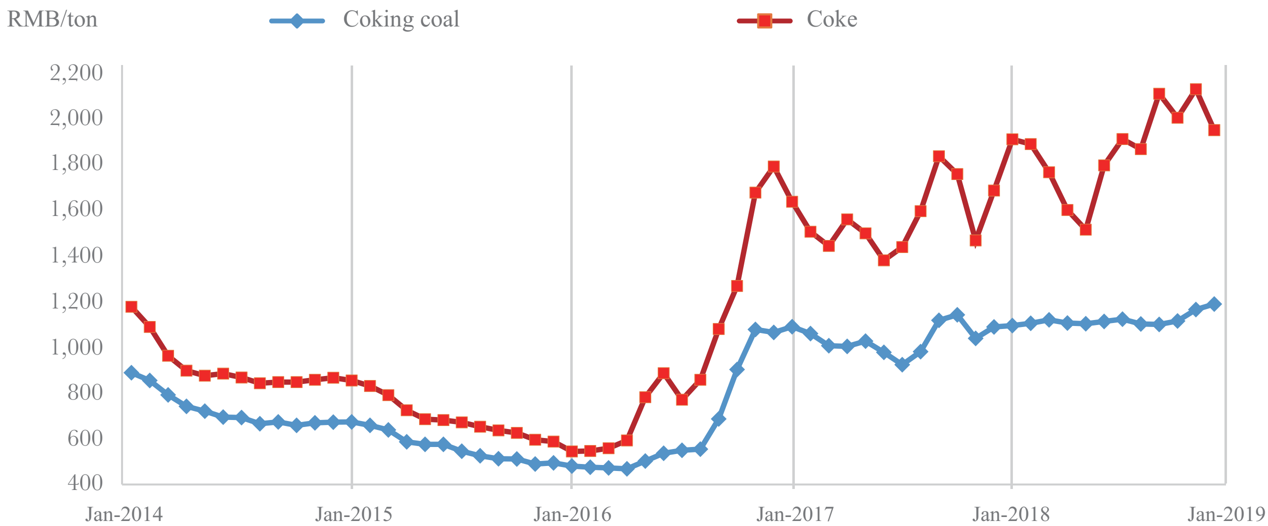
The following table sets forth the average selling price (net of VAT) of each of the Group's principal products during 2018 and 2017 according to the Group's internal records.

	Year ended 31 December	
	2018 Average selling price[(1)]	2017 Average selling price[(1)]
	RMB/ton (except coal gas in RMB/m^3)	RMB/ton (except coal gas in RMB/m^3)
Coke	**1,842.1**	1,542.6
Coke	**1,937.1**	1,608.7
Coke breeze	**1,062.0**	930.6
Refined Chemicals		
Benzene based chemicals	**5,400.0**	5,324.0
Pure benzene	**5,667.9**	5,790.9
Toluene	**5,102.8**	4,552.3
Coal tar based chemicals	**3,389.0**	2,892.7
Coal asphalt	**3,458.9**	3,099.6
Anthracene oil	**2,916.3**	2,392.9
Industrial naphthalene	**4,300.7**	3,300.3
Energy Products		
Coal gas	**0.69**	0.65

(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 prices of relevant products in the segment or category, respectively), after intra-group elimination.

Coal is the primary raw material for the Group's products. Coal prices affect the Group's raw material costs and are also one of the factors which affect the prices of the Group's products. The Group does not normally enter into long-term fixed-price purchase contracts with the Group's suppliers. The Group purchases coal based on the Group's production schedule. The purchase price is agreed between the Group and the suppliers based on arm's-length negotiation with reference to prevailing market prices at the time the Group places the orders. The supply of coal is also another factor affecting the results of the Group's operations. Tightened environmental protection regulations or an increase in 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 push the price of coal, which in turn will increase the costs of operating the Group's business.

Increases or decreases in the prices of coal may not immediately result in changes in the prices of the Group's products or vice versa. In a rising market for the Group's products, the Group may benefit from the widening spread between the prices of raw materials and the Group's products. While in a falling market for the Group's products, the Group may suffer from the narrowing spread. Following the second half of 2016 when the price spread between the Group's purchase of coal and sale of coke widened, the spread continued to expand in 2017 and sustained in 2018, thus significantly benefiting the Group's profitability. The following chart shows the average purchase price of coking coal and the average selling price of coke (net of VAT) from 2014 to 2018 according to the Group's internal records:



The Group believes that the prevailing market prices of coal and the Group's products are generally driven by market forces of supply and demand. Since the Group sells the Group's products and procure the Group's 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. The Group believes the Group is generally able to negotiate the prices of the Group's products and raw materials taking into account market price fluctuations.

Production Capacity and Sales Volume

The fluctuations of the Group's results of operations were mainly driven by the changes in the average selling price of the Group's products and the average purchase price of coal, while the sales volume of the Group's products was mainly determined by the Group's production capacity. In recent years, the Group operated at nearly full production capacity and full sales. In the year 2018, the capacity Group's production capacity for coke was approximately 2.1 million tons (on a moist-free basis) per annum, and the Group's processing capacity for crude benzene and coal tar was approximately 120,000 tons and 180,000 tons per annum, respectively. At the same time, the Group's production capacity for coal gas was approximately 1,000 million m^3 per annum, for self use, sales and production of natural gas. For the year 2018 and 2017, the Group has sold approximately 2.2 million tons of coke (on a moist basis) each year. The Group commenced operation of its LNG production facilities in the first quarter of 2018, fully launched the production and sale in the third quarter, and expects that such production facilities can achieve an annual production capacity of approximately 123.0 million m^3 of LNG.

Access to and Cost of Financing

In addition to cash generated from the Group's operations, the Group financed the Group's operations and capital expenditures primarily through bank and financial institution borrowings during the period. The Group's interest-bearing borrowings for the years ended 31 December 2018 and 2017 were approximately RMB833.6 million and RMB567.0 million, respectively. The Group's finance costs for the years ended 31 December 2018 and 2017 were approximately RMB48.3 million and RMB50.8 million, respectively, accounting for approximately 0.6% and 1.0% of the Group's total revenue for the respective periods. The increased borrowings at the end of 2018 relative to end of 2017 aims to enhance liquidity and provide reserve for future development of the Company. The finance cost decreased as compared to that during the corresponding period mainly due to the significant decrease in finance leasing and discounted bills interests, while these are no handling fee incurred in 2018 resulting from the earthly repayment of the finance lease borrowing in 2017. The Group's ability to pay the interest incurred with respect to the borrowings, or repay or refinance the Group's borrowings could have an impact on the financial position and operation results of the Group.

RESULTS OF OPERATIONS

Consolidated Statements of Profit or Loss and Other Comprehensive Income

Below is the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Group which shall be read in conjunction with its condensed consolidated financial information.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**7,451,793**	5,137,652
Cost of sales	**(6,090,402)**	(4,232,808)
Gross profit	**1,361,391**	904,844
Other income	**8,883**	6,885
Other gains and losses	**(898)**	(8,964)
Impairment losses, net of reversal	**(12,513)**	–
Selling and distribution expenses	**(83,008)**	(35,111)
Administrative expenses	**(93,465)**	(65,419)
Finance costs	**(48,300)**	(50,799)
Listing expenses	**–**	(15,930)
Share of result in a joint venture	**4,614**	3,418
Share of result in an associate	**(192)**	(77)
Profit before tax	**1,136,512**	738,847
Income tax expense	**(284,280)**	(191,011)
Profit for the year	**852,232**	547,836
Other comprehensive expense	**(1,884)**	–
Total comprehensive income	**850,348**	547,836
Profit for the year attributable to:		
– Owners of the Company	**832,408**	532,330
– Non-controlling interests	**19,824**	15,506
	852,232	547,836
Total comprehensive income attributable to:		
– Owners of the Company	**830,524**	532,330
– Non-controlling interests	**19,824**	15,506
Earnings per share (RMB)		
– Basic	**1.55**	1.24

Consolidated Financial Information

- **Revenue and gross profit margin**

  The Group's revenue increased by approximately RMB2,314.1 million or approximately 45.0% from approximately RMB5,137.7 million in 2017 to approximately RMB7,451.8 million in 2018. The increase was primarily due to the increase in revenue as a result of the rising prices and trading volume of coke, refined chemicals and energy products in 2018.

- **Cost of Sales**

  Cost of sales increased by approximately RMB1,857.6 million or approximately 43.9% from approximately RMB4,232.8 million in 2017 to approximately RMB6,090.4 million in 2018. This was mainly due to the increase in the cost of raw materials for manufacturing segments, mainly coal, crude benzene and coal tar.

  The Group's direct labor cost increased from approximately RMB70.9 million in 2017 to approximately RMB86.7 million in 2018, which was primarily because of the increase in total staff number of the Group as well as the increase in distribution of performance-based bonus to employees in light of the Group's improving business performance and salary increment. The Group's manufacturing overhead increased from approximately RMB203.1 million in 2017 to approximately RMB239.5 million in 2018.

  The Group's gross profit increased by approximately RMB456.6 million or approximately 50.5% from approximately RMB904.8 million in 2017 to approximately RMB1,361.4 million in 2018. The Group's gross profit margin increased from approximately 17.6% in 2017 to approximately 18.3% in 2018.

- **Other Income**

  Other income increased by approximately RMB2.0 million or approximately 29.0% from approximately RMB6.9 million in 2017 to approximately RMB8.9 million in 2018. The increase was mainly due to the increase in the average balance of bank deposits in 2018. Meanwhile, the daily balance of bank deposit during 2017 received a demand deposit interest rate of 0.35%, while, the daily balance of bank deposit during 2018 received an agreed deposit interest rate ranging from 0.35% to 3.1%, therefore, the bank deposit income recorded a substantial increase.

- **Other gains and Losses**

  Other gains and losses decreased by approximately RMB8.1 million or approximately 90.0% from approximately RMB9.0 million in 2017 to approximately RMB0.9 million in 2018. The decrease was mainly due to the increase in investment revenue of financial assets of RMB6.3 million.

- **Impairment losses, net of reversal**

  Impairment losses, net of reversal mainly represented the provision of expected credit loss of receivables as required by the accounting standard IFRS 9 which came into effect during the year ended 31 December 2018.

- **Selling and Distribution Expenses**

  Selling and distribution expenses increased by approximately RMB47.9 million or approximately 136.5% from approximately RMB35.1 million in 2017 to approximately RMB83.0 million in 2018. The increase was primarily due to transportation expenses of certain coke sale were transferred to the Group and which also reflected in increase in selling price.

- **Administrative Expenses**

  Administrative expenses increased by approximately RMB28.1 million or approximately 43.0% from approximately RMB65.4 million in 2017 to approximately RMB93.5 million in 2018. The increase was primarily due to (i) the increase of employees' salaries and the remuneration paid to independent Directors and external Supervisors appointed in 2018; (ii) the Environment and Resource tax newly implemented in 2018.

- **Finance Costs**

  Finance costs decreased by approximately RMB2.5 million or approximately 4.9% from approximately RMB50.8 million in 2017 to approximately RMB48.3 million in 2018. The decrease was mainly due to the decrease in finance lease and discounted bills during 2018 as compared to 2017, and no handling fee was incurred in 2018 resulting from the early repayment of the finance lease borrowings in 2017.

- **Share of Result in a Joint Venture**

  Share of result in a joint venture increased by approximately RMB1.2 million or approximately 35.3% from approximately RMB3.4 million in 2017 to approximately RMB4.6 million in 2018. The increase was mainly attributable to the factory maintenance of such joint venture commenced in 2017 and has completed in mid-2018, and its production and sales have rebounded.

- **Profit Before Tax**

  As a result of the foregoing, the Group's profit before tax increased by approximately RMB397.7million or approximately 53.8% from approximately RMB738.8 million in 2017 to approximately RMB1,136.5 million in 2018.

- **Income Tax Expense**

  Income tax expense increased by approximately RMB93.3 million or approximately 48.8% from approximately RMB191.0 million in 2017 to approximately RMB284.3 million in 2018. The significant increase was primarily due to the increase in the Group's profit for the period.

- **Other Comprehensive expense**

  Other comprehensive expense mainly reflects the changes on bill receivables measured at fair value.

- **Total Comprehensive Income**

  As a result of the foregoing, the Group's total comprehensive income increased by approximately RMB302.5 million or approximately 55.2% from approximately RMB547.8 million in 2017 to approximately RMB850.3 million in 2018. The Group's net profit margin increased from approximately 10.7% in 2017 to approximately 11.4% in 2018.

Business Segment Result

The table below sets forth the Group's segment revenue and gross profit (after elimination of inter-segment sales) for each of the Group's major business segments

	Year ended 31 December					
	Segment revenue		Segment gross profit		Segment gross profit margin	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000		
Coke	**4,083,200**	3,401,916	**1,137,132**	752,239	**27.85%**	22.11%
Refined Chemicals	**1,413,992**	1,190,555	**120,411**	80,777	**8.52%**	6.78%
Trading	**1,568,000**	266,911	**25,657**	6,703	**1.64%**	2.51%
Energy Products	**360,196**	236,374	**93,789**	74,989	**26.04%**	31.72%

The coking segment has been the Group's largest business segment during the period, which contributed to approximately 54.8% and 66.2% of the Group's total revenue for the years ended 31 December 2018 and 2017, respectively. Revenue from sales of coke increased by approximately RMB681.3 million or approximately 20.0% from approximately RMB3,401.9 million in 2017 to approximately RMB4,083.2 million in 2018. The increase in revenue from sales of coke during the period was mainly because the average selling price of coke was driven by environmental protection requirement in 2018 which resulted in limited coke production and reduced coke supply. The average price increased by 20.4% from approximately RMB1,608.7 per ton in 2017 to RMB1,937.1 per ton in 2018 (both on an after VAT basis). The increased cost of coal for the Group's manufacturing segments was principally driven by increased average purchase price of coal from approximately RMB1,013.9 per ton in 2017 to approximately RMB1,096.8 per ton in 2018 due to the state's supply-side reform (the policies of the government restricted the number of operation days of mines in a year to reduce coal supply) and the increased demand of iron and steel industry. Results of the coking segment increased by approximately RMB384.9 million or approximately 51.2% from approximately RMB752.2 million in 2017 to approximately RMB 1,137.1 million in 2018. The gross profit margin of the Group's coking segment increased from approximately 22.1% in 2017 to approximately 27.8% in 2018.

The refined chemicals segment is the Group's second largest business segment, contributing approximately 19.0% and 23.2% of the Group's total revenue for the years ended 31 December 2018 and 2017, respectively. Revenue from sales of refined chemicals increased by approximately RMB223.4 million or approximately 18.8% from approximately RMB1,190.6 million in 2017 to approximately RMB1,414.0 million in 2018. The increase is also due to increased average selling price of phenyl chemicals by approximately 1.4% from approximately RMB5,324.0 per ton in 2017 to approximately RMB5,400 per ton in 2018; and increased average price of coal tar based chemicals by RMB496.3 or approximately 17.2% from RMB2,892.7 per ton in 2017 to RMB3,389.0 per ton in 2018. The increase in their selling prices were mainly driven by a decrease in market supplies resulting from the environmental protection requirement. on production limitation. The selling price of coal tar-based chemicals was increased driven by strong market demand and the increase in crude oil prices. The segment's gross profit margin increased from approximately 6.8% in 2017 to approximately 8.5% in 2018. This is due to the increase in their selling price greater than the increase in cost of the refined chemicals, the segment's results increased by approximately RMB39.6 million or approximately 49.0% from approximately RMB80.8 million in 2017 to approximately RMB120.4 million in 2018.

The trade segment became the Group's third largest business segment, contributing approximately 21.0% and 5.2% of the Group's total revenue for the years ended 31 December 2018 and 2017, respectively. The Group's trade revenue increased by approximately RMB1,301.1 million or approximately 487.5% from approximately RMB266.9 million in 2017 to approximately RMB1,568.0 million in 2018. The increase is mainly due to increased trade volume of coal types at different prices by approximately 1.8 million tons or approximately 450% from 0.4 million tons in 2017 to 2.2 million tons in 2018; and expansion of non-ferrous metal materials trade in the second half of 2018. Results of the Group's trade segment increased by approximately RMB19.0 million or approximately 283.6% from approximately RMB6.7 million in 2017 to approximately RMB25.7 million in 2018. Gross profit margin of the segment decreased from approximately 2.5% in 2017 to approximately 1.6% in 2018, mainly due to the Group's business strategy of increasing the trade volume of coal types by reducing gross profit margin. Therefore, although the gross profit margin of the Group's trading segment decreased in 2018, the gross profit of the Group increased significantly during the same period.

The energy products segment is the Group's fourth largest business segment, contributing approximately 4.8% and 4.6% of the Group's total revenue for the years ended 31 December 2018 and 2017, respectively. Revenue from sales of energy products increased by approximately RMB 123.8 million or approximately 52.4% from approximately RMB 236.4 million in 2017 to approximately RMB360.2 million in 2018. The increase is mainly due to production and sales of LNG went into full throttle in the third quarter of 2018. Results of the Group's energy products segment increased approximately RMB18.8 million or approximately 25.1% from approximately RMB75.0 million in 2017 to approximately RMB93.8 million in 2018. The gross profit margin of this segment decreased from approximately 31.7% in 2017 to approximately 26.0% in 2018, mainly attributable to the increase in average purchase price of coal, the raw material, is relatively higher than the average selling price of coal gas during the same period.

FINANCIAL POSITION

Financial Resources

In 2018, the Group's major financial resources were funded by the proceeds from the sales of the Group's products, shareholders' equity and borrowings from bank and financial institutions. The Directors have confirmed that the Group did not experience any liquidity problems in 2018.

The Group's finance department prepares cash flow projections, which are reviewed regularly by the Group's senior management. Specific considerations in determining the Group's appropriate cash position include the Group's forecast working capital and capital expenditure needs and the Group's liquidity ratios, and the Group also aims to maintain a certain level of excess cash to meet unexpected needs.

Cash Flow

The following table presents selected cash flow data from the Group's consolidated statement of cash flows for the periods:

	Year ended 31 December	
	2018	2017
	RMB' 000	RMB' 000
Net cash from operating activities	**530,046**	482,731
Net cash used in investing activities	**(452,156)**	(132,608)
Net cash from financing activities	**23,046**	27,286
Net increase in cash and cash equivalents	**100,936**	377,409
Cash and cash equivalents at the beginning of the year	**481,704**	106,740
Impact of change in exchange rate	**517**	(2,445)
Cash and cash equivalents at the end of the year, representing bank balances and cash	**583,157**	481,704

- **Cash Flow from Operating Activities**

  The Group's net cash from operating activities of approximately RMB530.0 million for 2018 was primarily attributable to (i) the Group's operating cash flows before movements in working capital of approximately RMB1,302.4 million; (ii) increase in trade and other receivables of approximately RMB447.6 million mainly due to an increase of bills receivable during the year; (iii) increase in the sales of coke resulting from the increase in the prices of coke, leading to an increase in inventories of approximately RMB134.6 million; (iv) decrease in contract liabilities of approximately RMB59.1 million; and (v) increase in amounts due from related parties of approximately RMB39.7 million, mainly resulting from the increase in sales to Jiangxi PXSteel Group; (vi) yet the net cash inflow from operating activities are partially offset by the increase in trade and other payables of approximately RMB145.1 million.

- **Cash Flow from Investing Activities**

  The Group's net cash used in investing activities of approximately RMB452.2 million for 2018 was primarily due to (i) acquisition of property, plant and equipment or payment of deposit for production and environmental protection facilities of approximately RMB282.2 million (mainly in relation to facilities such as coke granule coal gas, gas stations, benzene based chemicals and desulfurization and denitrification); (ii) net deposit of approximately RMB70.9 million from restricted bank balances; (iii) net investment of approximately RMB63.7 million from financial assets at fair value through profit or loss; and (iv) payment of approximately RMB14.8 million in relation to acquisition of Jiyuan Jinning Energy Co., Ltd. in 2016.

- **Cash Flow from Financing Activities**

  The Group's net cash from financing activities of approximately RMB23.0 million in 2018 was primarily due to a net increase in bank and other borrowings of approximately RMB266.6 million; yet partially offset by payment of dividends of approximately RMB192.9 million and interest expenses of approximately RMB47.7 million.

Liabilities

The table below sets forth the Group's bank and other borrowings at the end of the dates indicated below.

	As at 31 December		
	2018	2017	Increase/ (decrease)
	RMB'000	RMB'000	RMB'000
Bank borrowings	**833,620**	567,000	266,620
	833,620	567,000	266,620
Secured	**229,620**	–	229,620
Unsecured	**604,000**	567,000	37,000
	833,620	567,000	266,620
Fixed-rate borrowings	**450,000**	490,000	(40,000)
Floating-rate borrowings	**383,620**	77,000	306,620
	833,620	567,000	266,620
Carrying amount repayable (based on scheduled payment terms)			
Within one year	**596,600**	282,000	314,600
More than one year, but not more than two years	**152,600**	262,000	(109,400)
More than two years, but not more than five years	**84,420**	23,000	61,420
	833,620	567,000	266,620
Less: Amount due shown under current liabilities	**(596,600)**	(282,000)	(314,600)
	237,020	285,000	(47,980)

The Group's bank borrowings in 2018 and 2017 were all borrowings denominated in Renminbi. As at 31 December 2018, RMB229.6 million of the Group's borrowings were secured by the Group's land use rights. All remaining secured borrowings were credit borrowings. As at 31 December 2017, all the Group's borrowings were credit borrowings.

As at 31 December 2018 and 2017, the Group did not have any bank and other borrowings which were guaranteed by third parties and the Group's related parties.

The table below sets forth the range of effective interest rate of the Group's bank borrowings as at the dates indicated below.

	As at 31 December	
	2018	2017
Effective interest rate:		
– Fixed-rate borrowings	**4.57% - 6.75%**	4.57% - 6.75%
– Floating-rate borrowings	**4.79% - 6.20%**	4.79%-6.30%

As at 31 December 2018, the Group had obtained banking facilities in an aggregate amount of approximately RMB1,159.0 million (2017: RMB1,124.0 million), of which total amount of approximately RMB160.0 million (2017: RMB465.0 million) is still available for use. As at such date, the Group had total outstanding bank borrowings of approximately RMB833.6 million (2017: RMB567.0 million). The Group intends to refinance the Group's bank borrowings or repay the Group's bank borrowings as and when they fall due with the Group's internally generated funds (Refinancing has been achieved for bank borrowings of RMB314.6 million falling due in 2018 according to needs).

Save as disclosed in this "Financial Position" section, the Directors confirm that there has been no material change in the Group's indebtedness and contingent liabilities since 31 December 2018 and up to the date of this annual report. As at 31 December 2018, save as disclosed in this "Financial Position" section and apart from normal trade payables, intra-group liabilities and amounts due to connected parties and related parties, the Group did not have any outstanding mortgages, charges or pledges, debentures or other debt securities, 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.

The Directors confirm that, for the year ended 31 December 2018, the Group was not subject to any material covenant on any of the Group's outstanding debt and, during 2018, the Group did not experience any difficulty in obtaining bank loans and other borrowings, or any default in payment of bank loans and other borrowings or breach of covenants. The Directors believe that the Group maintains good relationships with the Group's lenders generally and they expect that, based on the current prevailing market conditions, the Group will be able to obtain replacement financing commitments when the Group's short-term bank borrowings become due.

FINANCIAL RATIOS

The following table sets forth the Group's financial ratios as at the dates and for the years indicated:

	As at 31 December	
	2018	2017
Gearing ratio	**0.4x**	0.3x
Return on equity	**42.5%**	42.3%
Return on assets	**24.2%**	20.6%

Gearing Ratio

Gearing ratio is calculated by dividing the Group's total interest-bearing bank borrowings by the Group's total equity as at the end of each period.

The Group's gearing ratio increased in 2018, mainly due to the fact that the Group increased bank borrowings for the purpose of stabilizing its cash flow and reserving funds for corporate development.

Return on Equity

Return on equity is calculated by dividing the profit attributable to owners of the Company by the average equity attributable to owners of the Company for the same year.

The Group's return on equity increased from 2017 to 2018 was also due to an increase in the Group's profit primarily driven by a significant increase in the Group's revenue.

Return on Assets

Return on assets is calculated by dividing the total profit and comprehensive income for the year by the total average assets of the Group for the same year.

The Group's return on assets continued to increase from 2017 to 2018 was also mainly due to the significant increase in the Group's revenue, leading to the increase in profit higher than that of total assets.

CONTRACTUAL OBLIGATIONS AND CAPITAL EXPENDITURE

The table below sets forth the Group's capital commitments and operating lease commitments as at the dates indicated.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but without provision in the consolidated financial statements	**62,042**	139,563
The Group's share of joint venture capital commitments made jointly with other joint venturers are as follows:		
Operating lease commitments due within one year	**1,031**	695

The Group's capital commitments for the year ended 31 December 2018 primarily relate to the construction of the Group's LNG facilities and office building, the Group's implementation of equipment for environmental protection by the construction of coal storage dome and the construction of the Group's new coke granule coal gas facilities. The Group expects to fund such capital commitments principally by the net proceeds of the Listing, bank loans and cash generated from the Group's operations.

Other than the transactions described in the above table, as at 31 December 2018, the Group had no other material contractual commitments.

SUBSEQUENT IMPORTANT EVENTS AND OTHER COMMITMENTS

From the end of reporting period ended to the date of this announcement, other commitments of the Group jointly invest and establish a joint venture, Shenzhen Jinma Energy Co., Ltd. (深圳金馬能源有限公司) with other investors. The Group holds 51% equity interest and committed payment of such investment amounted to RMB1,145 million, subject to the approval of shareholders at the extraordinary general meeting to be held on 1 April 2019.

OFF-BALANCE SHEET ARRANGEMENTS

The Group did not have any material off-balance sheet arrangements during the reporting period. Specifically, the Group has not entered into any derivative contracts that are indexed to the Group's shares and classified as shareholders' equity, or that are not reflected in the Group's consolidated financial statements. Furthermore, the Group does not have any retained or contingent interests in assets transferred to an unconsolidated entity to serve as credit, liquidity or market risk support for such entity. Moreover, the Group does not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to the Group or engages in leasing, hedging or research and development services with the Group.

CONTINGENT LIABILITIES

During 2018, the Group endorsed certain bills receivables for the settlement of the Group's trade and other payables. The Directors are of the opinion that 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 practices in the PRC. The Company's Directors consider that the risk of the default in payment of the endorsed and discounted bills receivables 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 in the Group's financial statements. The Group's maximum exposure that may result from the default of these endorsed and discounted bills receivables as at the dates indicated are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Endorsed bills for settlement of payables	**2,665,785**	2,070,608
Discounted bills for raising cash	**–**	105,929
Outstanding endorsed and discounted bills receivables with recourse	**2,665,785**	2,176,537

Save as disclosed above and as at 31 December 2018, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group. The Company's Directors confirmed that there has not been any material changes in the contingent liabilities of the Group since 31 December 2018 up to the date of this annual report.

MARKET RISKS

Market risk is the risk of loss related to adverse changes in market prices. The Group is exposed to various types of market risks, including commodity price and liquidity risks, in the normal course of the Group's business. The Group aims to minimize risk through discipline operating and financial activities. During 2018, the Group has not entered into any foreign exchange or interest rate hedging contract or forward purchase or sale contract for commodities.

Other than the HK dollar proceeds of listing (HKD12.8 million and HKD185.2 million as at 31 December 2018 and 2017 respectively) pending remittance back to China, the Group has no exposure to significant exchange risks as all its operations are within China where there are no foreign currencies transactions, assets or liabilities.

Commodity Price Risk

The Group is exposed to fluctuations in the prices of raw materials, and in particular, coal, as well as fluctuations in the prevailing market prices of the Group's products. The Group generally purchases coal and other raw materials based on prevailing market prices. The Group's products are also generally sold based on the prevailing market prices in the regions where the Group sells the Group's products, and by making reference to various other factors applicable to individual customers. Market prices may fluctuate and are beyond the Group's control and may have a significant effect on the Group's results of operations.

Interest Rate Risk

The Group is subject to fair value interest rate risk in relation to the Group's interest-bearing bank loans, bank borrowings and other borrowings at fixed interest rates. The Group is also exposed to cash flow interest rate risk in relation to the Group's floating-rate borrowings.

As at 31 December 2018, the Group had fixed-rate borrowings in the amount of approximately RMB450.0 million (2017: RMB490.0 million).

The Group currently does not have an interest rate hedging policy, but the Group's management will consider hedging significant interest rate risk should the need arise.

Credit Risk

In the event that the Group's counterparties fail to perform their obligations, the Group's exposure to credit risk in relation to each class of recognized financial assets as at 31 December 2018 is the carrying amount of those assets stated in the consolidated statements of financial position, and the maximum outstanding amount of contingent liabilities as disclosed in the consolidate financial statement.

The Group mainly conducts transactions with high quality customers that the Group has established long-term relationship with. When transacting with new customers, the Group generally requests advanced payment before the Group's goods are delivered. In order to minimize the credit risk, the Group's management continues to monitor the level of risk exposure to ensure that the Group can recover any overdue debts. In addition, the Group review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are provided for irrecoverable amounts. In this regard, the Directors are of the view 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 trading amounts due from related parties, with over 70% and 74% of exposure concentrated in five largest outstanding balances for the years ended 31 December 2018 and 2017, respectively. The Group believes the Group's credit risks on bank balances and deposits or bills receivables are limited and there is no significant concentration of credit risk because the Group's 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

The Group's creditors are exposed to heightened default risk when the Group's 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 the Group fails to refinance in time or manage the Group's liquidity effectively. In the management of the Group's 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 2018, the Group restructured the Group's financing to increase the weighting of the Group's secured borrowings.

The following table sets forth the remaining contractual maturity for the Group's financial liabilities based on agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities (including both interest and principal cash flows) at the earliest redemption (maturity) date.

As at 31 December 2018

	Weighted average interest rate	Carrying amount	On demand or within 6 months	6 months to 1 year	1 year to 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	**4.57%-6.75%**	**833,620**	**410,058**	**215,291**	**251,566**	**876,915**
Trade and other payables	**N/A**	**629,747**	**629,747**	**–**	**–**	**629,747**
Long term payable	**4.75%**	**9,970**	**–**	**–**	**11,200**	**11,200**
Amounts due to related parties	**N/A**	**409**	**409**	**–**	**–**	**409**
		1,473,746	**1,040,214**	**215,291**	**262,766**	**1,518,271**

As at 31 December 2017

	Weighted average interest rate	Carrying amount	On demand or within 6 months	6 months to 1 year	1 year to 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.57%-6.75%	567,000	163,005	145,822	296,942	605,769
Trade and other payables	N/A	426,767	426,767	—	—	426,767
Long term payable	4.75%	20,539	—	—	22,400	22,400
Amounts due to a shareholder	N/A	83,861	83,861	—	—	83,861
Amounts due to related parties	N/A	35,188	35,188	—	—	35,188
		1,133,355	708,821	145,822	319,342	1,173,985

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2018 and up to the date of this annual report.

DIVIDEND AND DIVIDEND POLICY

On 15 August 2018, the Board recommended payment of an interim dividend of RMB0.05 per share. The interim dividend has been approved by the shareholders of the Company at an extraordinary general meeting held on 10 October 2018. On 18 March 2019, the Company declared a 2018 final dividend of RMB0.35 per share (with total dividend of RMB0.4 per share in the total amount of RMB214,168,000) which is subject to the approval of the shareholders at the forthcoming annual general meeting.

In order to provide return to its shareholders, and having considered the financial and business conditions of the Group, the Group has established a dividend policy, subject to the relevant laws and regulations in the PRC and Hong Kong, the dividend to be distributed by the Company each year will not be less than 25% of the profit and total comprehensive income attributable to the Company's shareholders for the year. The PRC laws require that dividends shall be paid only out of the net profit calculated according to the PRC accounting principles, which many differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the IFRS.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had distributable reserves (i.e. retained earnings) of RMB1,068.8 million (2017: RMB542.2 million).

For the year ended 31 December 2018, the Company had no immediate plan to distribute the retained earnings of the Company accumulated prior to the year 2018.

MAJOR DEVELOPMENTS

The Group's strength in coking operations has in the past enabled the Group to extend the Group's engagement in the coking chemical value chain of the coal chemical industry through the acquisition of companies engaging in the production of upstream and downstream products in coking operations. As such, the Group actively expanded its business benzene based chemicals, coal tar based chemicals as well as coal gas and LNG. Following the capacity expansion plan of benzene based and coal tar based chemicals, the Group launched the capacity enhancement plan and construction plan of environment protection facilities in 2018. In 2019, the Group will further expand and deepen its industry chain.

Coke Granule Coal Gas Facilities and Gas Stations

- **Coke Granule Coal Gas Facilities**

The Group expects the Group's LNG production facilities, once completed, will be able to achieve an annual production capacity of approximately 123.0 million m^3 of LNG. Assuming that the annual production capacity of the Group's LNG production facilities is fully utilized, the Group estimates that approximately 300.0 million m^3 of coal gas per year will be required for LNG production. To secure sufficient amount of coal gas required for the production of LNG, the Group has planned to build a new coke granule coal gas facility to produce coal gas by heating small coke granules generated in the Group's coking process in an oxygen environment.

The Group commenced the construction of the Group's new coke granule coal gas facilities in August 2017. As at the end of 2018, a facility completion level of 80% has been achieved. The total investment in the Group's new coke granule coal gas facility, mainly including cost of construction, cost of equipment procurement and installation and initial working capital, is estimated to be approximately RMB174.5 million. As at the end of 2018, the Group's investment in the new coke granule coal gas facilities amounted to RMB 142.8 million.

- **Gas Stations**

The Group plans to invest approximately RMB125.0 million in the construction of gas stations located in Jiyuan City, and has established Henan Jinrui Gas Co., Ltd. for the operation of these gas stations and the management of sales and marketing of LNG products. It is expected that the four gas stations will have a total refilling capacity of approximately 80.0 million m^3 of LNG per year. Of these gas stations, two of them commenced operation in the first quarter of 2018, and construction of the other one has been completed in 2018 and has commenced operation at the end of 2018. As at the end of 2018, the Group's investment in the construction of gas stations amounted to RMB57.8 million.

Upon completion of the gas stations, the Group will plan to procure natural gas from suppliers in neighboring areas for sale. The Group plans to supply the Group's LNG to logistics customers, heavy trucks and buses in the gas stations.

The investment in coke granule coal gas facilities and gas stations are mainly financed by the proceeds raised from listing, cash generated from operations, bank loans and other borrowings.

Expansion Plan of Benzene Based and Coal Tar Based Chemicals

- **Benzene Based Chemicals**

The Group plans to invest RMB38.0 million to expand the crude benzene processing capacity of Jiyuan Jinyuan Chemicals Co., Ltd. from 120,000 tons to 200,000 tons. As of the end of 2018, 65% of the expansion project for processing crude benzene has been completed, completion of construction and commencement of full operation are expected to take place in the third quarter of 2019.

- **Coal Tar Based Chemicals**

The Group plans to invest RMB56.0 million to expand the coal tar processing capacity of Henan Bohigh Chemical Co., Ltd. from 180,000 tons to 300,000 tons, and the completion of construction and commencement of operation are scheduled to be in the fourth quarter of 2019.

Funding for these expansions will be from the Group's own financial resources and bank borrowings.

Environment Protection Facilities

The Group is dedicated to improving the Group's manufacturing site management to minimize the impact of the Group's operations on the environment.

- **Reconstruction project for desulfurization and denitrification of fume emitted from coke ovens**

  The Group invests in coke oven fume treatment to meet the Group's target of ultra-low emission. As at December 2018, the project is close to completion and is ready for operation in the first quarter of 2019. The total investment amount of this project is estimated to be approximately RMB48.6 million. As of the end of 2018, the Group has invested RMB46.9 million in this project.

- **Coke Dry Quenching Device Reconstruction project**

  The coke oven coke dry quenching device reconstruction project commenced in the third quarter of 2018 and RMB30.0 million has been invested during the preliminary stage of construction. The project is expected to have an investment amount of RMB162.0 million, and it is planned to commence operation in December 2019.

Funding for these investments will be from the Group's own financial resources and bank borrowings.

The Company will continue to utilize the remaining amount of the proceeds raised from the listing in accordance with the intended purposes as stated in the prospectus of the Company issued on 26 September 2017.

Employees and Remuneration

As at 31 December 2018, the Group had a total of 1,508 employees (2017: 1,361), including 18 senior management (2017: 16), 50 middle management (2017: 48) and 1,440 ordinary employees (2017: 1,297). For the year ended 31 December 2018, the staff cost of the Group amounted to approximately RMB127.5 million as compared to approximately RMB114.2 million for the same period last year.

The Company has established a remuneration committee which is responsible for advising the Board on the Company's policies and structures regarding remuneration packages (including non-pecuniary benefits, pension rights and compensation) of Directors and senior management.

Remuneration of mid-level management personnel of the Company is based on annual salary and year-end bonus. Annual remuneration mainly consists of basic salary, assessment bonus and performance bonus, and bonuses are given according to the performance of the employee. Remuneration of ordinary employees consists of basic salary, bonuses and various subsidies.

According to the development plan and operating requirements of the Company, management formulates the annual training plans and the HR department organizes annual external and internal trainings covering all employees. Among these, the training programs include comprehensive and long-term courses in management and finance; and also include special short term training courses in management, production and organization. In addition, the Company is also committed to providing employees with all kinds of special trainings such as safety, environmental protection, use of equipment, technical skills, etc., and strives to offer employers with various targeted trainings from job entry to personal development.

CORPORATE GOVERNANCE REPORT

The Company persists in becoming an enterprise full of sense of social responsibility, to adhere to the principle of harmonious development combining economic benefit and social benefit, to promote technological progress in the industry consistently and assume the social responsibility proactively.

The Company upholds a sound and efficient corporate governance philosophy while also focusing on shareholders' interests and is determined to achieve a high standard of corporate governance. In addition to following internationally accepted rules, the Company also continuously improves its internal control system through internal and third party audits.

Corporate Governance Code

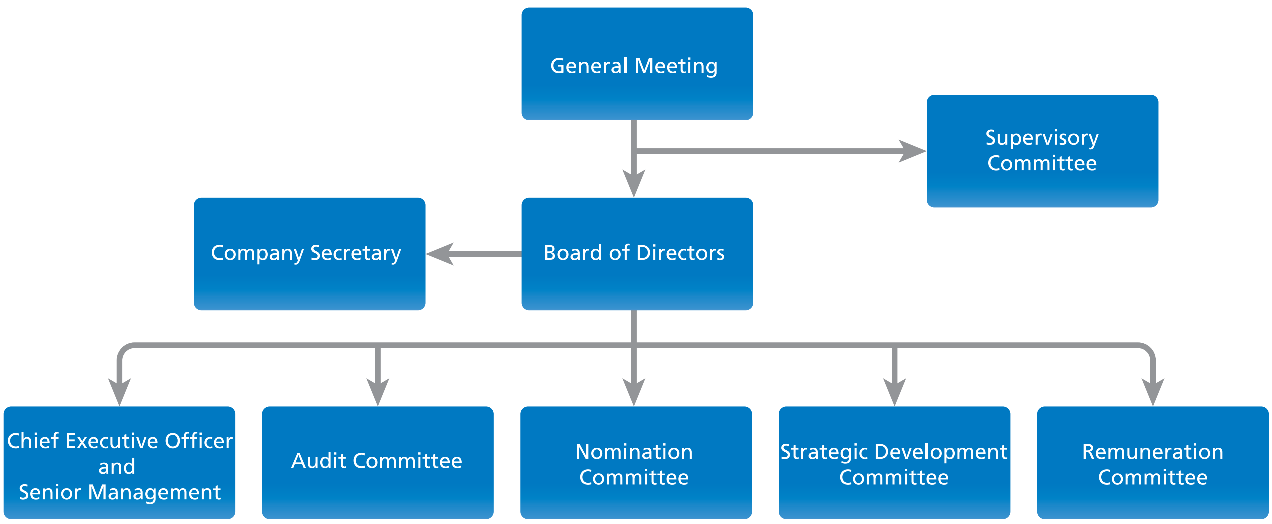
The Company has formulated the Articles of Association of the Company (the "**Articles**") in accordance with the PRC Company Law, and other relevant laws and regulations of the PRC. These Articles are the code of conduct for the Company, regulating the organization and behaviour of the Company, the rights and obligations shared between the Company and its shareholders, and between and among the Company's shareholders.

Meanwhile, the Company has also adopted the Corporate Governance Code (the "**Code**") in Appendix 14 of the Listing Rules, and formulated a series of rules (such as Internal Audit Rules, Internal Control Evaluation Rules, Compliance Management Rules, Authorization Management Rules and External Investment Management Rules, etc.) as well as the Terms of Reference of Nomination Committee, Remuneration Committee and Audit Committee, to achieve the objective of good corporate governance. This report will further clarify how the Company applies the principles set out in the Code.

During the year ended 31 December 2018, the Company had complied with all the code provisions under the Code.

Corporate Governance Functions

The corporate governance structure of the Company is as follows:



The Board is responsible for performing corporate governance functions. During 2018, the Board has performed the following responsibilities in relation to corporate governance functions (for details, please refer to the summary of the main work performed by the Board in 2018 in this report (Page 32)):

- developed and reviewed the Company's corporate governance policies and practices;
- reviewed and monitored the continued professional development of Directors and senior management;
- reviewed and monitored the Company's policies and practices in complying with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct and compliance manuals for employees and Directors; and
- reviewed the Company's compliance with the Code and disclosure in the Corporate Governance Report.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules and the company secretary has also issued to all Directors and Supervisors of the Company (the "**Supervisors**") a compliance notice of suspending trading during the black-out period in accordance with the Code. Having made specific enquiries, the Company hereby confirms that all the Directors and Supervisors have complied with the standards as set out in the Model Code for the trading of securities by Directors.

Board of Directors

The Board held 5 meetings and passed 5 written resolutions during the year ended 31 December 2018. The list of the First Session of the Board of Directors of the Company, and the attendance of each Director at board meetings and general meetings for 2018 are as follows:

Directors	**Attendance at Board Meetings**	**Attendance at General Meetings**
Executive Directors		
Mr. Yiu Chiu Fai (Chairman)	5/5	2/2
Mr. Wang Mingzhong	5/5	2/2
Mr. Li Tianxi	5/5	1/2
Non-executive Directors		
Mr. Lu Kecong (resigned on 26 June 2018)	0/2 (Note 2)	0/1 (Note 1)
Mr. Qiu Quanshan (appointed on 10 October 2018)	1/1	—
Mr. Hu Xiayu	4/5 (Note 1)	1/2
Mr. Wang Zhiming	5/5	1/2
Independent non-executive Directors		
Mr. Zheng Wenhua	5/5	2/2
Mr. Liu Yuhui	5/5	0/2
Mr. Wu Tak Lung	4/5	0/2

Notes:

1. In addition, the relevant Director appointed an alternate Director to attend one of the relevant Board meetings and/or general meetings on his behalf.

2. In addition, the relevant Director appointed an alternate Director to attend two of the relevant Board meetings on his behalf.

The division of responsibilities between the Board and the management of the Company is clear. The Board is responsible for formulating the overall strategy of the Company, setting management objectives, regulating internal control and financial management, and overseeing the management's performance. The Company's day-to-day operation and management are undertaken by the Company's executives under the authorization of the Board. Article 99 of the Articles clearly states the functions and powers of the Board.

The Board has passed the Authorization Management Rules of Henan Jinma Energy Company Limited (the "**Authorization Management Rules**"), which sets out the scope of responsibilities and decision-making authority of governing bodies, departments and related staff at all levels. Specifically, the approval authority of the general meeting, the Board, the Chairman of the Board and the Chief Executive Officer is set out for the following items:

- Shareholdings investment, management and disposal;
- Fixed asset investment, management and disposal;
- Intangible asset investment, management and disposal;
- Financial assistance provided by the Company and its controlled subsidiaries to external parties; and
- Applying for loans or credit lines from financial institutions, offering gifts or making donations, retirement and writing off of assets and other major transactions.

The Board comprises three independent non-executive Directors, accounting for one-third of the members of the Board. The three independent non-executive Directors are experts in coking, economics and accounting respectively and have appropriate professional qualifications. For the biographical details of each of the Directors, please refer to the section headed "Directors, Supervisors and Senior Management" of this annual report (Pages 81 to 87). Among them, Mr. Wu Tak Lung, chairman of the audit committee, has the appropriate accounting and financial management expertise and experience.

All three independent non-executive Directors have submitted written confirmations to the Company for their independence. For details, please refer to the section headed "Directors' Report" of this annual report (Page 71).

After consulting members of the Board, the Company confirms that there is no financial, business, family or other material or relevant relationship between the members.

Save for entering into service contracts and except as otherwise disclosed in this annual report, none of the Directors, Supervisors and their connected entities had any material transactions, arrangements or contracts with the Company directly or indirectly in 2018.

After consulting members of the Board, the Company confirms that neither executive Directors nor non-executive Directors have any interests in other businesses which compete or may compete with the Company (for example, as a director, substantial shareholder, partner or sole proprietor).

The Company places considerable emphasis on the continuous professional development of Directors, and has arranged for Directors and Supervisors to attend training and seminars on the duties and responsibilities of directors in 2018. The Company has invited the Independent Commission Against Corruption to hold a lecture titled "The Role of Directors and Senior Management of a Company as a Guardian for Integrity" (《公司董事及高級管理人員的誠信管治角色》) for Directors. The Hong Kong Institute of Directors also provides corporate training courses for the Company which cover inside information disclosure and impacts of a recent consultation paper issued by the Stock Exchange on the board and directors. The Directors and Supervisors who were newly appointed in the year ended 31 December 2018 have also received a Memorandum on Directors' Responsibilities for Companies Listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Guidance for Boards and Directors issued by the Stock Exchange in July 2018, to understand their responsibilities and obligations under the Listing Rules of the Stock Exchange. In accordance with the records maintained by the Company, as at 31 December 2018, all Directors have received the training under the code provisions in relation to continuous professional development under the Code.

The participation by each Director in continuous professional development for the year ended 31 December 2018 is set out below:

Directors	Topic: Inside Information Disclosure	Topic: Director's Ethics	Topic: Updates on Consultation of Listing Rules and Corporate Governance Code	Topic: Recent Development of Coke and Steel Industry in China
Executive Directors				
Mr. Yiu Chiu Fai	√	√	√	√
Mr. Wang Mingzhong	√	√	√	√
Mr. Li Tianxi	√	√	√	√
Non-executive Directors				
Mr. Lu Kecong (resigned on 26 June 2018)				√
Mr. Qiu Quanshan (appointed on 10 October 2018)			√	
Mr. Hu Xiayu	√	√	√	
Mr. Wang Zhiming			√	
Independent non-executive Directors				
Mr. Zheng Wenhua	√	√	√	√
Mr. Liu Yuhui			√	
Mr. Wu Tak Lung			√	

The roles of Chairman and Chief Executive Officer of the Company are exercised by different individuals. The Chairman of the Board is Mr. Yiu Chiu Fai, and the Chief Executive Officer is Mr. Wang Mingzhong.

The Chairman of the Board exercises the functions and powers provided in laws, regulations, bylaws, regulatory documents, regulatory rules of securities regulatory authorities or stock exchanges where the Company's shares are listed, the Articles, the Authorization Management Rules and other management rules and regulations of the Company or functions and powers delegated by the Board. Article 101 of the Articles clearly states the functions and powers of the Chairman of the Board.

The Chief Executive Officer is the person in charge of the daily operation and management of the Company under the leadership of the Board, and is accountable to the Board. The day-to-day operational matters of the Company shall be in principle, approved and decided by the Chief Executive Officer, other than those that should be submitted to higher level governing bodies for approval in accordance with laws, regulations, bylaws, regulatory documents, regulatory rules of securities regulatory authorities or stock exchanges where the Company's shares are listed, the Articles, the Authorization Management Rules or other management rules and regulations of the Company. The specific duties of the Chief Executive Officer shall be performed in accordance with the Articles, the Authorization Management Rules, and other management rules and regulations of the Company. Article 117 of the Articles clearly sets out the functions and powers of the Chief Executive Officer.

The Directors of the Company are elected by the general meeting for a term of three years. Two of the non-executive Directors, Mr. Hu Xiayu and Mr. Wang Zhiming, have been in office since July 2016, one of the non-executive Directors, Mr. Qiu Quanshan has been in office since October 2018 and the three independent non-executive Directors have been in office since September 2017.

A summary of the main work performed by the Board in 2018 is as follows:

- approved the working report of the Board and annual results announcement for 2017 of the Company;
- reviewed the auditor's report and annual report for 2017 of the Company;
- approved the interim report and interim results announcement for 2018 of the Company;
- considered and proposed the adoption of a dividend policy of the Company;
- considered and proposed the payment of the final dividend and special dividend for 2017 and the interim dividend for 2018;
- considered and approved the adjustment in annual caps on certain continuing connected transactions;
- approved the election of deputy chairman of the Board;
- nominated candidates, for non-executive Directors;
- approved the engagement of chief financial officer, chief investment officer and deputy general manager of the Company;
- approved the change in the principal place of business of the Company in Hong Kong;
- considered and proposed the re-appointment of auditor;
- approved the convening of general meetings; and
- approved bank financing proposals.

Audit Committee

The Board has established the Audit Committee.

The Audit Committee is primarily responsible for recommending the appointment, reappointment and removal of external auditors, reviewing the Company's financial information, overseeing the Company's financial reporting system, risk management and internal control systems, and reporting to the Board on all matters within its Terms of Reference.

A list of the members of the Audit Committee of the Company, and the attendance of each of its members at its meetings during 2018 are as follows:

Directors	Attendance at Audit Committee 's meetings
Mr. Wu Tak Lung (Chairman) (Independent non-executive Director)	3/3
Mr. Lu Kecong (resigned on 26 June 2018) (Non-executive Director)	0/1 (Note 1)
Mr. Hu Xiayu (appointed as a member on 26 June 2018) (Non-executive Director)	2/2
Mr. Liu Yuhui (Independent non-executive Director)	2/3

Notes:

1. In addition, the Director appointed an alternate Director to attend one of the relevant Audit Committee meetings on his behalf.

A summary of the main work performed by the Audit Committee in 2018 is as follows:

- reviewed the audited financial statements for 2017 and the unaudited condensed consolidated interim financial statements for 2018 of the Company;
- reviewed the interim report for 2018 of the Company;
- reviewed the report on the 2018 audit plan;
- reviewed letters from external auditors to the management;
- monitored and reviewed the financial reporting system and risk management and internal control system of the Group;
- reviewed and monitored the independence and objectivity of external auditors; and
- advised the Board on re-appointment of external auditors.

The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2018.

The auditor of the Company has audited the financial statements, and issued an unqualified auditor's report.

Remuneration Committee

The Board has established the Remuneration Committee.

The Remuneration Committee primarily advises the Board on the remuneration policy and structure of the Directors and the management of the Company, and the establishment of a formal and transparent procedure for developing remuneration policy, and make recommendations to the Board. The committee also reviews compensation matters relating to the resignation of Directors or senior management.

A list of the members of the Remuneration Committee of the Company, and the attendance of each of its members at its meeting during 2018 are as follows:

Directors	Attendance at Remuneration Committee's meetings
Mr. Zheng Wenhua (Chairman) (Independent non-executive Director)	1/1
Mr. Wang Mingzhong (Executive Director)	1/1
Mr. Wu Tak Lung (Independent non-executive Director)	1/1

During the above meeting held in 2018, the Remuneration Committee discussed and considered the remuneration policy of the Company, as well as the performance and remuneration of executive Directors and senior management for 2017. While the Company has entered into a service contract with Mr. Qiu Quanshan, who was appointed as non-executive Director of the Company on 10 October 2018, he will not receive any remuneration from the Company for his role as non-executive Director. In addition, none of the executive Directors' terms expired and no Directors' service contracts required approval by the Remuneration Committee within the reporting period.

Nomination Committee

The Board has established the Nomination Committee.

The Nomination Committee mainly reviews the structure, size and composition of the Board (including the skills, knowledge and experience), and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The committee also identifies candidates for Directors and assesses the suitability and qualifications of such candidates to become Directors, and selects or makes recommendations to the Board on the selection of individuals nominated for directorships.

The list of the Nomination Committee of the Company, and the attendance of each of its members at its meetings during 2018 are as follows:

Directors	Attendance at Nomination Committee's meetings
Mr. Yiu Chiu Fai (Chairman) (Executive Director)	3/3
Mr. Zheng Wenhua (Independent non-executive Director)	3/3
Mr. Liu Yuhui (Independent non-executive Director)	2/3

A summary of main work performed by the Nomination Committee in 2018 is as follows:

- assessed the independence of independent non-executive Directors;
- reviewed the size, structure and composition of the Board;
- reviewed and advised on the engagement or appointment of deputy general manager, chief financial officer, chief investment officer and non-executive Director; and
- approved and adopted the nomination policy of Directors of the Company.

The Company has developed and adopted the Board Diversity Policy to enhance the performance of the Company. When recommending candidates to join the Board, the Nomination Committee will consider the candidates according to objective conditions, and will take due consideration of the benefits of diversity among the Board members. The committee will also conduct discussions each year and agree on all the measurable objectives for board diversity, and will recommend to the Board relevant objectives for adoption.

Moreover, the Company has formulated and adopted the "Nomination Policy of Directors". The Nomination Policy of Directors covers selection criteria, nomination procedures, terms of confidentiality, supervision and reporting, and policy review. Several factors are considered when nominating Board candidates, including but not limited to the following:

- reputation;
- achievements, talents, skills, knowledge and experience in the coal chemical industry, business and economics area, accounting;
- views and perspectives that can be brought to the Board;
- commitment in respect of available time and relevant interest;
- independence of independent non-executive Directors; and
- the objective of the Board Diversity Policy, considering factors including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc..

These factors are for reference only and not intended to cover all factors nor decisive. The Committee can decide to nominate any candidate that is considered suitable. The Nomination Committee will review annually and make reference to the Board Diversity Policy in filling director vacancies to procure the diversity of the Board.

A summary of the nomination process for Directors is as follows:

- the chairman of the Nomination Committee shall convene a Nomination Committee meeting and invite the Board members to nominate candidates (if any) for consideration before the meeting. The Nomination Committee may also nominate candidates from other different sources (such as professional societies, professional headhunting companies, recommendations by the Shareholders or management, internal promotion, etc.);
- the Nomination Committee shall recommend candidates for consideration and approval by the Board, with reasons for consideration and recommendation provided to the Board;
- the Board recommends candidates to stand for election at a general meeting;
- the Company will issue a circular to shareholders to provide information on candidates nominated by the Board for election at a general meeting. The names, resumes (including eligibility and related experience), independence, proposed emoluments and other information of the candidates will be set out in the circular to the shareholders in accordance with the applicable laws, rules and regulations;
- if the Shareholders wish to recommend a person to be elected as a Director of the Company at a general meeting, they may refer to the "Procedures for a Member to Propose a Person for Election as a Director" which has been uploaded to the Company's website for the relevant procedures; and
- the election of Board members shall be proposed as ordinary resolutions at a general meeting, and should be passed by more than one-half of the voting rights held by shareholders (including proxies) attending the general meeting.

Strategic Development Committee

The Board has established the Strategic Development Committee.

The Strategic Development Committee mainly conducts researches and makes recommendations on the Company's long-term development strategy, major investment decisions, and medium and long-term plans, as well as monitoring the implementation of the strategic development plan of the Company.

The list of the Strategic Development Committee of the Company is as follows:

Directors

Mr. Hu Xiayu (Chairman who is appointed as a member on 26 June 2018) *(Non-executive Director)*
Mr. Lu Kecong (Chairman who resigned on 26 June 2018) *(Non-executive Director)*
Mr. Zheng Wenhua *(Independent non-executive Director)*
Mr. Li Tianxi *(Executive Director)*

Auditor's Remuneration

The auditor of the Company is Deloitte Touche Tohmatsu ("Deloitte"). The Directors do not have any opinion to the contrary on the selection and appointment of Deloitte as the auditor. For the year ended 31 December 2018, the remuneration of Deloitte and its related parties for audit services was RMB2.0 million, and for other assurance services was RMB0.8 million.

During the year, Deloitte and its related parties did not provide non-audit services to the Company.

Responsibilities of Directors and Auditor for Financial Statements

The Directors intend to present the financial statements of the Company in accordance with the current accounting standards and laws. The Directors ensure that the financial statements of the Company will be published on time so that the Company's interim results and annual results will be announced within the time limits of two months and three months respectively after the end of the relevant period as prescribed under the Listing Rules.

The financial statements of the Company for the year ended 31 December 2018 have been reviewed by the Audit Committee and audited by the external auditor, Deloitte. The Directors confirm their responsibilities of preparing the Company's financial statements and presenting the results of the Company in a truthful and fair manner. The Directors are not aware of any material uncertainties relating to events or conditions which may cast doubt upon the Company's ability to continue as a going concern.

For the statement of the auditor about its reporting responsibilities on the financial statements, please refer to the section headed "Independent Auditor's Report and Consolidated Financial Statements" in this annual report (Pages 88 to 171).

Company Secretary

The company secretary of the Company is Mr. Wong Hok Leung. For his biographical details, please refer to the section headed "Directors, Supervisors and Senior Management" in this annual report (Page 87). The company secretary attended relevant professional training for not less than 15 hours in 2018.

Major Changes in the information of Directors

The major changes in the information of Directors are set out below:

Mr. Liu Yuhui (劉煜輝)

Mr Liu serves as an independent director of Mango Excellent Media Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300413) since January 2019. Mr. Liu is no longer serving as the independent director of Shenzhen Asia Link Technology Development Co., Ltd. (formerly known as Shenzhen Keybridge Communications Co., Ltd, a company listed on the Shenzhen Stock Exchange, stock code: 002316) since February 2019 and has no longer served as the independent director of Central China Land Media Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000719) from April 2018.

Mr. Wu Tak Lung (吳德龍)

Mr. Wu is no longer serving as the independent non-executive director of Sinotrans Shipping Limited, which was previously a listed company in Hong Kong and was delisted on 16 January 2019 and First Tractor Company Limited (stock code: 0038), a company listed in both Hong Kong and Shanghai.

For updated biographical details of all Directors, please refer to the section headed "Directors, Supervisors and Senior Management" in this annual report (Page 81 to 87).

Shareholders' Rights

Pursuant to Article 60 of the Articles, shareholders holding 10% or more of the Company's outstanding shares carrying voting rights may request in writing that an extraordinary general meeting be convened. Please refer to Article 82 of the Articles for the detailed procedure regarding such shareholder's request for convening an extraordinary general meeting.

Shareholders may at any time put enquiries to the Board. Such enquiries may be made by any of the following means:

- by post to the principal place of business of the Company in Hong Kong at Room 2801, 28/F, 88 Hing Fat Street, Causeway Bay, and addressed to the company secretary;
- call +852 3115 7766;
- send an email to paulwong@hnjmny.com; and
- put enquiries to the Board at the general meeting

Pursuant to Article 62 of the Articles, when the Company convenes the annual meeting, shareholders who hold in aggregate 3% or more of voting shares of the Company shall be entitled to propose new proposal in writing to the Company. The Company shall include proposals falling within the scope of power of the shareholders' general meeting into the agenda of such meeting.

Amendments to Articles

The Company made no amendment to the Articles during 2018.

A consolidated version of the Company's Articles is available for inspection on the respective websites of the Hong Kong Stock Exchange and the Company.

Risk Management and Internal Control

The Board confirms its responsibility for the Company's risk management and internal control systems. The Audit Committee is authorized by the Board to oversee the Company's risk management and internal control systems. Such systems are established to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has an internal audit function to conduct analyses and independent assessments of whether the Company's risk management and internal control systems are adequate and effective.

The Company has engaged PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd. to establish comprehensive risk management and internal control systems. Comprehensive risk management refers to processes and methods which provide reasonable assurance for achieving the overall objectives of risk management. Through implementing basic procedures of risk management in all aspects of corporate governance and business operations, a good risk management culture is fostered, and a sound comprehensive risk management system is established, which includes risk management strategies, management processes for key risk projects, risk financing measures, risk management organizational function system, risk management information system and internal control system.

Risk management and internal control procedures

The risk management and internal control procedures of the Company are as follows:

- **Main features of risk management and internal control system**

  Taking a risk-based approach which focuses on control, integrating risk management, internal control and process management to establish a sound comprehensive risk management and internal control system.

- **Risk management procedures**

  First of all establishing a Risk Database for risk management at three levels, classifying the risk levels according to the features or processes of operation and management activities that involve risks, identifying and set out a list of risks; followed by assessing the identified risks in terms of their possibilities of occurrence and impacts through scored surveys and questionnaires, and ranking the risks based on their levels of importance; lastly conducting risk diagnosis for risk liabilities, and providing suggestions for dealing with risks.

- **Procedures for reviewing the effectiveness of the risk management and internal control system**

  The Audit Department regularly carries out risk and internal control evaluation, pursuant to the Company's Internal Control Evaluation Rules and the operation monitoring - internal evaluation of internal control procedures in the Internal Control Manual, as well as the requirements of the Audit Committee.

- **Procedures for resolving material internal control defects**

  If the Audit Department, externally-engaged consulting firm or listing regulatory authorities identifies any material internal control defects, the Risk Management Department of the Company shall respond and treat such defects as material and important risks, formulating response measures, and improving the Risk Database of the Company and internal control processes in a timely manner.

- **Internal control measures**

  The Company establishes and clearly defines internal control organizational bodies and their responsibilities. The Board is the governing body of internal control, responsible for establishing sound internal control system and its effective implementation, and also responsible for reviewing the effectiveness of the internal control system design, supervising the internal evaluation status of internal control, as well as coordinating internal control audit and other relevant matters. The Corporate Governance Department of the Company is the centralized management department for internal control system operation, responsible for organizing the establishment, daily maintenance and supervision of internal control system. The Audit Department of the Company is the centralized management department for internal control system evaluation, responsible for organizing evaluation of internal control system. All departments of the Company are internal control execution departments, responsible for implementing management rules and business processes within their scope of responsibilities, as well as internal supervision of the status of such implementations.

  The Audit Department will incorporate the Company's internal control evaluation into its annual work plan each year. The Company will organize internal and external professionals to participate in the supervision and evaluation of internal control, and adopt qualitatively and quantitatively integrated methods, to enhance the accuracy of the supervision and evaluation results. The Company will also incorporate the internal control evaluation results into the performance appraisal system for departments.

  In respect of insider information disclosure, the Company has established a set of management policies according to the SFO and the Listing Rules, which mainly include the definition of inside information, the issuance criteria, the responsibilities of director, senior management, controlling shareholders and other relevant staff of the Company, so that the public can obtain the information in an equal, timely and effective manner.

Opinions of the Audit Committee

In 2018, based on the management's assessment, the Audit Committee reviewed and firmly believed that there was no event that led the Audit Committee to believe that the Company's risk management and internal control systems (covering finance, operations, compliance and all other material controls) were inadequate, and believes there is an ongoing process to identify, assess and manage the significant risks facing the Company. The Audit Committee considered that the Company's risk management and internal control systems are adequate and effective. The Audit Committee reviews the risk management and internal control systems of the Company annually.

The Audit Committee also confirmed that the Company's resources, staff qualifications and experience in accounting and financial reporting functions, as well as training programmes received by staff and the relevant budget are adequate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope of the Report and the Reporting Period

This is the Group's Environmental, Social and Governance report, covering the Group's overall performance in two main aspects (i.e., environmental and social) during operation of its main businesses (production and sale of coke, and the processing and sale of coking by-products), from 1 January 2018 to 31 December 2018 (the "Reporting Period").

For the Group's governance strategies, please refer to the section headed "Corporate Governance Report" of this annual report (Pages 28 to 39).

This report is prepared by the Group in accordance with the Environmental, Social and Governance Reporting Guide as set forth in Appendix 27 of the Listing Rules.

Stakeholder Engagement and Contact Information

The Group maintains close contact with its stakeholders (for instance, investors, shareholders, regulatory bodies, employees, customers and suppliers, etc.) and management and collects their views, conducts materiality assessment, and identifies and includes important environmental and social policies concerning the Group into this report.

The Group welcomes stakeholders to express their views on the environmental, social and governance principles and performance of the Group. Please provide your suggestions via email at paulwong@hnjmny.com.

Environmental Management

Emissions Management

- **Relevant laws and regulations**
  The Group stringently complies with laws, regulations and standards, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the Emission Standard of Pollutants for Coking Chemical Industry (《煉焦化學工業污染物排放標準》) (GB16171-2012), the Emission Standard of Air Pollutants for Boilers (《鍋爐大氣污染物排放標準》) (GB13271-2014), and actively implements the state's principles of construction of ecological civilization and concept of green development. The Group reduces pollutant emissions and develops new green coal chemical enterprise.

- **Relevant policies**
  The Group constantly formulates and improves environmental management rules and systems, it achieves shifting its development mode from uniflow of "resources – products – pollutant emissions" to recycling of "resources – products – renewable resources" and ultimately achieves the goal of "production with high efficiency, products being cleansed and doing no harm to the environment". Meanwhile, through effective management, the Group will achieve ultra-low emission of air pollutants, recycling and zero discharge of all of the wastewater, co-processing of hazardous wastes during the process and coal blending and coking, to achieve "zero" discharge of wastewater and hazardous wastes, to minimum the effects on the environment.

  o Establish a sound environmental management system based on ISO14001 by forming an environmental management system with the Environmental Management Committee acting as the top management body, routine management provided by the Environmental Protection Department, technical support provided by the Technical Department, and each workstation assigned with an environmental officer responsible for environmental supervision.The responsibilities of all level of positions are specific while the objectives are clear, and ensure the operation of system continues to improve by establishment of an appraisal and incentive system. The Group has obtained the certification of ISO14001 Environmental Management System;

- o Formulate and improve environmental management rules, such as Environmental Protection Management Rules, Regulations on Environmental Test Management, Regulations on Air and Dust Emissions Management, Regulations on Key Sewage Outfalls Management, Regulations on Solid Waste Management, 15 Rules for Environment Improvement of Jinma, etc.

- o Increase the intensity of environmental inspection by focusing on supervision of pollution control facilities' operations, put more efforts more checking and increase frequency of checking by issuing Notice of Rectification with Time Limit for identified problems, and following up on the implementation to achieve closed-loop management; implementing comprehensive supervision on key places, thus ensuring that 24-hour, holistic, thorough supervision at all time and full coverage can be achieved;

- o Increase technological process innovations and cooperation between industries, universities and research institutes by focusing on researches to resolve prominent environmental problems, and make every effort to realize the utilization of "Three Wastes" as resources, and reduce pollutant emissions from the source. Technologies that the Group has taken part in their research and development, including advanced water treatment, dust removal from 5.5m coke ovens, salt extraction from desulfurized waste liquid, have won the Scientific and Technological Achievement Awards of Henan Province.

- **Measures to mitigate emissions**

Exhaust gas management

- Install coke oven coal gas recycling processor with utilization rate of coke oven coal gas reaching over 98%, which meets "Thirteenth Five-Year Plan" development plan requirements for coking industry;

- Install pollutant control measures and resource recycling devices for dust removal from flue gases, desulfurization and denitrification, chemical exhaust gas collection etc., and operate in stable condition and up-to-standard, and simultaneously link up with the pollutant monitoring and controlling platform of municipal environmental protection bureaus to achieve real-time monitoring;

- Construct fully enclosed coal storage facilities as supprot and dust suppression and removal facilities for coal transfer, coal crushing, coaling, coke pushing, coke quenching, coke screening, sulfur and ammonium drying. Among these facilities, coke pushing in coke ovens established dust removal facilities for ground stations, further reducing particulates emissions.

Wastewater management

- Construct wastewater processing and recycling facilities such as sewage treatment station, advanced treatment station for phenolic and cyanic wastewater, reclaimed water treatment station etc., and operate in stable condition and up-to-standard;

- Construct a multi-directional pipeline network of integrated wastewater recycling, optimize "water resource" control through methods such as cascade reuse and hierarchical use, achieving "zero" discharge of domestic and industrial wastewater.

Solid waste management

- Adopt new technique, new technology to reduce waste generation, for instance improving the production technique to have the modification process of coal asphalt no longer produced flash oil;

- Recycle all solid wastes generated in the coking process. For instance, use wastes such as tar residue, recycled asphalt residue, bituminous coal dust, sludge derived from sewage treatment etc. in coal blending and coking, achieving treatment with no harm; conduct advanced processing of hazardous wastes such as coal tar generated by coal gas purification, further enhancing the utilization value;

- A sound solid waste management ledger for regulation-compliant storage and disposal of waste has been set up: perform ground hardening at locations where solid wastes are generated, and set up barrier protection measures to prevent land contamination; the Group collectively collects and transports domestic wastes to refuse handling areas; construction wastes generated by new, rebuilding or expansion projects are used for site formation.

- **Emission reduction results and emissions performance**

  The Group adheres to the principle of "control increment and reduce inventory". Through implementing and improving emissions management, the Group not only achieves "zero" discharge of wastewater and hazardous wastes, but at the same time also fulfils the allowable pollution loads set by environmental protection departments, i.e., 210 tons per year for SO_2, 1,700 tons per year for nitrogen oxides, 237 tons per year for particulates, fully achieving up-to-standard discharge.

  During the Reporting Period, the Group was not involved in any material events in relation to litigation or corresponding penalties arising from violation of environmental regulations.

Emission data of emissions for 2017-2018

Type of Emissions	Unit	2018	2017
Total emissions volume of SO_2	Ton	105.85	175.9
Intensity of SO_2 emissions	Kg/RMB 10,000	1.4×10^{-2}	3.4×10^{-3}
Total emission volume of nitrogen oxides	Ton	949.98	1,249.8
Intensity of nitrogen oxides emissions	Kg/RMB 10,000	1.3×10^{-1}	$2.4x10^{-2}$
Total emission volume of particulates	Ton	94.36	186.1
Intensity of particulate emissions	Kg/RMB 10,000	1.3×10^{-2}	$3.6x10^{-3}$
Total emission volume of greenhouse gases	tCO_2e	657,558.18	604,164.1
Intensity of greenhouse gases emissions	tCo_2 e/RMB 10,000	88.24	1.176
Total discharge volume of sewage	Ton	—	—
Intensity of sewage discharge	Ton/RMB 10,000	—	—
Production volume of hazardous wastes	Ton	96,072.50	107,924.4
Intensity of hazardous waste production	Ton/RMB 10,000	13	21
Hazardous waste handling rate	%	100%	100%
Disposal volume of hazardous wastes	Ton	—	—
Production volume of non-hazardous wastes	Ton	148.9	176.2
Intensity of non-hazardous waste production	Ton/RMB 10,000	2.0×10^{-2}	$3.4x10^{-3}$
Non-hazardous waste handling rate	%	100	100
Disposal volume of non-hazardous wastes	Ton	—	—

Note: Intensity = Total emission/discharge/production volume ÷ total revenue (in RMB)

Case: Sewage recycling, and achieve "zero" discharge

The Group attached great importance to the utilization efficiency of water resources for achieving sewage reduction and recycling. Over the years, the Group has improved significantly sewage treatment index and capacity through investing large funds, constructing sewage treatment system with advanced facilities and fully-equipped ancillaries to realize sewage recycling and "zero" discharge.

- Apply A^2/O biological nitrogen removal process to upgrade treatment station for phenolic and cyanic wastewater with treatment capacity of 120 tons/hour (1,050,000 tons/year), the water quality after processing has met National Grade One Discharging Standard, which are used entirely in coke quenching water and advanced treatment of coke dry quenching;

- Invest RMB36,000,000 to build advanced treatment unit for phenolic and cyanic wastewater, and treat water with A^2/O technology for the advanced treatment of raw water, which are used in dry quenching cogeneration boiler and cooling tower, with treatment capacity of 160 tons/hour (1,400,000 tons/year);

- Collect domestic wastewater, initial rainwater and part recycled water and sewerage in production area and transport to reclaimed water reuse unit. The wastewater treatment rate can reach 250 tons/hour, saving 2 million tons of water per year;

- Invest over RMB6 million to upgrade the treatment unit for phenolic and cyanic wastewater, and is capable of treating coking wastewater to meet National Grade One Discharging Standard without using freshwater.

Case: Harmless disposal of hazardous wastes, and achieve "zero" discharge

- Mix coal with hazardous wastes for coking: the Group recovers all hazardous solid wastes such as tar residue generated from production process, coal coke powder recycled from ground dedusting station and sludge derived from sewage treatment etc., and use them in coal blending in certain proportion, which reaching harmless disposal, reducing environmental pollution and reducing raw materials consumption, relevant data shows that the Group could recycle 2,470 tons of coal coke powder, 1,860 tons of tar residue and 4,925 tons of convertible standard coal per year.

- **Productization of salt extraction from desulfurized waste liquid:**
  Desulfurized waste liquid is the hazardous wastes generated after wet desulphurization of coke oven gas during the production process of coke. It is listed in the National Catalogue of Hazardous Wastes because of its high salt and toxicity. However, the double salt such as ammonium sulfate in desulfurized waste liquid is the important chemical materials, the Group conducts resource utilization through salt extraction technology, which not only eliminating environmental impacts but also creating important economic values.

Case: Upgrading coking furnace gas control measures to achieve ultra-low emission

In 2018, the Group invested RMB55 million in improving the denitration technology of four existing coking furnaces in phases one and two and upgrading coking furnace gas control measures with a view to meeting stringent pollutant emission standards. The technology improvement project adopts the SCR+cloth bag dust removal technology which is mature and stable in the industry. In October, this project smoothly passed the acceptance check conducted by the environmental protection authority. Since the commencement of operation of this project, pollutant emission concentration had been lowered significantly, among which oxides of nitrogen concentration reduced from 450mg/Nm^3 to below 100mg/Nm^3 and soot concentration reduced from 25-30mg/Nm^3 to below 10mg/Nm^3. This project eventually achieved the ultra-low national emission standard, ensured compliant emission of coking furnace gas.

Resource utilization

Shouldering the responsibility of "advancing industry-wide technical improvement, establishing an environmental-friendly and energy-saving enterprise and fulfilling corporate social responsibilities", the Group determined improving comprehensive energy utilization level as one of the strategic missions for realizing sustainable development and improved the resource utilization level through management improvement and technical progress, thereby providing solid and powerful support for the sustainable development of the Group.

- **Management policies for resource utilization efficiency**

  With the aim of "saving energy and reducing emission, protecting the environment and realizing sustainable development" for its resource management, the Group treated low carbon development as an important driver for enhancing economic quality and efficiency under the new norm . In 2018, the Company deeply explored the potential of energy-saving during the process, which achieving energy cascade use by transformation of energy-saving and leveraging the energy management center to allocate smartly for achieving effective flow of energy, in order to further enhance energy management standard and reduce emission of greenhouse gas.

  o Establish sound energy management rules: Energy Management Rules, Energy Measurement Management Rules, Energy Utilization and Energy-saving Management Rules and Management Rules for Energy Assessment, Award and Punishment;

  o Establish energy management bodies: form an energy leading team, which is responsible for energy management of the Group, and further optimize resources consumption indicators in 2018, such as comprehensive energy consumption per ton of coke, fresh water consumption and electricity consumption;

  o Promote clean production: conduct proper technological process research, improve technical equipment and extend the industrial chain to reduce energy consumption of technological processes and equipment. Technologies that the Group has taken part in their research and development, including automatic heating of coke ovens to save energy, have won the Scientific and Technological Achievement Award of Henan Province. The Group led the industry in different areas such as water and electricity saving, use of waste heat, integrated unit cost control etc.;

  o Advocate green office: establish an OA paperless office system and reduce paper usage;

  o Set gas mileage limit standards for vehicles, improve the utilization efficiency of shuttles and company vehicles and encourage employees to travel environmentally-friendly.

  The Group consistently attached equal weightings to saving resources and improving the efficiency of resource utilization. By implementing and improving resource management, the Group effectively lowered energy and water consumption per unit output value and reduced greenhouse gas emission.

- **Performance in use of resources**

Performance in use of resources data in 2017-2018

Type of resources	Unit	2018	2017
Coal	Ton	2,640,726	2,893,037.3
Diesel	Ton	685.5	601
Gasoline	Ton	81.2	70.3
Net purchase of electricity	1,000 kWh	162.0	144.1
Net purchase of thermal power	GJ	267,106.4	25,644.9
Total volume of standard coal in integrated energy consumption	Ton of standard coal	2,709,362.3	410,736.5
Intensity of integrated energy consumption	Kg of standard coal /RMB 10,000	363.59	79.9
Total volume of freshwater consumption	Million Ton	2.2	4.1
Intensity of freshwater consumption	Kg/RMB 1,000	295.23	800.2
Recycling rate of water for industrial use	%	98	98.9
Packaging	Ton	N/A	N/A

Note: 1. Intensity = Total volume of energy or water consumption ÷ total revenue (in RMB); 2. In 2017, integrated energy consumption mainly composed the process energy consumption of coal chemical sector, 2018 is the full-caliber of integrated energy consumption; 3. In 2017, the water consumption of civil work of the new project of the Company was high, thus, water consumption in 2018 dropped in a larger extent as compared to 2017.

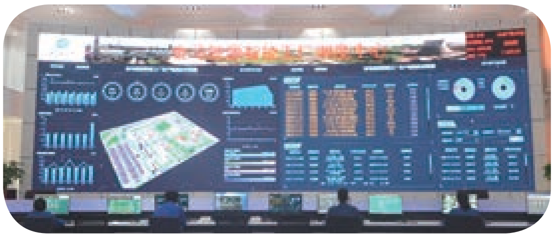
Innovation in science and technology

The Group has all along been insisting on being science and technology-oriented and innovation-driven by putting greater efforts in an innovative model combining with "production, education, research and practice" to introduce and absorb domestic and foreign advanced technologies and actively innovating in technologies, optimizing process and improving equipment. To stimulate the creativity of employees, the Company formulated the QC Group Activity Steps and Administrative Measures (《QC小組活動步驟及管理辦法》) for deployment of human resources flexibly as well as solving key issues such as process, technologies and quality with the principle of "small, practical, flexible, new". The Company stabilizes quality of process, improves quality of products, reduces materials consumption and improves production environment, as well as grant awards with different amounts to company-level, municipality-level and provincial-level technology achievements. University-enterprise jointly to establish a R&D platform to promote production, education, research and practice, which is the important internal driving force of our industry upgrade. The Company leverages coal-based ecology refined chemical laboratory so as to continue to enhance industrial application of new products, new technologies and new materials. In 2018, the Group had 85 research and development staffs.

Case: Boost "Informatization and Industrialization Integration" and Build "Smart Jinma"

In response to national policies for industrial informatization to allocate production resources efficiently and improve production automation, the Group decided to construct and implement the "Jinma Smart Management System Project" from November 2016 to June 2018 in light of the current informationization development. In August 2017, the Group was recognized as a national pilot enterprise on implementation of the integration of informatization and industrialization. The smart factory production control (emergency) management center, which was commissioned in October 2017, enable the Company to unitedly control the production resources (such as water, electricity, gas, steam, wind and sewage) of Jinyuan, Bohai, Jinning and Jinrui and be more balanced in energy mix to reduce resources consumption. The utilization rate of coke gas per ton increased from 95% to 100%; the annual increase in gas revenue is approximately RMB10 million, which improves the overall utilization rate of energy and increases its economic benefits.

In September 2018, the Group obtained the assessment certificate of the integration of informatization and industrialization system for the resource sharing and collaborative operation, management and control capabilities of the coal chemical industry chain enterprise, and successfully passed the assessment of the smart factory in Henan Province in October.



Case: Seek the new idea of "Resource Conservation" and release the new advantages of "Scientific and Technological Upgrade"

The Group promoted cost reduction and efficiency enhancement through energy-saving technological upgrade, and drove the transformation and upgrading of enterprises with clean energy projects. In the recent years, the Company has been promoted the energy-saving management to transform towards a refined direction through a range of water-saving, energy-saving upgrade measures:

- To upgrade water treatment facilities: the Company achieved separate utilization and recycling of water resources through a series of upgrading measures, such as biochemical treatment, membrane treatment and salt extraction, and realized the use of water resources and recycling with its recycling rate of water for industrial use standing at 98.9% and its water consumption of coke gas per ton falling to 1.0m^3, or 60% below the entry water consumption for coking industry.

- To upgrade production process: coke dry quenching process implemented in the new process significantly reduces consumption of fresh water and emission of dust;

- To improve resources utilization value: further increase the calorific value of coke oven gas, reduce utilization of energy and decrease carbon emission by implementation of the coke oven gas hydrogen production project;

- To implement energy-saving technical improvements: in 2018, the Company further improve the utilization efficiency of thermal energy by a series of energy-saving technical improvements measures such as replacement of heat insulation materials of heat recovery steam generator.

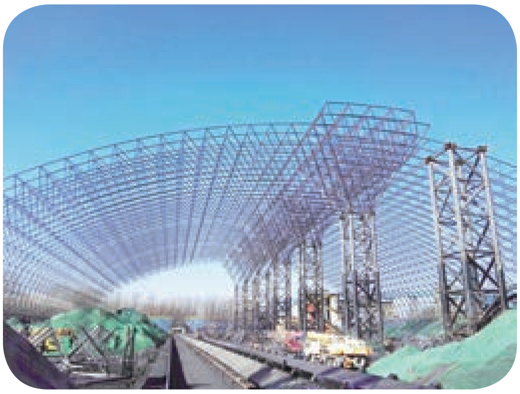
Protection of Environment and Natural Resources

The Group has fully considered and adopted measures to control the environmental impact during project construction and operation, protecting the natural environment with responsible attitude and behavior. In 2018, the Company carried out reconstruction work of turning coal storage yards into a fully-enclosed coal storage yards. The environmental impact of fugitive dust was fully considered during the construction process.

- Strictly implement "Three Simultaneity" rules and environmental impact assessment rules. All new, rebuilding or expansion projects have to prepare environmental impact assessment reports as required, and obtain the approval of competent departments;
- To avoid the adverse impact of noise and exhaust gas emission generated during project construction and operation on surrounding residential areas, the Group sets air protection distance in strict accordance with the requirements of the environmental impact assessment approvals, operates environmental protection facilities and devices in safe and stable condition to ensure up-to-standard discharge and reduce impact on natural environment. Meanwhile, the site selection and land used for new, rebuilding or expansion projects should avoid occupying agricultural and forest land, and soil control measures should be strictly implemented to prevent soil environmental pollution;
- Ensure that the environmental protection measures are in place during project construction and operation, reducing impact on natural environment;
- Invest to construct and expand reservoirs, and collect surface water such as rainwater for production use, so as to reduce groundwater usage during project operation;
- Hold activities like voluntary tree planting etc., and greening at the Group's factory areas and surrounding wastelands, and carry out public welfare activities such as donations for environmental protection purposes.

Case: New construction of fully-enclosed coal storage yards, the last kilometre to solve dust pollution

In 2018, the Group implemented full enclosure renovation of the existing coal storage yards to solve the dust pollution of coal storage yards from the source, and reduce the impact of rain erosion and strong winds on the external environment effectively. During the construction period, the bare materials should be well covered, the coal unloading and reclaiming processes should be arranged reasonably, the sprinkling and dust reduction of coal transportation roads should be strengthened, and the vehicle wash station equipment is installed so as to minimize the dust pollution.



Case: Reconstruction and expansion of the Zenan Reservoir to optimize the use of water resources

Since its establishment and commencement of operations, the Group has, from a perspective of ecological and economic benefits, purchased and modified the Zenan Reservoir using self-raised funding to serve as a source of self-supplied industrial water, fully recycling rainwater. In 2008, the Group reinvested RMB15 million to expand the phase 2 of the Zenan Reservoir, which can collect 0.2 million tons of rainwater per year. The construction of the reservoir not only reduces groundwater extraction, but also replenishes some groundwater, easing the strains on the natural water cycle, and plays an important role in water and land conservation and ecological enhancement.

Social Responsibilities

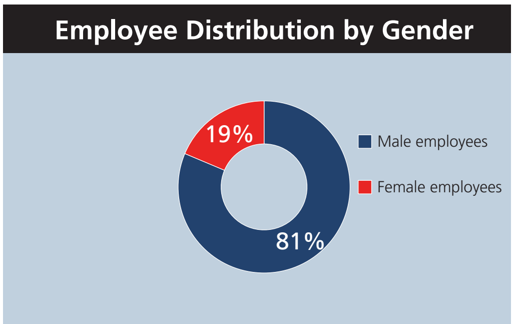
Employment

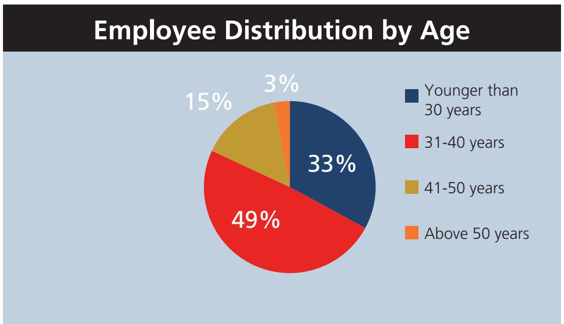
The Group stringently complies with relevant employment laws and regulations, including the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). By adhering to the principle of equality, conforming to employment standards, showing care towards employees, employees' sense of belongingness is enhanced, and harmonious relations between the Group and employees are promoted.

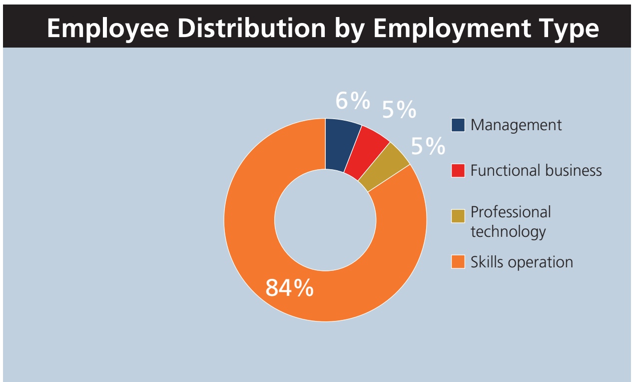
During the Reporting Period, the Group did not violate any relevant employment laws and regulations.

- **Number of employees**

  As at the end of the Reporting Period, the Group has 1,508 employees (2017: 1,361 employees). The staff turnover rate in 2018 was 5.96%. (2017: 0.2%)







Case: Recruiting high-level talents and strengthening the construction of talent echelon

The Group has always adhered to the philosophy of talents being important assets. We invest about RMB2 million per year to broaden recruitment channels, recruit high-level talents, and strengthen cooperation with colleges including Tsinghua University, Xiamen University, Zhejiang University, Zhengzhou University, Anhui University of Technology to further enhance management level and business capability of existing middle and senior management personnel and technical personnel.

- **Rights and interests and development of employees**

  Employees are the foundation of enterprise and closely tied to the enterprise development. The Group earnestly protects the legitimate rights and interests of employees through constantly establishing, improving and implementing relevant recruitment and remuneration rules and systems.

  Fair and standard recruitment and dismissal system

  - The Company formulates and implements the Regulations on Management of Recruitment of Employees and the Regulations on Management of Resignation of Employees, which clearly define recruitment and dismissal conditions to form fair and standard employment conditions. In 2018, the signing rate of employee labour contract was 100% and the staff turnover rate was 5.96%;
  - Focusing on recruiting highly-educated, high-caliber and highly-skilled talents and staff for special posts.

  Open and transparent assessment and promotion mechanism

  - The Company formulates open and transparent employee assessment and promotion mechanism, to ensure that each employee is fairly assessed and reasonably promoted during his/her tenure.

  Clear and concise rules on attendance and vacation

  - The Company formulates clear and concise rules on attendance and vacation, to fully protect the employees' rights to have rest and vacation.

  Equal opportunity, diversity and anti-discrimination

  - The Company emphasizes on building a diversified team, providing equal opportunity for employees to demonstrate their capabilities, strictly preventing discrimination against gender and other aspects.

  Scientific and reasonable remuneration system

  - The Company establishes a scientific and reasonable remuneration system which offers competitive remuneration to employees. It also pays basic social insurance premium according to law for employees, such as pensions, medical treatments, unemployment, work-related injuries, and birth etc., and establishes employee welfare systems such as housing provident funds.

Democratic communication

– Supporting the trade union to carry out work independently and elect the trade union chairman democratically in accordance with the relevant provisions under the Trade Union Law of the PRC (《中華人民共和國工會法》) and the Constitution of Trade Unions in China (《中國工會章程》);

– Implementing the system of employee representatives meeting to consider major decisions of the Group and significant issues relevant to the personal interests of employees, such as bonus, allocation plans of income and welfare distribution, and to evaluate work reports presented by leaders of the Group at the annual employee representatives meeting;

– Strongly promoting the transparency of factory affairs through various media and in various forms, such as organizing quarterly experience symposium for employee representatives, monthly meeting on factory affairs and weekly meeting on production scheduling, while at the same time updating information on factory affairs in the open column for factory affairs and in internal monthly bulletins, widening the channels for democratic decisions, democratic management and democratic supervision by employees, and listening to opinions and suggestions from employees;

– Protecting the rights of information, participation and supervision for employees and enhancing the coordination and communication between the enterprise and employees.

- **Other benefits and welfare**

  We attach great importance to the work and life of our employees, actively organise activities to show employees with care, helping employees to improve work and life qualities and enhance their well-being through various methods, so as to create a harmonious corporate environment.

  o Establishing employee mutual funds to provide relief fund for poor families;

  o Paying attention to the physical health of female employees and providing special physical examination and subsidies for women, with the completion rate of health examination amounting to 100%;

  o Improving the work status of employees and providing holiday welfare for them;

  o Implementing family welfare activities for employees, including granting a subsidy of RMB100 and RMB200 respectively to each of our employees' parents over 70 years old on his/her birthday and the Double Ninth Festival, and granting a subsidy of RMB3,000 to each children admitted to the university per year.

Case: Establishing a mutual fund to provide relief fund for poor employees

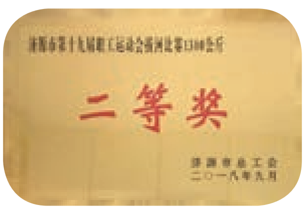
In order to set up more sustainable employee relief mechanism and solve practical problems for employees who have encountered difficulties, and to build a harmonious enterprise, the Group established the "Jinma Jiaohua Mutual Fund (金馬焦化互助基金)" in July 2010.

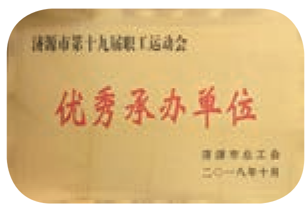
The fund raising adopts the principle of voluntariness and fully promotes the spirit of "one person has difficulty, 10,000 people support" and receives positive response from the employees of the Group. Since the establishment of the mutual fund, the Group has been insisting on carrying out the annual assistance activities for poor employees.

In 2018, the Group provided assistance to 41 poor employee families, and amount of the subsidies granted reached RMB43,500.

Case: Enriching cultural and sports life

The Group attaches great importance to maintaining the balance between employees' work and life, and advocates the concept of "loving sports, enjoying work and life", and creates Humanistic Jinma (人文金馬) through various cultural and sports activities. On 19 September 2018, the 19th Games of Jiyuan City (濟源市第十九屆運動會) was opened and more than 80 contestants from the Group participated in the competition. They finally achieved excellent results in the group tug-of-war and skipping rope competitions and track and field events, and the Group was awarded the title of Excellent Organizer by the Jiyuan City General Labour Union.





Occupational Health and Safety

- **Relevant laws and regulations**

  The Group has always adhered to the work policy of safety first, prevention-oriented and comprehensive management (安全第一、預防為主、綜合治理), strengthened foundation and overcome the obstacles and difficulties; abided by criteria set by relevant safety laws and regulations, including the Work Safety Law of the PRC (《中華人民共和國安全生產法》) and the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), fully implemented safe production responsibility system at all levels, continuously strengthened the safety awareness among all staff and steadily promotes the construction of a safety standardization system. During the Reporting Period, the safety production situation has been generally stable.

  During the Reporting Period, no deaths or major injury accidents had occurred.

- **Structure of Production Safety Management System**

Organizational Mechanism

The Group establishes a Safe Production Committee headed by the General Manager and consisting of top management, forming a safe production management organizational body covering the Safe Production Committee, Safety Department/subsidiaries, workstations, work sections and teams, thus guaranteeing effective implementation of various management rules and standards of the Group.

Rules and standards

The Group has revised and improved the Safety Standardization Management Manual of Henan Jinma Energy Company Limited, which includes 58 management rules and 17 occupational health management rules such as the Collection on Safe Production Responsibility Rules, Safe Operation Management Rules and Regulations on Safe Management of Special Equipment, becoming the document and conduct rules guiding safe working.

Assessment and supervision

The Group follows up, supervises and assesses production operations, focusing on integrated assessment of various areas such as the establishment status of safety management and post responsibilities, the implementation status of education and safety inspection rules, the control status of safety accidents, the management status of accidents and risks, inspection and treatment status of potential hazards etc., to constantly enhance safety management performance.

Inspection and rectification

- Inspection and rectification of potential hazards have been stepped up continuously to discover and eliminate potential hazards in a timely manner, the entire process of inspection, registration, rectification, supervision and elimination is standardized without leaving any blank area to ensure that the potential hazards are treated;

- On-site safety supervision has been seriously implemented. In 2018, the safe management staff of the Company strictly implemented the "three comments three actions" mechanism on hot work operation, restricted space operation, blocking of blind plates, high place operation, hoisting and installation operation, temporary power use and ground-breaking operation, the safety of employees is effectively protected.

Emergency drills

- The Group formulates annual work plans for emergency drills, and actively carries out various emergency drills by workshop, by profession and by area to enhance the response capability and skills of emergency teams and relevant departments in handling emergencies, thus laying the foundation for better emergency rescue works.

Occupational health

- Dynamic monitoring and evaluation of occupational hazardous factors in work place continue to strengthen. Labour protective gears are distributed to staff according to the requirements of the job position. Medical examinations for occupational health are organized before employment, during employment and upon departure. Re-examinations are organized for staff with abnormality in annual medical examination. Redeployment is arranged immediately for staff with occupational contraindications.

Case: Implement security inspection and keep the security line

The Group continued to strengthen on-site safety management to ensure the smooth and safe implementation of maintenance work. In 2018, the safety management staff of the Group supervised a total of 505 level 1 hot work operations, 97 restricted space operations, 23 blind plate pumping operations, 298 high-place operation, 18 hoisting operations, 181 temporary power operations and 6 earth-moving operations, and no safety violations occurred, effectively protecting the safety of its employees.

Case: Conduct emergency drills and build security defense-line

The Group always bears in mind in safety first and taking precautions, formulates relevant emergency drill work plans, and actively carries out emergency drills.

In 2018, the Group carried out drills on the emergency response plan for power outages, heatstroke, fire prevention, water stoppage, anti-leakage and explosion. Through such drills, its employees further enhanced their safety awareness, clearly understand emergency response and rescue procedures and relevant rescue methods, enhanced the safety awareness of all employees, strengthened its employees' awareness of emergency response and fire accident prevention and their capabilities of accident rescue and disposal, which secured the effects of "responding rapidly, coordinating orderly, responding properly and minimizing losses" in the event of an accident.

- **Safety education and training**

  The Group continually carries out safety publicity and education for employees. Through implementing multi-level, multi-channel and targeted safety trainings and safety publicity materials consisting of vivid images and detailed texts, employees' safety concepts, safety awareness and technical skills are effectively improved. In 2018, The Group has over 2,000 employees and conducts over 190 safety trainings.

Case: Training is crucial to safe production

It is an import process in implementing safety management, publicity and education of safe production for the Group to carry out various safety training activities, enhance employees' awareness on safety and rectify their danger behavior during their daily work.

On 21 May 2018, to further enhance the Group's safety management and ensure safe production, the Group invited Professor Shen Xia from School of Emergency Management of Henan Polytechnic University to give training in respect of dual-prevention mechanism featuring hierarchical control of safety risks and identification and elimination of hidden dangers to the Group's 120 safe production management employees.

Development and Training

The Group pays attention to training talents and spares no efforts in creating various learning and development opportunities in multiple fields to train talents at all levels with high comprehensive quality, excellent expertise and strong management capability.

- **Relevant policies**

  Enhance the establishment of management system for nurturing talents

  - Enhance the nurturing mechanism for excellent talents, formulating Proposal of Selecting, Nurturing and Managing Excellent

Talents, build up a nurture system for professional knowledge and skills in terms of management, law, internal control, technology, quality and environmental protection etc..

Establish a scientific and effective assessment and evaluation mechanism

- Formulate a scientific and feasible talent assessment method to select excellent talents.

Enhance talent exchange, expand development channel

- Increase the nurture and exchange intensity of talents, persist in improving rotation mechanism for talents so as to nurture experiences through plans and different posts, promote excellent talents in exceptional cases, ensure that the outstanding talents are retained and provided with relevant development.

Focus on nurturing young reserve cadre talents

- Focus on selecting young reserve cadre talents with high mindset quality, advanced professional skills, strong work capabilities, conduct systematic and comprehensive nurturing, and including nurturing plans for such young cadres into the "Thirteenth Five-Year Plan" development strategy of the Company.

- **Training performance**

Name of indicator	Unit	2018	2017
Total number of training	Times	12	12
Total number of participants	Persons	2800	2500
Expenditure on training	RMB ten thousand	28	30

The percentage/average training time is classified as follows according to gender and employment type for the employees trained in 2017&2018:

Type	2018	2017	2018	2017
	Number (%)		*Average time (hours)*	
Gender				
Male	(81.0%)	1,100 (88.0%)	48,000	4,400
Female	(19.0%)	150 (12.0%)	11,200	6,000
Employment type				
Ordinary employees	(96.8%)	1,210 (96.8%)	58,400	48,400
Middle management	(2.5%)	30 (2.4%)	1,520	1,200
Senior management	(0.6%)	10 (0.8%)	400	400

Labour Standards

- **Relevant laws and regulations**

The Group stringently complies with relevant laws and regulations, including the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》), forbids behaviour of employing child labour and enforcing forced labour in all forms. The Group also actively conducts democratic communications, encourages employees to participate in the Group's decision-making, and collaborate to promote and witness the enterprise's development.

- **Prohibition of employing child labour and forced labour**

  The Group strictly prohibits employing child labour and forced labour, and strictly reviews and verifies the information of job applicants during the employee recruitment process every year, to prevent employment of child labour at source. In addition, the Group increase management of the employees' working time by sticking to the statutory working time of 8 hours per day or 40 hours per week, and hence prevents forced labour from happening.

  During the Reporting Period, the Group was not involved in any litigation relating to employment of child labour, forced labour and material breach in labour laws.

- **Paying attention to communication between the employers and employees**

  The Group strictly adheres to the principle of employee-run enterprise, and supports trade union to carry out work independently and democratically elect the trade union chairman, in accordance with the relevant stipulations under the Trade Union Law of the PRC (《中華人民共和國工會法》) and the Constitution of Trade Unions of China (《中國工會章程》). At the same time, the Group implements the employee representatives meeting and factory affairs publicity systems to propel the democratic management systems being more sound and improved, and the Group greatly supports publicizing of factory affairs, expand channels of democratic decision-making, democratic management and democratic supervising, to allow employees to learn about the Group's important decisions, important issues in production, operation and management, hence guaranteeing the employees' rights to participate in democratic management. The Group establishes a sound multi-level organization network, through methods such as employee representatives meeting, equal negotiation and collective contract system, and publicize through various media and in various forms etc., guarantees smooth communication across various multi-channels both laterally and horizontally. Through publicizing factory affairs, corporate democratic decisions are effectively promoted, corporate scientific management level is enhanced, and has gained recognition both internally and externally.

  o Employee representatives meeting: strict implementation of the employee representatives meeting rules, important corporate decisions and other material events relevant to the personal interests of employees, for instance award and punishment of employees, proposals on allocation of income, welfare distribution etc., are subject to consideration and approval of the employee representatives meeting, the Group's leaders' reports and evaluations are also presented during annual employee representatives meeting;

  o Equal negotiation and collective contract system: items which involve employee's fundamental rights and interests are subject to equal negotiation, and confirmed in the form of signing collective contracts. The collective contracts negotiation group is responsible for supervising the implementation, and reports to the employee representatives meeting every year; and

  o Publicize through various media and in various forms: one method is to publicize during meetings, for instance quarterly operation symposiums for employee representatives, monthly meeting between factory affairs committee and chairmen of different trade union branches, weekly meeting on production control; second method is to publicize through publication columns, for instance quarterly factory affairs publication column, monthly internal magazines, and public information column of factory affairs which is updated from time to time. In addition, the Group also encourages each department to actively explore effective methods of publication based on their own pragmatic viewpoints, for instance making public to employees the completion status of targets, results of team bonuses distribution etc. through publication columns.

Supply Chain Management

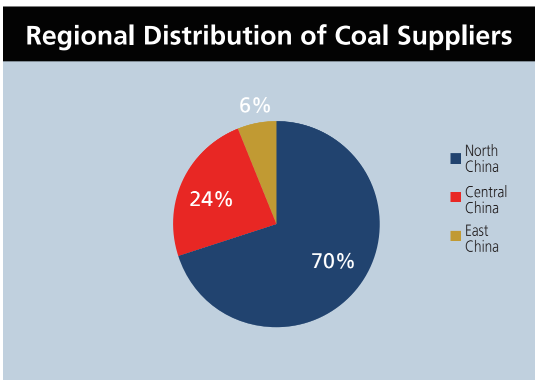
The Group adheres to our business concept of "Creating a win-win situation with integrity and cooperation", formulates supply chain management rules in accordance with a combination of relevant national laws and regulations and actual conditions of the Group's supply chain, enhances verification, management and evaluation of suppliers, urges suppliers to fulfil their environmental and social responsibilities to enhance their ability to perform, thus ensuring the stability and efficiency of the Group's supply chain.

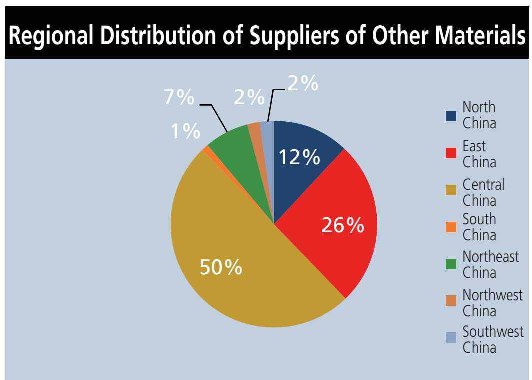
The Group formulates and implements rules such as Supplier Evaluation Management Rules, Credit Evaluation of Qualified Suppliers Rules, Raw Material Coal Procurement Management Rules etc., and selects qualified suppliers through comparison of various areas such as supplier's corporate scale, transportation capability, product quality, after-sale service, fulfilment of environmental and social responsibilities etc.. Based on the importance of the suppliers' products to the Group's production, the raw materials and auxiliary materials provided by the suppliers are classified and evaluated:

- o Type A – Key materials: evaluation of qualified supplier is conducted every half a year;
- o Type B – Important materials: evaluation of qualified supplier is conducted once every year, so as to ensure that materials procured from different types of suppliers meet the Group's requirements, and guarantees the Group's stable production; and
- o Type C – General materials: evaluation of qualified supplier is conducted once every year, so as to ensure that materials procured from different types of suppliers meet the Group's requirements, and guarantees the Group's stable production.

- **Number of suppliers**

  As coking coal is the Group's principal raw material, its quality and stable supply directly affect the product quality and quantity. Therefore, the Group adopts the strategy of mainly relying on various mining bureaus, and taking local large private enterprises and local market providers as the supplementary supply resources, actively seeks out new suppliers to reduce reliance on a single region, continues to stabilize and optimize the coal supply structure, reduces rate of supplies loss associated with deliveries and shipment processes, controls procurement costs, fulfils supplies of low-sulfur main coking coal, fat coal, lean coking coal, high-sulfur main coking coal etc. with adequate quality and quantity.





Caption: The Company continues to enhance industrial chain communication, broadens the scope of cooperation, facilitates healthy and positive developments in upstream and downstream to create a win-win situation.

Product Responsibility

- **Relevant laws and regulations**

  The Group stringently complies with relevant laws and regulations, including the Product Quality Law of the PRC (《中華人民共和國產品質量法》), optimises product layout, and keep a firm hold on product quality, so as to provide customers with qualified and satisfactory products. The Company has gradually improved the product quality control system and relevant rules, and constantly optimizes processes such as coal blending, coking, chemical production, processing of coal tar and benzene, so as to control production process in an all-rounded way, improving product quality and customer satisfaction.

  During the Reporting Period, the Company adopted various management measures to promote quality and efficiency, and there was no material incident in relation to violation of laws and regulations related to products and services.

- **Product Layout**

  In accordance with the overall idea of "Achieving green and low-carbon recycling development, and promoting transformation and upgrading to enhance quality and efficiency", the Group continuously adjust and optimize the product structure, extend the industrial chain, enhance the added value of products, expand for further development, cultivate new economic growth points, to enhance the overall competitiveness of enterprises. In 2018, the Group was ranked the 32nd of Henan Top 100 Private Enterprises in the Manufacturing Industry (《河南民營企業製造業100強》) and the 48th of Henan Top 100 Private Enterprises (《河南民營企業100強》).

  Based on the industry cluster development structure featuring upstream and downstream linked in one cycle of "coal-coke-advanced processing of coal tar - fine chemicals - power generation", the Group establishes new industrial development mode with circular economy at the core, and has become a "coke producer and coking by-products processor" focusing on four main segments of coking, chemical industry, energy, and logistics and trading, and integrates coal chemical industry, fine chemical industry and logistics and trading, achieving the shift from a base for commodity coke to a base for energy services. The Group proposes the concept of integrated development between coal chemical industry and petrochemical industry, and through acquiring companies that process downstream products, constructs and operates clean energy projects such as LNG, coke granule coal gas, electric power generation with coke oven coal gas, hydrogen production with coke oven coal gas etc., enriches the product structure and expands the business scope, forming a cyclic industrial economic circle within the coal chemical industry.

Diagram: Transformation into an "efficient clean energy and chemical industrial enterprise"

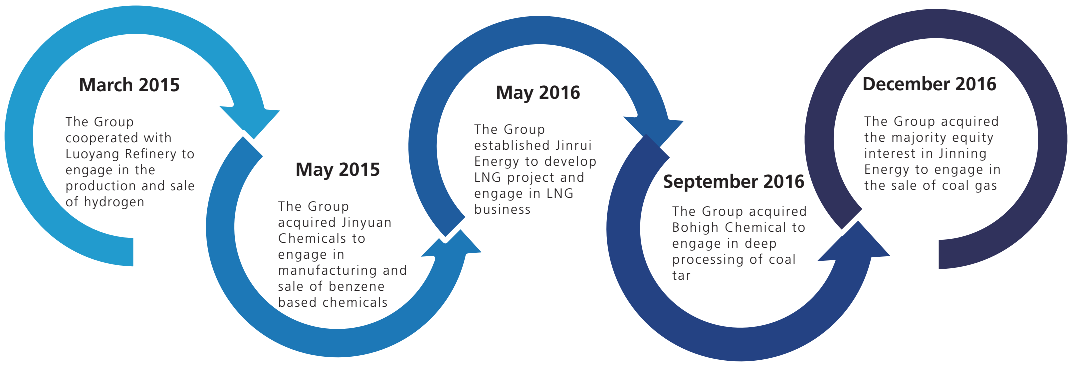
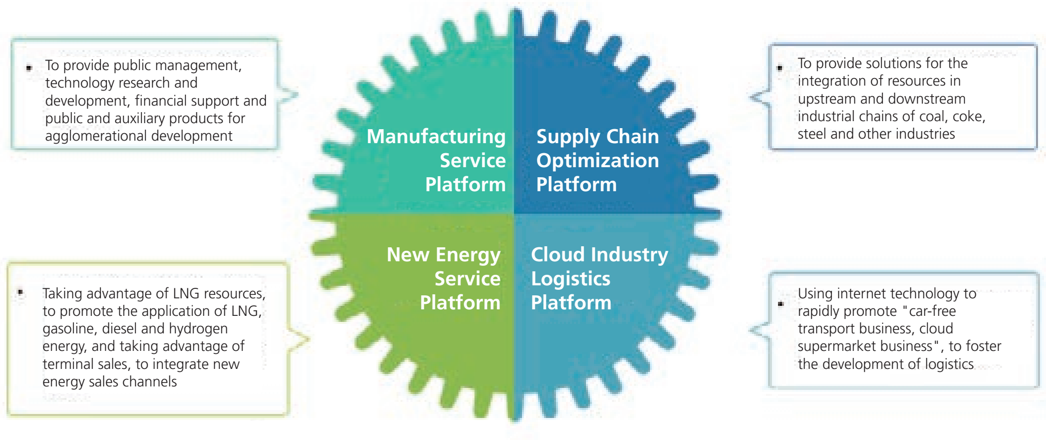


Diagram: Platform operation and resource integration



Relevant Rules

- Further enhance the details of management rules, such as Control Standard and Reward and Punishment Rules for imported cleaned coal, Regulations on Quality Management, Regulations on the management of non-qualified products, stringently implementing and fully satisfying relevant industrial standards such as Coke for Metallurgy (GB/T1996-2003) and Coal Tar (YB/T5075-2010) for products such as coke and coal tar.

Relevant Management System

- The Group has commenced establishing quality control system since 2006, and have successfully obtained certification of ISO9000 Series of Quality Standards.

Relevant Measures

- The Company strictly monitors the quality of imported raw materials and auxiliary materials such as cleaned coal;
- Strictly implement product quality management rules, improve quality control capabilities for coking and advanced processing processes;
- Convene monthly meeting to analyse product quality, and resolve relevant issues. Invite experts to participate in exchanges on product quality;
- Provide good after-sale services and follow-up visits with customers, regularly surveying the level of customer satisfaction, so as to improve product quality in a timely manner. In 2018, the Company's average customer satisfaction amounted to 97.59%;
- Formulate and implement learning and training programs for employees, enhance job skills of employees, improve the overall quality of employees and ensure the stable production and consistent product quality.
- To satisfy the requirements of high quality on products from customers, the Group's subsidiary, Bohigh Chemical, implemented technological reform on the production process of modified coal asphalt. After the project has commenced operation, not only product quality and quantity have improvements, power consumption is also lower, customer requirements are satisfied, and we have received recognition and commendation from customers.
- The Company continuously improves the quality of coke and successfully developed a high quality coke or the customized coke at last to meet the customized demands from client through a series of technical upgrading measures and repeated experiments.

Anti-corruption

The Group stringently complies with relevant laws and regulations, including the Criminal Law of the PRC (《中華人民共和國刑法》), the Company Law of the PRC (《中華人民共和國公司法》) and the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫定規定》) issued by the State Administration for Industry & Commerce of the PRC, formulates several management rules such as Regulations on Management of Anti-corruption and Reporting Mechanism, Regulations on Protecting and Rewarding Informers, Regulations on Project Audit Management etc., and sets up Disciplinary and Investigation Committee as the routine institution of the Group's anti-corruption works, providing strong rules and organizational support for the Group's anti-corruption works.

The Group strictly controls sensitive links such as bid invitation and procurement etc., and constantly enhances the processes for open bid invitations, internal and external audits and examinations, staff supervision and management, and adds anti-corruption relevant clauses to all contracts to effectively avoid corruption from happening. In addition, the Group improves employees' anti-corruption awareness through methods such as continually carrying out activities such as having leaders and cadres sign the letter of commitment of constructing a clean and honest administration, and anti-corruption publicity and education etc..

During the Reporting Period, the Group did not incur any litigations or corresponding penalties arising from corruption or bribery.

Case: Anti-corruption training and publicity education

In order to cultivate employees' anti-corruption awareness and establish anti-corruption concepts, the Group regularly or irregularly uses distance education platforms to widely organize employees to watch educational films regarding the typical advanced deeds of anti-corruption models and anti-corruption warnings, aiming to combine demonstration education with warning education and improve the effectiveness of publicity and education.

Community Investment

The Group always takes "fulfilling social responsibility" as the corporate mission, and remembers to practice the cultural concept of "stressing loyalty inside, stressing honesty outside, and stressing responsibility to the society". While achieving leapfrog development, the Group actively fulfils its social responsibilities, provides stakeholders with returns, cares for society and general public, pays attention to disadvantaged communities, pays attention to social education, actively contributes to building of socialist harmonious society, demonstrates sense of responsibility and style of an excellent enterprise.

The donation totaled RMB15.86 million since the establishment of the Group, and the donation totaled RMB3.0 million in 2018.

- **Harmony between village and enterprise**
  As a local large-scale private enterprise in Jiyuan City, we deeply recognises that the development of the Company is inseparable from the strong support of the surrounding communities. The Group has for many years continuously supported the surrounding communities and shared the results of corporate development, through various forms such as carrying out respect the elderly activities, assisting villagers of surrounding areas to find jobs etc., thus achieving harmonious relations between village and enterprise.

Case: Development with joint efforts under the paring poverty alleviation programme to achieve a win-win situation between village and enterprise

In recent years, while expanding its scale and accelerating its development, the enterprise have given priority to protecting the interests of the masses. All levels of the Group unanimously believe that we must not seek the development of enterprise at the expense of the interests of the surrounding people. At the same time of enterprise development, we must promote local economic development and bring tangible benefits to the local people, so as to achieve a win-win situation for both sides and promote harmonious development.

- Since 2009, the Group has invested more than RMB90 million successively to build the relocation and resettlement community for Wanghu Village to realize the overall relocation of Wanghu Village, which has fundamentally improved the living environment of Wanghu Village;
- In 2010, the Group invested RMB15 million to expand the Zenan Reservoir shared by village and enterprise, so that the Zenan Reservoir can better meet the irrigation and flood control of the surrounding villages and production water consumption of the enterprise;
- Starting from 2009, the Group donated more than RMB1 million for three consecutive years under the paring poverty alleviation programme to help Haoshan Village in Potou Town, increasing the per capita net income of residents every year;
- Since the establishment of its factory, the Group has arranged a total of 150 land occupation workers in the surrounding villages, accounting for 15% of the total number of employees in the Group; and arranged for more than 200 people to work on construction, loading and unloading of goods in the plant area for a long time.

Case: Caring for the elderly, warming the sunset

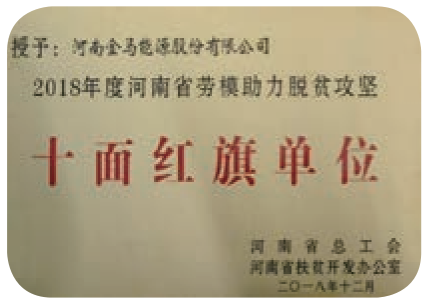
Before the Spring Festival in February and during the Chung Yeung Festival in September 2018, the main leaders of the Group cordially expressed their sincere sympathy to the elderly over 70 years old in the surrounding villages, and extended holiday's blessings and cordial greetings to them. They brought them money, rice, edible oil and other gifts. In the course of the conversation, they asked in detail about the life of the elderly and told them to take care of their bodies, maintain an optimistic and healthy mentality and wish them longevity and health.

Since its establishment, the Group has always attached great importance to the assistance and condolence work of the people in straitened circumstances in the surrounding villages, and implemented the concept of social responsibility, which has been fully affirmed and highly appraised by the residents of the surrounding villages.

- **Targeted poverty alleviation**

  The Group actively responded to the national call to implement the national targeted poverty alleviation policy by giving full play to the Group's own advantages and combining the actual situation of the targets under the poverty alleviation program, so as to vigorously develop industrial poverty alleviation, help the targeted regions to form a sustainable economic source and share economic development results.

  In December 2018, the Henan Provincial Federation of Trade Unions and the Henan Provincial Office of Poverty Alleviation and Development awarded the Group "Ten-faced Red-banner Unit (十面紅旗單位)".



Case: Golden Farming makes another splendid achievement in respect of poverty alleviation and Jinma helps warm the hearts of the people

The Group cooperated with Wangwu Town to carry out "Golden Farming" poverty alleviation projects, the objects include chicken farmers, wheet farmers, fruit farmers and pig farmers. The "Construction of Sites + Provision of Seedling + Technical Guidance + Epidemic Prevention + Sales" model of breeding, production and marketing was adopted to ensure that the poor households have stable investment and stable income and steadily shake off poverty.

Chicken farmers poverty alleviation has been implemented. The first batch of hencoops and baby chicks have been distributed, and the Group will send antiepidemic prevention personnel to each household to do 4 antiepidemics every month, and provide feed-to-door service. Feed is also at the lowest price. Each farmer can produce about 700 kilograms of eggs a year, and the Group repurchases those eggs at RMB8 per catty. The poor households can increase their income by about RMB4,000 per year.

The remaining Projects will be fully implemented from 2019 onwards. In this way, poor households can stay at home and increase their income to achieve poverty alleviation. The implementation of the "Golden Farming Project" is expected to increase the actual income of each household by RMB3,000-5,000 per year.

Case: Photovoltaic poverty alleviation

In response to the nation's efforts to win the fight against poverty and achieve the grand goal to take the lead in building a moderately prosperous society, according to the unified arrangement of the Jiyuan Municipal Party Committee and the Municipal Government, the Group have provided counterpart support for Guquan Village of Kejing Town in Jiyuan City, and signed the Industrial Poverty Alleviation Agreement with it, under which a 228 kW rooftop distributed photovoltaic power station project will be constructed in Guquan Village, aiming to realize the complete poverty alleviation of Guquan Village with industrial support. The total investment of photovoltaic power stations is approximately RMB3 million. Through this project, the villagers can realize "self-electricity consumption with excess electricity delivered on-grid", that is, the villagers can use the electric energy, and the excess electricity will be delivered on-grid to obtain a sustained and stable income.

The Group has invested RMB990,000 in start-up funds and transferred it to the Kejing Town People's Government through the Jiyuan City Charity Federation according to the progress of the project. After the project is put into operation, the property rights will be collectively owned by Guquan Village, and the village committee of Guquan Village is responsible for operation and management. The Municipal People's Congress Standing Committee and the town government will conduct the follow-up supervision to ensure that the industrial poverty alleviation is implemented, so as to realize the steady improvement of village collective economic income, the fundamental enhancement of public infrastructure construction of the village and the goal of finally achieving poverty alleviation.

- **Support education**

  We attach great importance to education, and actively donate to various schools, so as to help improve education and teaching facilities and office conditions, strengthen teaching staff, and help students with difficulties complete their studies. Through the support education activities, it not only helped the development of the regional education industry, but also attracted some assisted students to join the Group after they finished their studies, which has strengthened the talent team of the Group.

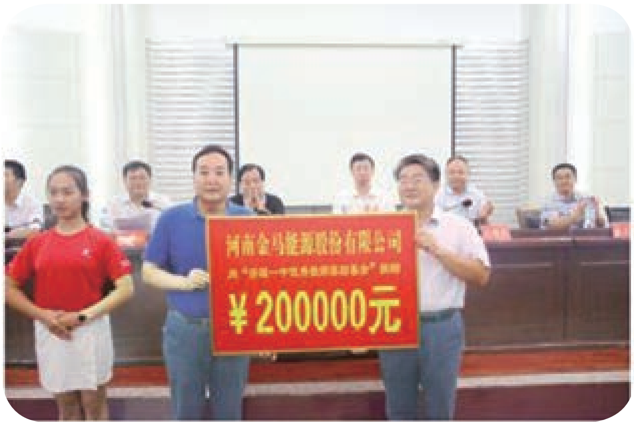
Case: Seven years of good farming generated deserved rewards

The Group launched the Ten-year Plan for Charity Education in 2012. It plans to help 500 college students complete their studies. The list of sponsored students will be reported to each town's civil affairs office by the villages, and then summarized by the Municipal Charity Federation. The scholarships are uniformly issued by the Group.

This year is the 7th year of the implementation of the "Ten-years Plan for Charity Education". The Group has invested RMB5.695 million successively to support 350 students with difficulties, helping college students to complete their studies and encouraging them to make good use of precious time and be diligent and eager to learn on college campus so as to become a struggler of the new era.

Case: Fraternity living in hearts and scattering on campus

We remain true to our original aspiration and always take social responsibility. When celebrating the Teachers' Day, on 8 September 2018, the Group donated RMB200,000 to the "Bonus Fund for Excellent Teachers of No. 1 Middle School of Jiyuan" to support the rapid development of education in Jiyuan, which was the sixth donation successively after 2013. At the donation ceremony, the Education Bureau of Jiyuan City and No.1 Middle School of Jiyuan sang high praise for the Group's contribution to the education development in Jiyuan for the past years.



DIRECTORS' REPORT

The Board of Henan Jinma Energy Co., Ltd. (河南金馬能源股份有限公司) (the "**Company**", together with its subsidiaries, the "**Group**") hereby present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

Principal activities

The Group is a leading coke producer and processor of coking by-products in the coking chemical industry in Henan province. The Group operates a vertically integrated business model along the coking chemical value chain from coke production to the processing of coking by-products into refined chemicals and energy products. The Group is committed to optimal resource utilization and environmentally responsible production throughout the production cycle. The Group has adopted a number of environmentally responsible measures to alleviate the impact of operations of the Group on the environment.

Discussion and analysis of major developments in the business of the Group and significant factors affecting the results and financial position of the Group are provided in the section headed "Management Discussion and Analysis" of this annual report (pages 25 to 27 and pages 11 to 13). The Group's environmental policies and performance are provided in the in the section headed "Environmental, Social and Governance Report" of this annual report (pages 40 to 48). In addition, description of the principal risks and uncertainties faced by the Group, details regarding the Group's relationships with its key stakeholders and details regarding the Group's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the section headed "Management Discussion and Analysis" (pages 22 to 24 and pages 27), "Corporate Governance Report" (pages 28 to 39), "Environmental, Social and Governance Report" (pages 40 to 63) and this section (page 64 and page 77) of this annual report. The particulars of important events that have occurred since the end of reporting period are provided in the section headed "Management Discussion and Analysis" of this annual report (pages 25 to 27).

Five-year Financial Summary

Summaries of the results and the assets and liabilities of the Group for the past five financial years (extracted from the audited financial statements published by the Group) for 2017 and 2018, extracted from the Prospectus published by the Group for 2014-2016, are set out as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,451,793**	5,137,652	3,298,634	2,244,731	2,563,674
Cost of sales	**(6,090,402)**	(4,232,808)	(2,863,413)	(2,119,342)	(2,385,867)
Gross profit	**1,361,391**	904,844	435,221	125,389	177,807
Other income	**8,883**	6,885	4,379	8,953	5,845
Other gains and losses	**(898)**	(8,964)	29,038	8,790	74,255
Impairment losses, net of reversal	**(12,513)**	—	—	—	—
Selling and distribution expenses	**(83,008)**	(35,111)	(30,795)	(18,222)	(12,931)
Administrative expenses	**(93,465)**	(65,419)	(43,912)	(36,912)	(33,068)
Finance costs	**(48,300)**	(50,799)	(47,729)	(53,006)	(73,842)
Listing expenses	**—**	(15,930)	(5,540)	—	—
Share of result in a joint venture	**4,614**	3,418	4,001	(1,208)	—
Share of result in associates	**(192)**	(77)	1,374	(888)	1,935
Profit before tax	**1,136,512**	738,847	346,037	32,896	140,001
Income tax expense	**(284,280)**	(191,011)	(79,205)	(8,739)	(34,741)
Profit for the year	**852,232**	547,836	266,832	24,157	105,260
Other comprehensive expense for the year	**(1,884)**	—	—	—	—
Total comprehensive income for the year	**850,348**	547,836	266,832	24,157	105,260
Total comprehensive income attributable to:					
– Owners of the Company	**830,524**	532,330	265,939	23,631	104,390
– Non-controlling interests	**19,824**	15,506	893	526	870
	850,348	547,836	266,832	24,157	105,260
Earnings per share (RMB)					
– Basic	**1.55**	1.24	0.66	0.07	0.38

Selected historical consolidated assets and liabilities data

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,683,316**	1,405,050	1,195,138	1,020,829	857,898
Current assets	**2,391,446**	1,557,276	1,167,178	744,926	963,188
Current liabilities	**1,421,017**	894,491	976,495	1,045,010	1,277,289
Net current assets/(liabilities)	**970,429**	662,785	190,683	(300,084)	(314,101)
Total assets less current liabilities	**2,653,745**	2,067,835	1,385,821	720,745	543,797
Equity attributable to owners of the Company	**2,279,625**	1,634,116	880,834	614,895	534,754
Total equity	**2,377,459**	1,728,326	945,934	620,141	540,624
Non-current liabilities	**276,286**	339,509	439,887	100,604	3,173
	2,653,745	2,067,835	1,385,821	720,745	543,797

The consolidated results of the Group for each of the years ended 31 December 2014, 2015 and 2016 and the consolidated assets and liabilities of the Group for the years ended 31 December 2014, 2015 and 2016 are extracted from the prospectus dated 26 September 2017 in connection with the listing of the H Shares of the Company on the Main Board of the Stock Exchange of Hong Kong since 10 October 2017.

Payment of Dividends

The Board of Directors of the Company has resolved to recommend the payment of final dividend of RMB0.35 per share for the year ended 31 December 2018 in cash to shareholders whose names appear on the register of members of the Company on 26 May 2019.

The relevant resolutions are subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be convened on 15 May 2019. The final dividend is expected to be distributed on or before 28 June 2019.

Tax on Dividends for H Shareholders

Withholding and Payment of Enterprise Income Tax on behalf of Overseas Non-resident Enterprises

Pursuant to the applicable provisions and the implementing regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and relevant requirements, the Company will withhold and pay enterprise income tax at the tax rate of 10% when distributing final dividend to the non-resident enterprises which hold H Shares (including the H Shares registered under the name of HKSCC Nominees Limited).

Withholding and Payment of Individual Income Tax on behalf of Overseas Non-resident Individual Shareholders

Pursuant to the applicable provisions and the implementing regulations of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the State Administration of Taxation on the Administrative Measures on Enjoying Tax Treaty Treatment by Non-resident Taxpayers (Announcement No. 60 2015 of the State Administrative of Taxation) ("**Tax Treaty Announcement**"), the Company will withhold and pay individual income tax for the H Shareholders according to the following arrangement:

For individual H Shareholders who are Hong Kong or Macau residents, the Company will withhold and pay individual income tax for such individual H Shareholders at the tax rate of 10% when distributing final dividend;

For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC, the Company will withhold and pay individual income tax for such individual H Shareholders in accordance with the effective tax rate required under the relevant tax treaty when distributing final dividend;

For individual H Shareholders whose country (region) of domicile is a country (region) which has not entered into a tax treaty with the PRC or under other circumstances, the Company will withhold and pay individual income tax for such individual H Shareholders at a tax rate of 20% when distributing final dividend.

If the relevant individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax treatments under the relevant tax treaties according to the Tax Treaty Announcement. Qualified Shareholders are requested to submit in time written authorization and all application materials as required under the Tax Treaty Announcement to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to the competent tax authorities and, after their examination and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid.

The Company will generally follow the above arrangements to withhold and pay individual income tax on behalf of holders of H Shares, but if relevant tax authorities require otherwise, the Company will follow such requirements for arrangements.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Shareholders or any disputes over the withholding mechanism or arrangements.

Key customers and suppliers

For the year ended 31 December 2018, the total revenue from top 5 customers of the Group and the revenue from the largest customer of the Group accounted for 56.6% and 19.1% (2017: 60.0% and 22.8%), respectively, of the total revenue of the Group. The largest and the second largest customers are the Company's substantial shareholders or their subsidiaries, and such revenue was generated from the sales of coke of the Group.

Save as disclosed above, none of the Directors of the Company, close associates of the Directors or Shareholders (which, to the best knowledge of the Board, own more than 5% of the Company's issued shares) had an interest in any of the Group's five largest customers at any time during the year.

During the year ended 31 December 2018, the aggregate amount of purchase attributable to the Group's top five suppliers and the purchase attributable to the largest supplier of the Group accounted for 33.7% and 9.8% (2017: 28.9% and 8.1%), respectively, of the total purchase of the Group.

In recent years, the Group has almost operated in a full capacity production-and-sale model. Such efficiency relied on the close and effective relationship management with major suppliers and customers via good communication and execution in all aspects, which included quality control, logistics and payment, resulting in a win-win situation.

Subsidiaries, associates and joint ventures

Details of key subsidiaries, associates and joint ventures of the Group are provided in Note 20, Note 22 and Note 21 to the consolidated financial statements.

Reserves and distributable reserves

Details of movements in the reserves of the Company during the year are provided in Note 48 to the consolidated financial statements. On 31 December 2018, distributable reserves (i.e. retained profits) of the Company amounted to RMB1,068.8 million (2017: RMB542.2 million).

Donations

During 2018, the Group made a total of RMB3.0 million (2017: RMB2.7 million) of charitable donations, details of which are provided in the section headed "Environmental, Social and Governance Report" of this annual report (page 60).

Purchase, Sale or Redemption of Securities of the Company

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Directors and Supervisors

During the year and as at the date of this report, the Directors and Supervisors of the Company were as follows:

Executive Directors:

Mr. Yiu Chiu Fai (饒朝暉) *(Chairman)*
Mr. Wang Mingzhong (王明忠) *(Chief Executive Officer)*
Mr. Li Tianxi (李天喜) *(Executive deputy general manager)*

Non-executive Directors:

Mr. Qiu Quanshan (邱全山) *(appointed on 10 October 2018)*
Mr. Hu Xiayu (胡夏雨)
Mr. Wang Zhiming (王志明)
Mr. Lu Kecong (陸克從) *(resigned on 26 June 2018)*

Independent Non-executive Directors:

Mr. Zheng Wenhua (鄭文華)
Mr. Liu Yuhui (劉煜輝)
Mr. Wu Tak Lung (吳德龍)

Supervisors:

Mr. Wong Tsz Leung (黃梓良)
Mr. Zhang Qiangxian (張强弦)
Mr. Zhou Tao David (周韜)
Ms. Tian Fangyuan (田方遠)
Ms. Hao Yali (郝亞莉)
Mr. Zhang Wujun (張武軍) *(appointed on 19 March 2018)*
Mr. Li Zhongge (李中革) *(resigned on 19 March 2018)*

None of the Directors or Supervisors has entered into any service agreement with the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

For the biographical details of the Directors, Supervisors and the senior management of the Company, please refer to the section headed "Directors, Supervisors and Senior Management" of this annual report (pages 81 to 87).

Directors', Supervisors' and Chief Executive's Interests in Securities

As at 31 December 2018, the interests and short positions (if any) of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Nature of interest	Class of securities	Number of Shares held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares of the Company (Note 2)	Approximate percentage of shareholding in the total share capital of the Company (Note 3)
Mr. Yiu Chiu Fai	Interests in controlled corporation (Note 4)	Unlisted foreign shares	162,000,000 (L)	40.50%	30.26%
	Beneficial owner	H shares	1,003,000 (L)	0.74%	0.19%

Notes:

1. The letter "L" denotes the person's long position in such Shares.
2. As advised by the PRC legal advisers of the Company, holders of the Unlisted Foreign Shares are treated as if they are in the same class as the holders of Domestic Shares. The percentage is based on the total number of 400,000,000 domestic shares and unlisted foreign shares in issue as the total number of domestic shares and 135,421,000 H shares in issue.
3. The calculation is based on the total number of 535,421,000 Shares in issue.
4. Mr. Yiu Chiu Fai (an executive Director) is the legal and beneficial owner of the entire issued share capital of Golden Star. Golden Star, in turn, 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 the Company by virtue of the SFO.

Save as disclosed above, as at 31 December 2018, none of the Directors, Supervisors nor the chief executive had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts

None of the Directors or Supervisors of the Company or those entities connected with them is or was materially interested, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding Company, or any of its subsidiaries or fellow subsidieries was a party during or at the end of the year.

Non-competition undertaking

Mr. Yiu Chiu Fai has confirmed to the Company that during the Reporting Period, he has complied with the non-competition undertaking (the "**Non-competition Undertaking**") given by him to the Company on 18 September 2017. Details of the Non-competition Undertaking are set out in the section headed "Relationship with our Controlling Shareholder" of the prospectus of the Company dated 26 September 2017.

The independent non-executive Directors have also reviewed the status of compliance by Mr. Yiu with the undertakings in the Non-competition Undertaking and have confirmed that, as far as the independent non-executive Directors can ascertain, there is no breach of any of the undertakings in the Non-Competition Undertaking.

Arrangement to Purchase Shares or Debentures

At no time during the year 2018 was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Management Contracts

No other contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during 2018 and until the date of this annual report.

Permitted Indemnity Provision

The Company has taken out appropriate insurance coverage for Directors', Supervisors' and chief executive's liabilities in respect of legal actions against its Directors, Supervisors and chief executive arising out of corporate activities. The level of the coverage is reviewed annually. In 2018, no permitted indemnity provision was in force for the benefit of the Company's Directors, Supervisors and the chief executive.

Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout the year ended 31 December 2018 and remain so as at the date of this annual report.

Continuing Connected Transactions

For the year ended 31 December 2018, the Group conducted the following continuing connected transactions in respect of its business, details of which are disclosed in compliance with the requirements under Chapter 14A of the Listing Rules:

Name of Connected Person	Relationship with the Group	Nature of Transaction	Annual Cap for 2018 RMB'000	Actual Transaction Amount for 2018 RMB'000
Maanshan Steel	Masnshan Steel is interested in 26.89% of the total number of shares in issue of the Company and is one of the substantial shareholders of the Company.	Sale of coke	1,472,500	1,030,544
Jiangxi PXSteel	Jiangxi PXSteel is interested in 10.09% of the total number of shares in issue of the Company and is one of the substantial shareholders of the Company.	Sale of coke	1,890,000	1,420,413
Yugang Coking	Yugang Coking was held as to 88.03% by Golden Fair Chemicals (Holding) Limited which was in turn held as to 65.92% by a substantial shareholder of Jinning Energy, a member of the Group	Purchase of coal tar	46,410	45,782
		Purchase of crude benzene	34,580	33,618
		Purchase of coal gas	21,200	21,039
		Sale of coal	120,000	77,810

Sale of Coke to the Maanshan Steel Group

Pursuant to the framework agreement (the "**Maanshan Steel Framework Agreement**") entered into between the Company and Maanshan Steel on 18 September 2017, it was agreed that the Group shall sell coke to Maanshan Steel for a term commencing from 1 January 2017 until 31 December 2019.

Under the Maanshan Steel Framework Agreement, Maanshan Steel Group will from time to time place purchase orders with the Group, specifying the amount of coke required by Maanshan Steel Group, the requisite product specifications, as well as the expected delivery schedule; and following the Group's acceptance of the orders, the Group will sell the coke at a prevailing market price and complete the delivery of the products according to the agreed delivery schedule. The payment to the Group in respect of the sale of coke will be settled by Maanshan Steel Group on a monthly basis.

Through the transactions contemplated under the Maanshan Steel Framework Agreement, the Group will continue to sell coke to Maanshan Steel and record stable and predictable revenues. Accordingly, the Directors (including the independent non-executive Directors) considered that it is beneficial for the Company to continue the transactions under the Maanshan Steel Framework Agreement after the Group's listing in 2017. With respect to the sales amount, the 2018 annual cap for such continuing connected transactions was RMB1,472.5 million, and the annual actual transaction amount for the year ended 31 December 2018 was RMB1,030.5 million.

Sale of Coke to Jiangxi PXSteel Group

Pursuant to the framework agreement entered into between the Company and Jiangxi PXSteel on 18 September 2017 and as supplemented by the supplemental agreement dated 21 March 2018 (collectively, the "**Jiangxi PXSteel Framework Agreement**"), it was agreed that the Group shall sell coke to Jiangxi PXSteel for a term commencing from 1 January 2017 until 31 December 2019.

Under the Jiangxi PXSteel Framework Agreement, Jiangxi PXSteel Group will from time to time place purchase orders with the Group, specifying the amount of coke required by Jiangxi PXSteel Group, the requisite product specifications, as well as the expected delivery schedule; and following the Group's acceptance of the orders, the Group will sell the coke at a prevailing market price and complete the delivery of the products according to the agreed delivery schedule. The payment to the Group in respect of the sale of coke will be settled by Jiangxi PXSteel Group on a monthly basis.

Through the transactions contemplated under the Jiangxi PXSteel Framework Agreement, the Group will continue to sell coke to Jiangxi PXSteel and record stable and predictable revenues. Accordingly, the Directors (including the independent non-executive Directors) considered that it is beneficial for the Company to continue the transactions under the Jiangxi PXSteel Framework Agreement after the Group's listing in 2017. With respect to the sales amount, the 2018 annual cap for such continuing connected transactions was RMB1,890.0 million, and the annual actual transaction amount for the year ended 31 December 2018 was RMB1,420.4 million.

Purchase of Coal Tar, Crude Benzene and Coal Gas from and Sale of Coal to Yugang Coking

- **Purchase of Coal Tar from Yugang Coking**

  Pursuant to the framework agreement (the"**Coal Tar Purchase Framework Agreement**") entered into between the Company and Yugang Coking on 18 September 2017, it was agreed that Bohigh Chemical (and/or other Group Companies) can purchase the coal tar produced by Yugang Coking for a term commencing from 1 January 2017 until 31 December 2019.

  Under the Coal Tar Purchase Framework Agreement, 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 the Group, the requisite product specifications, as well as the expected delivery schedule. Yugang Coking will sell the coal tar at a prevailing market price and complete the delivery of the products according to the agreed delivery schedule. 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.

- **Purchase of Crude Benzene from Yugang Coking**

  Pursuant to the framework agreement (the "**Crude Benzene Purchase Framework Agreement**") entered into between the Company and Yugang Coking on 18 September 2017, it was agreed that Jinyuan Chemicals (and/or other Group Companies) can purchase the crude benzene produced by Yugang Coking for a term commencing from 1 January 2017 until 31 December 2019.

  Under the Crude Benzene Purchase Framework Agreement, 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 the Group, the requisite product specifications, as well as the expected delivery schedule. Yugang Coking will sell the crude benzene at a prevailing market price and complete the delivery of the products according to the agreed delivery schedule. The 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.

- **Purchase of Coal Gas from Yugang Coking**

  Pursuant to the framework agreement (the "**Coal Gas Purchase Framework Agreement**") entered into between the Company and Yugang Coking on 18 September 2017, it was agreed that Jinning Energy (and/or other Group Companies) can purchase the coal gas produced by Yugang Coking for a term commencing from 1 January 2017 until 31 December 2019.

  Under the Coal Gas Purchase Framework Agreement, 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 the Group, the requisite product specifications, as well as the expected delivery schedule. Yugang Coking will sell the coal gas at a prevailing market price and complete the delivery of the products according to the agreed delivery schedule. The payment to Yugang Coking in respect of the purchase of coal gas will be settled by Jinning Energy (and/or other Group Companies) on a monthly basis.

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 "Framework Agreements for Making Purchases from Yugang"), the Group considers that the Group will continue to acquire such raw materials for the Group's processing business from sources that facilitate transportation and have been able to produce products of stable quality at the prevailing market prices. Accordingly, the Directors (including the independent non-executive Directors) considered that it is beneficial for the Company to continue the transactions under the Framework Agreements for Making Purchases from Yugang after the Group's listing. With respect to the purchase amount, the 2018 annual caps for such continuing connected transactions in relation to coal tar, crude benzene and coal gas were RMB46.41 million, RMB34.58 million and RMB21.20 million, respectively, and the annual actual transaction amounts for the year ended 31 December 2018 were RMB45.78 million, RMB33.62 million and RMB21.04 million, respectively.

- **Sale of Coal to Yugang Coking**

  Pursuant to the framework agreement (the "**Yugang Sale Framework Agreement**") entered into between Shanghai Jinma and Yugang Coking on 18 September 2017, it was agreed that Shanghai Jinma can sell coal to Yugang Coking for a term commencing from 1 January 2017 until 31 December 2019.

  Under the Yugang Sale Framework Agreement, 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 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.

Shanghai Jinma is principally engaged in the trading of coal and coal equipment and 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. Other than generating revenue, trading of coal also allows the Group to enhance its cost advantage from bulk purchase of coal. Further, through the transactions contemplated under the Yugang Sale Framework Agreement, the Company's Directors considered that the Group will continue to sell coal to Yugang Coking, a coke production enterprise with stable operation and demand for coal, and generate stable and predictable revenue. Hence, the Company's Directors (including the independent non-executive Directors) considered it to be beneficial to the Company to continue to conduct the transactions under the Yugang Sale Framework Agreement following the Listing in 2017. With respect to the sales amount, the 2018 annual cap for such continuing connected transactions was RMB120.0 million, and the annual actual transaction amount for the year ended 31 December 2018 was RMB77.81 million.

Opinions of Independent Non-executive Directors and Auditors

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above at the meeting of the Board held on 18 March 2019 and confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or on terms no less favorable than those entered into by independent third parties with the Group; and (iii) under the relevant agreements governing these transactions, and the terms of the agreements are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Group's auditor has issued an unqualified letter containing its findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. The auditor confirms and states in the letter that:

- They have not noticed anything that causes them to believe that the continuing connected transactions disclosed have not been approved by the board of Directors of the Company.
- For transactions involving the provision of goods or services by the Group, they have not noticed anything that causes them to believe that the transactions were not conducted in accordance with the Group's pricing policy in all material respects.
- They have not noticed anything that causes them to believe that the transactions were not conducted in accordance with the relevant agreements governing the transactions in all material respects.
- In respect of the aggregate transaction amount of each of the above continuing connected transactions, they have not noticed anything that causes them to believe that the continuing connected transactions disclosed exceeded the relevant annual caps as approved by the Company.

The auditor of the Group has provided The Stock Exchange of Hong Kong Limited with a copy of the auditor's letter on behalf of the Company.

Except for the continuing connected transaction disclosed above, all the related parties' transactions set out in Note 44 in the consolidated financial statements of the Group do not constitute a continuing connected transaction or connected transaction of the Company which require the Company to comply with the relevant annual review, disclosure or shareholder's approval requirements under Chapter 14A of the Listing Rules.

Interests of Substantial Shareholders in Securities

As at 31 December 2018, so far as is known to the Directors, the following parties (other than a Director, Supervisor or Chief Executive Officer) were directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Nature of Interest	Class of Securities	Number of Shares Held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares of the Company (Note 2)	Approximate percentage of shareholding in the total Share Capital of the Company (Note 3)
Jinma HK	Beneficial owner	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
Jinma Coking	Interests in controlled corporation (Note 4)	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
Golden Star	Interests in controlled corporation (Note 5)	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
Ms. Lam Yuk Wai	Interest of spouse (Note 6)	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
		H shares	1,003,000(L)	0.74%	0.19%
Maanshan Steel	Beneficial owner	Domestic shares	144,000,000(L)	36.00%	26.89%
Magang (Group) Holdings Co., Ltd.	Interests in controlled corporation (Note 7)	Domestic shares	144,000,000(L)	36.00%	26.89%
Jiangxi PXSteel	Beneficial owner	Domestic shares	54,000,000(L)	13.50%	10.09%
Liaoning Fangda Group Industrial Co., Ltd.	Interests in controlled corporation (Note 8)	Domestic shares	54,000,000(L)	13.50%	10.09%
Beijing Fangda International Enterprise Investment Co., Ltd.	Interests in controlled corporation (Note 9)	Domestic shares	54,000,000(L)	13.50%	10.09%
Mr. Fang Wei	Interests in controlled corporation (Note 10)	Domestic shares	54,000,000(L)	13.50%	10.09%
Jinma Xingye	Beneficial owner	Domestic shares	40,000,000(L)	10.00%	7.47%
Mr. Wang Lijie	Interests in controlled corporation (Note 11)	Domestic shares	40,000,000(L)	10.00%	7.47%
Ms. Zheng Jing	Interest of spouse (Note 12)	Domestic shares	40,000,000(L)	10.00%	7.47%
RAYS Capital Partners Limited	Investment manager	H shares	19,341,000(L)	14.28%	3.61%
Ruan David Ching Chi	Interests in controlled corporation (Note 13)	H shares	19,341,000(L)	14.28%	3.61%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	H shares	17,931,000(L)	13.24%	3.35%
China Risun Group (Hong Kong) Limited	Beneficial owner	H shares	13,000,000(L)	9.60%	2.43%
Ms. Huang Suhua	Beneficial owner	H shares	9,298,000(L)	6.87%	1.74%

Notes:

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

2. As advised by the PRC Legal Advisers, holders of the Unlisted Foreign Shares are treated as if they are in the same class as the holders of Domestic Shares. The percentage is based on the total number of 400,000,000 domestic shares and unlisted foreign shares in issue as the total number of domestic shares and 135,421,000 H shares in issue.

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

4. Jinma HK is wholly owned by Jinma Coking. Accordingly, Jinma Coking is deemed to be interested in Jinma HK's interest in the Company by virtue of the SFO.

5. Jinma Coking is held as to 96.3% by Golden Star. Accordingly, Golden Star is deemed to be interested in Jinma Coking's, and in turn, Jinma HK's interest in the Company by virtue of the SFO.

6. Ms. Lam Yuk Wai is the wife of Mr. Yiu Chiu Fai, and thus, she is deemed interested in the same amount of Shares as Mr. Yiu.

7. Magang (Group) Holdings Co., Ltd., being wholly owned by the state-owned Assets Supervision and Administration People's Government of Anhui Province, is the holding company of Maanshan Steel and holds approximately 45.53% of the shares of Maanshan Steel. Accordingly, Magang (Group) Holdings Co., Ltd. is deemed to be interested in Maanshan Steel's interest in the Company by virtue of the SFO.

8. As per their confirmations, while Liaoning Fangda 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 the Company by virtue of the SFO.

9. 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 the Company by virtue of the SFO.

10. Mr. Fang Wei (方威) is the sole equity holder of Beijing Fangda. Accordingly, Mr. Fang is deemed to be interested in Beijing Fangda's interest in the Company by virtue of the SFO.

11. Mr. Wang Lijie (王利杰) is the holder of approximately 33.44% of the equity interest of Jinma Xingye. Accordingly, Mr. Wang is deemed to be interested in Jinma Xingye's interest in the Company by virtue of the SFO.

12. Ms. Zheng Jing (鄭菁) is the wife of Mr. Wang Lijie, and thus, she is deemed interested in the same amount of Shares as Mr. Wang.

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

Save as disclosed above, there was no other interest recorded in the register that was required to be kept under Section 336 of the SFO as at 31 December 2018.

Sufficiency of Public Float

Based on the information that is available to the Group and to the Directors' knowledge, the Company has maintained a sufficient public float as required under the Listing Rules since the Listing Date and up to the date of this report.

Provision of Financial Subsidies and Guarantees for Associates or Subsidiaries

For the year ended 31 December 2018, financial guarantees were provided for banking facilities of RMB30.0 million and RMB200.0 million to Jinyuan Chemicals, a wholly-owned subsidiary, and Jinrui Energy, a subsidiary of the Company, respectively.

Employees and Remuneration Policy

Employees are the Group's important asset. As at 31 December 2018, the Group employed about 1,511 employees, with an average turnover of less than 3.4% over the past three years, reflecting the competitive remuneration and benefits provided by the Group to its employees.

The Group has established a remuneration committee to review the remuneration policy for all Directors and the management of the Group based on the Group's overall operating results, individual performance and comparison of market practices. The Group has made full contributions to social insurance (including pension scheme, medical insurance, work injury insurance, unemployment insurance and maternity insurance) and housing provident funds for its employees in accordance with the relevant PRC labor laws and regulations. Other relevant information is provided in Note 36 to "Consolidated Financial Statements".

Details of Directors' remuneration for 2018 are provided in the Note 14 to the consolidated financial statements in this annual report.

Auditor

Deloitte Touche Tohmatsu will retire from its office at the forthcoming annual general meeting of the Company and, being eligible, will offer itself for re-election. The shares of the Group were listed on the Hong Kong Stock Exchange on 10 October 2017. Since the Listing Date and up to the date of this annual report, the Company has not changed its auditor.

On behalf of the Board of Directors

Yiu Chiu Fai
Chairman

Hong Kong
18 March 2019

SUPERVISORS' REPORT

In 2018, all members of the Supervisory Committee of Henan Jinma Energy Company Limited (the "**Company**") had duly performed their duties diligently and responsibly, fulfilled their respective duties prudently and conscientiously, and exercised their powers independently and legally, in accordance with the provisions and requirements of, inter alia, the Company Law of the People's Republic of China (the "**Company Law**"), the Articles of Association of Henan Jinma Energy Company Limited (the "**Articles of Association**") and the Rules of Procedures for Supervisory Committee Meetings, to ensure the regulated operation of the Company and to safeguard the interests of the Company and the investors. The Supervisory Committee exercised supervision over the operation plans, connected transactions, production and operating activities, and financial conditions of the Company, the performance of the directors and senior management officers of the Company and the operations of the subsidiaries, and facilitated the regulated operation and healthy development of the Company.

Basic assessment on the operation, management behavior and results of the Company in 2018

In 2018, the Supervisory Committee of the Company had performed its supervisory functions conscientiously and practically safeguarded the interests of the Company and the shareholders in accordance with the requirements of the Company Law, the Articles of Association, the Rules of Procedures for Supervisory Committee Meetings and the relevant laws and regulations.

The Supervisory Committee had attended the meetings of the Board of Directors (the "**Board**") and the general meetings in 2018 as an observer, and in its opinion: the Board had implemented the resolutions of the general meeting conscientiously and performed the obligations of honesty faithfully without any actions which were detrimental to the interests of the Company and the shareholders, all resolutions of the Board had complied with the laws and regulations, such as the Company Law, and the requirements of the Articles of Association. The Supervisory Committee also exercised supervision over the production and operating activities of the Company during its term of office, and in its opinion, the operation team of the Company functioned diligently and responsibly to implement all resolutions of the Board conscientiously, and no non-compliance acts were conducted in the operations.

Meeting of the Supervisory Committee

During the reporting period, the Supervisory Committee of the Company had convened one meeting:

On 19 March 2018, the fourth meeting of the First Session of the Supervisory Committee was held, out of the six Supervisors who were eligible to attend the meeting, five Supervisors were present at the meeting. The meeting was convened in compliance with the requirements of the Company Law and the Articles of Association. The meeting had considered and approved the following resolution: 1. Approval for the Resolution on the Working Report of the Supervisory Committee for 2017 Henan Jinma Energy Company Limited (《關於河南金馬能源股份有限公司2017年度監事會工作報告的議案》). The Supervisory Committee exercised review on compliance of the operation, financial conditions, connected transactions and internal control of the Company. The Supervisory Committee had no objection to the matters under its supervision for 2017. 2. Heard and confirmed the Report on the Election of Mr. Zhang Wujun as the Employee Representative Supervisor of the First Session of the Supervisory Committee of Henan Jinma Energy Company Limited (《關於張武軍先生補選為河南金馬能源股份有限公司第一屆監事會職工代表監事的報告》). All Supervisors had unanimously agreed to the election of Mr. Zhang Wujun as the Employee Representative Supervisor of the First Session of the Supervisory Committee of the Company.

Supervision Opinions of the Supervisory Committee on relevant matters of the Company in 2018

Financial Conditions of the Company

The Supervisory Committee of the Company exercised supervision over the financial conditions of the Company and its subsidiaries through hearing reports from the Finance Department and considering the actual circumstances of the Company in acquiring an understanding on the operating and financial conditions of the Company. In the opinions of the Supervisory Committee of the Company, the Company and all of its subsidiaries had established independent finance departments, kept independent financial ledgers and conducted accounting independently, which were in compliance with the Accounting Law (《會計法》) and the relevant financial rules and regulations. In 2018, the financial management of the Company and all of its subsidiaries was in conformity, and the financial statements reflected the true and accurate conditions of the practical circumstances of the Company and all of its subsidiaries.

Investments of the Company

During the reporting period, the Company successfully commenced operating material investment expansion projects including the LNG project with annual capacity approximately 123.0 million m^3, the gas station project, and had proposed the project for continuously gasifying of coke with oxygen-enriched air with annual capacity approximately 300.0 million m^3 of coal gas per year, coke dry quenching reconstruction, and expansion plan of 200,000 ton Benzene based and coal Tar based chemicals. The relevant investments had passed the corresponding investment decision-making process scientifically and strictly.

Related Party Transactions

During the reporting period, the ordinary related party transactions between the Company and the related parties had been considered by the Board and the general meeting of the Company, the related party transactions were conducted at arm's length pursuant to contracts or agreements and were not detrimental to the interest of the Company.

Comprehensive Opinions of the Supervisory Committee on the Circumstances of the Company in 2018

During the reporting period, members of the Supervisory Committee performed their duties conscientiously and diligently, they supervised the duty performance and the execution of corporate decision-making process by the Board through attending Board meetings. In the opinion of the Supervisory Committee, all resolutions and decision-making procedures made by the Board of the Company had duly complied with the requirements of the Company Law, the Articles of Association and the Rules of Procedures for Meetings of the Board and were legally valid.

During the reporting period, the senior management officers of the Company had complied with the Articles of Association and the State laws and regulations when they performed their duties to safeguard the interests of the Company and its shareholders, and had conscientiously implemented the resolutions of the general meeting of the Company and fulfilled the obligations of honesty and diligence to facilitate the legitimate operation of the Company, the passing of democratic decisions and the performance of scientific management with clear objectives and continuous innovations, and achieved good economic benefits in 2018 without any non-compliance acts in violation of laws and regulations.

For self-evaluation opinions on the internal control of the Company, the Company had established a sound internal control system covering all segments of the Company according to the practical circumstances of the Company and pursuant to the relevant requirements of the China Securities Regulatory Commission and the Hong Kong Stock Exchange to ensure the normal operation of business activities of the Company and to safeguard the security and integrity of the Company's assets. The Company's internal control organization was complete with proper deployment of internal audit department and personnel to ensure the sufficient and effective execution and supervision of key internal control activities of the Company. In 2018, the Company did not have any non-compliance incidents in violation of the Guidelines for Internal Control of Listed Companies (《上市公司內部控制指引》) and the Internal Control System of Companies (《公司內部控制制度》). The Supervisory Committee was of the opinion that the self-evaluation of internal control by the Company was comprehensive and genuinely reflected the actual circumstances of internal control of the Company.

Supervisory Committee's Outlook of Work in 2019

In 2019, the Supervisory Committee will perform according to the rights and obligations and in pursuance to the requirements of the Company Law and the Articles of Association as it did in the past, to safeguard the Company's overall interest, long-term interest and interest of all shareholders and employees as its basic objective, and to focus its work on "capturing key aspects, penetrating into frontline, strengthening supervision, consolidating foundation and ensuring sufficiency of supervision" to perform its supervisory functions actively and complete the following tasks conscientiously:

First, the Supervisory Committee would actively support the production and operation matters of the Company, strengthen the supervision over the performance of duties of directors and senior management of the Company, consolidate the communication and coordination with the board of directors and managers as well as establish effective communication channel and method with the focus on the actual condition of the internal control of the Company. The Supervisory Committee would leverage on the promotion of the internal management to strengthen the supervision over material matters such as the outward investment of the Company, financial management, connected transactions, external guarantee and asset transaction so as to standardize the progress of the system construction.

Second, the Supervisory Committee would strengthen the self-construction of the committee, continuously improve business skills and enhance the internal working mechanism, to proactively facilitate communication at work and develop innovative work ideas and methods, and improve supervision level of the committee and work initiative of Supervisors, carry out extensive research and brainstorm in relation to the Company's production and operation to develop rational proposals.

Third, the Supervisory Committee would continuously strengthen the supervision and management functions, strengthen cooperation with the Audit Committee of the Board of Directors, enhance audit supervision, and further promote the standardization of Company's operation. In addition, the Supervisory Committee will explore and establish the risk prevention and early warning mechanism of the Company, effectively safeguard the legal rights and interests of all investors of the Company, and promote the Company's sustained and steady development.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The 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 the 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.

Executive Directors

Mr. Yiu Chiu Fai (饒朝暉), aged 50, was appointed as an executive Director and the chairman of the Board of the Company in July 2016. Mr. Yiu is also a Director of Jinma HK, Jinma Coking and Golden Star, all of which are companies controlled by Mr. Yiu. Mr. Yiu joined the Group in May 2006 as a Director of the Company's predecessor. As chairman of the Board, Mr. Yiu is mainly responsible for formulating corporate and operational strategies and making major corporate and operational decisions of the Group.

Prior to joining the Group, 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 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 55, was appointed as the Chief Executive Officer and an executive Director of the Company in July 2016. Mr. Wang is also a director of Jinma Xingye, a substantial Shareholder of the Company. Mr. Wang joined the Group as a Director of the Company's predecessor since its establishment in February 2003 and has served as the general manager of the Company (the Company's predecessor) since April 2003. He is mainly responsible for formulating development and operational strategies and the overall daily business operation and management of the Group.

Prior to joining the Group, 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 obtained the qualification of senior economist in November 2010.

Mr. Li Tianxi (李天喜), aged 54, was appointed as an executive Director of the Company in December 2016. Mr. Li is currently the Company's executive deputy general manager and also an executive director of Bohigh Chemical, a subsidiary of the Company. Mr. Li is also a director of Jinma Xingye, the Company's substantial Shareholder. Mr. Li joined the Group in April 2003 as the Company's executive deputy general manager, chief engineer and the secretary to the Board. He is mainly responsible for the technological, environmental and construction developments of the Group.

Prior to joining the Group, 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 was appointed an expert of the Seventh Session of China Coking Industry Association by China Coking Industry Association in January 2018. Mr. Li obtained a bachelor's degree in Chemical Engineering and Technology from Henan University in January 2010.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Hu Xiayu (胡夏雨), aged 56, was appointed as a non-executive Director of the Company in July 2016, and appointed as the deputy chairman of the Board in June 2018. Mr. Hu joined the Group as a Director of the Company's predecessor in May 2014. Mr. Hu is mainly responsible for participating in the formulation of the Group's 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 and general manager of procurement 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. Qiu Quanshan (邱全山), aged 47, was appointed as a non-executive Director of the Company in October 2018. Mr. Qiu is mainly responsible for participating in the formulation of the Group's corporate and operational strategies.

Mr. Qiu joined Maanshan Steel since July 1993 and served in various positions, including the head of the production technology center, factory director of the branch coking plant, chief engineer, general manager and secretary of the party committee of 馬鋼煤焦化公司 (Coal-coking company of Maanshan Steel*), as well as the secretary of the party committee and factory director of the main coking plant of Maanshan Steel. Since January 2019, he has been serving as the secretary of the party committee, chairman and general manager of 安徽馬鋼化工能源科技有限公司 (Anhui Magang Chemicals and Energy Technology Company Limited*).

Mr. Qiu is the vice president of China Coking Industry Association, a member of 全國煤化工標準化技術委員會煉焦化學分技術委員會 (Subcommittee on Coking Chemicals of National Technical Committee on Coal Chemical Industry of Standardization Administration of China*) and the China Metal Association Coking Chemical Professional Committee, as well as a director of Anhui Metal Association. He is qualified as a 正高級工程師 (professoriate senior engineer*), and in June 2005, he has obtained a master 's degree in engineering from 安徽工業大學 (Anhui University of Technology*).

Mr. Wang Zhiming (王志明), aged 46, was appointed as a non-executive Director of the Company in July 2016. Mr. Wang joined the Group as a Director of the Company's predecessor in July 2016. Mr. Wang is mainly responsible for participating in the formulation of the Group's 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, from April 2016 to February 2018, Mr. Wang has served 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 appointed as the general manager of a raw material company of Fangda Special Steel Technology Co., Ltd. (方大特綱科技股份有限公司), a subsidiary of Jiangxi Fangda Steel (江西方大鋼鐵), in July 2017, and the head of the Party Work of the same Company in January 2018.

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 77, was appointed as an independent non-executive Director of the Company in September 2017. He is responsible for supervising compliance and corporate governance issues of the Group and providing independent opinion and advice to the 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 advisor 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 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 48, was appointed as an independent non-executive Director of the Company in September 2017. He is responsible for supervising compliance and corporate governance issues of the Group and providing independent opinion and advice to the 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) and Mango Excellent Media Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300413) from January 2019. Mr. Liu has experience in serving as an independent Director for different enterprises for several years, which includes Shenzhen Asia Link Technology Development Co., Ltd. (formerly as Shenzhen Keybridge Communications Co., Ltd, a company listed on the Shenzhen Stock Exchange, stock code: 002316) until February 2019, Central China Land Media Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000719) until April 2018, Bank of Hangzhou Co. Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600926) until February 2017 and 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 53, was appointed as an independent non-executive Director of the Company in September 2017. Mr. Wu is responsible for supervising the compliance and corporate governance issues of the Group and providing independent opinion and advice to the 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) and Kam Hing International Holdings Limited (stock code: 2307), all listed companies in Hong Kong. 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 Aupu Group Holding Limited, which was previously a listed company in Hong Kong and was delisted on 30 September 2016, Sinotrans Shipping Limited, which was previously a listed company in Hong Kong and was delisted on 16 January 2019, Huarong Investment Stock Corporation Limited, a company listed in Hong Kong (stock code: 2277), and First Tractor Company Limited (stock code: 0038), a company listed in both Hong Kong and Shanghai. Mr. Wu has worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years.

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 Provincial Committee of the Chinese People's Political Consultative Conference, honorary court member of Hong Kong Baptist University, honorary president of North Kwai Chung District of Scout Association of Hong Kong and executive vice-chairman of Hong Kong - Guangdong Youth Exchange Promotion Association. 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.

SUPERVISORS

The Supervisory Committee of the Company 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 the 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 the Board and senior management in discharging their responsibilities and reviewing financial statements of the Group.

Mr. Wong Tsz Leung (黃梓良), aged 55, was appointed as a shareholder representative Supervisor of the Company in July 2016 and was elected as the chairman of the Supervisory Committee of the Company in July 2016. Mr. Wong joined the Group in February 2012 as a Supervisor of the Company's predecessor. Mr. Wong is currently the financial manager of Jinma HK, a substantial Shareholder of the Company. He is mainly responsible for overseeing the affairs of the Supervisory Committee and supervising the Group's 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 obtained a master's degree in business administration from the University of Wales in December 2011 via its distance learning program.

Mr. Zhang Qiangxian (張强弦), aged 38, was appointed as a shareholder representative Supervisor of the Company in July 2016. He is currently an assistant accountant of Maanshan Steel. Mr. Zhang joined the Group in October 2014 as a Supervisor of the Company's Predecessor. He is mainly responsible for supervising the Group's operations and financial activities.

Prior to joining the 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 from June 2016 to 2018. Mr. Zhang has served as an assistant general manager and chief financial officer of Feimazhike Automation and Information Technology Co., Ltd. (飛馬智科信息技術股份有限公司) since August 2018.

Mr. Zhang obtained a bachelor's degree in Economics from Anhui Agricultural University in July 2006.

Mr. Zhou Tao David (周韜), aged 48, joined the Group in September 2017 when he was appointed as an external Supervisor of the Company. Mr. Zhou is mainly responsible for supervising the Group's operations and financial activities. He has been serving as the company secretary of OP Financial Limited (formerly known as OP Financial Investment 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.

During the past three years, Mr. Zhou served as 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 13 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.

Ms. Tian Fangyuan (田方遠), aged 31, joined the Group in September 2017 when she was appointed as an external Supervisor of the Company. Ms. Tian is mainly responsible for supervising the Group's operations and financial activities.

Ms. Tian has over five years of experience in the finance and accounting. She has been the Market Development Manager of Central Finance Advisory (a company based in Sydney) since October 2017. 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.

Ms. Hao Yali (郝亞莉), aged 45, was elected as an employee representative Supervisor of the Company in September 2017. Ms. Hao joined the Group in September 2004, and was promoted to the position of the deputy manager of the materials procurement department of the Company's predecessor in July 2005, and was promoted to the position of the manager of the materials procurement department of the Company in 2018. Since December 2009, Ms. Hao has also served as a member of the labor union committee and the head of the female employee committee and was appointed as the deputy chairman of the labor union in April 2018. She is mainly responsible for supervising the Group's operations and financial activities.

Prior to joining the 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.

Mr. Zhang Wujun (張武軍), aged 43, was elected as an employee representative Supervisor of the Company on 19 March 2018. Mr. Zhang joined the Group in 2004, and served as Director of the workstation of the predecessor of the Company from 2011 to 2014. He has been the Director of the coking workstation since 2014. He is mainly responsible for overseeing the operations and financial activities of the Group.

Mr. Zhang obtained a certificate for mechical repair fitter technician in 2007. Mr. Zhang graduated from the electric power, electrical and automation program of Zhengzhou University in 1998. He graduated from the electrical engineering and automation program of Henan Institute of Science and Technology in 2014, and obtained a certificate in Advanced Executive Management from Peter F. Drucker Academy in 2015.

SENIOR MANAGEMENT

Members of the senior management are responsible for the day-to-day operation of the business of the Company. For the biographical details of Directors who form part of the senior management, please see page 81 of this section.

Mr. Tang Jianfa (唐建發), aged 53, joined the Group in May 2017, and was appointed as the chief financial officer and deputy general manager of the Company in March 2018. He is mainly responsible for overseeing the Group's financial and accounting management and coordination as well as implementation of the Group's financial strategic planning. He is also responsible for overseeing the finance department, the settlement department and the budget department.

Prior to joining the Group, Mr. Tang held various positions at Maanshan Steel from July 1986 to May 2017, including being a clerk of the costing section of accounting and finance department, business executive, and deputy section chief and section chief of the finance section under the accounting and finance department stationed in No.3 steel-making headquarter plant.

Mr. Tang graduated from the accounting program of 安徽財貿學院 (Anhui Institute of Finance and Trade*) (now Anhui University of Finance and Economics) in October 1989 and obtained an accountant certificate in May 2000.

Mr. Jin Daoqiang (金道强), aged 62, joined the Group in April 2012, was appointed as the chief financial officer and deputy general manager of the Company's Predecessor in January 2013, and was appointed as the chief investment officer and deputy general manager of the Group since March 2018, mainly responsible for overseeing external investment, secretariat of the Board and human resource management.

Prior to joining the Group, 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 52, joined the Group in March 2005 as the Group's deputy general manager. He was the general manager of Jinyuan Chemicals between January 2015 and January 2018. He has also been an executive Director of Jinyuan Chemicals since January 2018. He is currently the Group's deputy general manager and is mainly responsible for overseeing sales of the Group.

Prior to joining the Group, 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 43, joined the Group in October 2007 as the assistant to the general manager of the Company's Predecessor. Since April 2012, he has served as the Company's 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 procurement of the Group.

Prior to joining the Group, 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. Wang Yongxin (王永新), aged 43, joined the Group in January 2004 as a deputy Director of the electrical instrument workstation of the Company's 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 the Company's Predecessor in January 2008 and the head of the production department of the Company's Predecessor in February 2011. Since October 2013, Mr. Wang has served as the deputy general manager of the Company's Predecessor and he is mainly responsible for overseeing production of the Group. Mr. Wang is also a Director and the chairman of the board of Directors of Jinning Energy, the Company's subsidiary and a Director of Jinma Xingye, a substantial Shareholder of the Company.

Prior to joining the Group, 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. Li Zhongge (李中革), aged 46, joined the Group in December 2004, and was appointed as the deputy general manager in March 2018. Mr. Li is also a Supervisor of Jinrui Energy and Jinrui Gas, subsidiaries of the Company. He has served in various positions, including the deputy administrative manager and the head of the corporate governance department. He is currently the manager of the corporate governance department, a member of the party committee and the head of the party committee office, and he is mainly responsible for work of the corporate management department (including risk management and internal control), office and legal department. Mr. Li is also the chairman of Jinjiang Refinery, a joint venture of the Company.

Prior to joining the Group, Mr. Li served as the deputy head of the corporate development 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.

Mr. Wang Zengguang (王增光), aged 38, joined the Group in March 2003 and was appointed as deputy general manager since March 2018. He is also the general manager of Jinyuan Chemicals, a subsidiary of the Company, and is responsible for the work of Jinyuan Chemicals. He served as deputy director of the production management department from January 2004 to July 2009, as deputy director and director of the coal preparation workshop from July 2009 to January 2015, and as director of production management department from January 2015 to February 2017.

Mr. Wang graduated from the economic management program of 中共河南省委黨校 (Party School of Henan Committee of C.P.C*) in July 2004, graduated from the applied chemical technology program of Jiyuan Vocational and Technical College (濟源職業技術學院) in January 2010, obtained a degree in business administration from Zhengzhou University in August 2015, and obtained a certificate in Advanced Executive Management from Peter F. Drucker Academy in 2015.

Mr. Wang Zhaofeng (王兆峰), aged 42, joined the Group 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 and coordinating the Group's administrative management.

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 66, joined the Group and was appointed as our head of capital markets and company secretary on 1 January 2017. Mr. Wong is responsible for the Group's corporate governance, company secretarial and capital markets matters.

Prior to joining our Group, 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. (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 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.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF HENAN JINMA ENERGY COMPANY LIMITED
(a joint stock company established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Henan Jinma Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 93 to 171, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the IASB. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of interest in an associate and advance to an associate	
We identified the valuation of interest in an associate, Huozhou Coal Power Group Hongdong Yilong Co., Ltd. ("Yilong Coal"), and advance to this associate as a key audit matter due to the financial significance of the interests in this associate, and the use of significant judgement and estimates in assessing any impairment loss on interest in the associate and advance to the associate. As at 31 December 2018, the carrying amounts of the interest in and advance to Yilong Coal are RMB41,191,000 and RMB60,940,000 respectively. The impairment assessment of interest in this associate requires management to exercise significant estimation and judgement in the determination of the recoverable amounts, which is the value in use. This is determined based on the cash flow projections prepared by the Company and valuation report of the underlying mining development projects of Yilong Coal prepared by an external valuer appointed by the Company. The projections and valuation are prepared based on the mining plan prepared by the management of Yilong Coal and require the use of significant judgement and key assumptions, as disclosed in Note 4 to the consolidated financial statements.	Our procedures in relation to the impairment of interest in an associate included: • Understanding the key control over the processes that the management of the Company performed in relation to impairment assessment of the associate, including the preparation of cash flow projections, the assessment of the assumptions used in the preparation of the valuation report of the underlying mining development projects of Yilong Coal, which is prepared by an external valuer appointed by the Company; • Evaluating the appropriateness of the model used to calculate the recoverable amount; • Evaluating the procedures used by the Company's management in understanding and reviewing the mining plan prepared by management of Yilong Coal; • Evaluating the reasonableness of mining plan, future capital expenditure, market price of coal, cost to completion and operation budget used in the cash flow projections with reference to the industry and market data; • Assessing the objectivity, independence and competence of the external valuer; • Interviewing the external valuer for the basis of determination of discount rate, checking the calculation of discount rate and reviewing the appropriateness of discount rate based on market and industry data; and • Assessing the sensitivity analysis prepared by the management on the significant assumptions to evaluate the extent of impact on the discounted cash flows.

Key Audit Matters (continued)

Key audit matter (continued)	How our audit addressed the key audit matter (continued)
Impairment of interest in an associate and advance to an associate (continued)	
Impairment loss assessment of advance to this associate is performed with expected credit losses ("ECL"), Such impairment assessment requires management of the Company to exercise significant estimation and judgment based on probability of default, historical data and forward-looking information. Use of significant judgement as disclosed in Note 4 to the consolidated financial statements.	Our procedures in relation to the impairment of advance to an associate included: • Understanding the key control over the processes that the management of the Company performed in relation to impairment assessment on advance to an associate; • Testing the design and implementation of key controls over impairment assessment; • Assessing reasonableness of the methodology applied and recalculating the ECL; • Reviewing the historical financial information and cash flow projection of the associate, on which the management's credit risk assessment is based, and other factors including industrial factors and forward-looking information adopted in the ECL.

Other Information

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

o Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

o Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

o Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- o Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- o Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- o Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wu Ka Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	For the year ended 31 December	
		2018	2017
		RMB'000	RMB'000
Revenue	5	**7,451,793**	5,137,652
Cost of sales		**(6,090,402)**	(4,232,808)
Gross profit		**1,361,391**	904,844
Other income	6	**8,883**	6,885
Other gains and losses	7	**(898)**	(8,964)
Impairment losses, net of reversal	8	**(12,513)**	—
Selling and distribution expenses		**(83,008)**	(35,111)
Administrative expenses		**(93,465)**	(65,419)
Finance costs	9	**(48,300)**	(50,799)
Listing expenses		**—**	(15,930)
Share of result in a joint venture		**4,614**	3,418
Share of result in an associate		**(192)**	(77)
Profit before tax	10	**1,136,512**	738,847
Income tax expense	11	**(284,280)**	(191,011)
Profit for the year		**852,232**	547,836
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Fair value loss on:			
debt instruments at fair value through other comprehensive income ("FVTOCI")	12	**(1,884)**	—
Other comprehensive expense for the year (net of tax)		**(1,884)**	—
Total comprehensive income for the year		**850,348**	547,836
Profit for the year attributable to:			
– Owners of the Company		**832,408**	532,330
– Non-controlling interests		**19,824**	15,506
Total comprehensive income for the year attributable to:			
– Owners of the Company		**830,524**	532,330
– Non-controlling interests		**19,824**	15,506
Earnings per share (RMB)			
– Basic	15	**1.55**	1.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018	2017
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,314,508**	1,047,432
Prepaid lease payments	17	**114,050**	101,174
Intangible assets	18	**63,820**	78,661
Goodwill	19	**8,001**	8,001
Interest in a joint venture	21	**54,925**	55,211
Interests in an associate	22	**41,191**	41,383
Advance to an associate	22	**60,940**	60,940
Deferred tax assets	23	**15,481**	4,510
Deposit for acquisition of property, plant and equipment		**10,400**	7,738
		1,683,316	1,405,050
CURRENT ASSETS			
Inventories	24	**281,752**	156,174
Prepaid lease payments	17	**2,936**	2,843
Trade and other receivables	25	**237,925**	595,791
Amounts due from shareholders	26	**196**	299,567
Amounts due from related parties	27	**40,762**	1,187
Financial assets measured at fair value through profit or loss ("**FVTPL**")	28	**70,000**	—
Debt instruments at FVTOCI	29	**1,083,797**	—
Restricted bank balances	30	**90,921**	20,010
Bank balances and cash	30	**583,157**	481,704
		2,391,446	1,557,276

	NOTES	2018	2017
		RMB'000	RMB'000
CURRENT LIABILITIES			
Borrowings	31	596,600	282,000
Trade and other payables	32	660,804	477,435
Amount due to a shareholder	33	—	83,861
Amounts due to related parties	34	409	35,188
Contract liabilities	35	87,967	—
Tax payable		75,237	16,007
		1,421,017	894,491
NET CURRENT ASSETS		970,429	662,785
TOTAL ASSETS LESS CURRENT LIABILITIES		2,653,745	2,067,835
CAPITAL AND RESERVES			
Share capital	37	535,421	535,421
Reserves		1,744,204	1,098,695
Equity attributable to owners of the Company		2,279,625	1,634,116
Non-controlling interests		97,834	94,210
TOTAL EQUITY		2,377,459	1,728,326
NON-CURRENT LIABILITIES			
Borrowings	31	237,020	285,000
Long term payable	38	9,970	20,539
Deferred revenue	39	6,666	7,258
Deferred tax liabilities	23	22,630	26,712
		276,286	339,509
		2,653,745	2,067,835

The consolidated financial statements on pages 93 to 171 were approved and authorised for issue by the Board of Directors on 18 March 2019 and are signed on its behalf by:

Chiufai Yiu
DIRECTOR

Mingzhong Wang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital	Capital reserve	Other Comprehensive income	Statutory surplus reserve fund	Retained profits	Special Reserve	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000 (Note ii)	RMB'000	RMB'000	RMB'000
At 1 January 2017	400,000	200,965	—	21,294	248,990	9,585	880,834	65,100	945,934
Profit and total comprehensive income for the year	—	—	—	—	532,330	—	532,330	15,506	547,836
Issue of new ordinary shares (Note 37)	135,421	209,541	—	—	—	—	344,962	—	344,962
Expenses related to the issue of ordinary shares (Note 37)	—	(24,010)	—	—	—	—	(24,010)	—	(24,010)
Capital contributions from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	19,000	19,000
Dividends paid	—	—	—	—	(100,000)	—	(100,000)	(5,396)	(105,396)
Transfer	—	—	—	49,391	(50,657)	1,266	—	—	—
At 31 December 2017	535,421	386,496	—	70,685	630,663	10,851	1,634,116	94,210	1,728,326
Adjustments (Note 2)	—	—	(8,326)	—	—	—	(8,326)	—	(8,326)
At 1 January 2018 (restated)	535,421	386,496	(8,326)	70,685	630,663	10,851	1,625,790	94,210	1,720,000
Profit for the year	—	—	—	—	832,408	—	832,408	19,824	852,232
Other comprehensive expense for the year	—	—	(1,884)	—	—	—	(1,884)	—	(1,884)
Total comprehensive income for the year	—	—	(1,884)	—	832,408	—	830,524	19,824	850,348
Dividends paid	—	—	—	—	(176,689)	—	(176,689)	(16,200)	(192,889)
Transfer	—	—	—	78,100	(82,075)	3,975	—	—	—
At 31 December 2018	535,421	386,496	(10,210)	148,785	1,204,307	14,826	2,279,625	97,834	2,377,459

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 STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018	2017
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	1,136,512	738,847
Adjustments for:		
Interest income on bank deposits	(4,846)	(2,194)
Loss on disposal of property, plant and equipment	4,122	3,791
Depreciation of property, plant and equipment	90,853	83,944
Release of prepaid lease payments	2,960	2,592
Amortisation of intangible assets	14,841	14,841
Allowance for doubtful debts	—	164
Impairment losses, net of reversal	12,513	—
Allowance for inventories	8,994	2,996
Gain on release of financial guarantee contracts	—	(3,300)
Share of result in an associate	192	77
Share of result in a joint venture	(4,614)	(3,418)
Finance costs	48,300	50,799
Release of assets-related government subsidies	(592)	(761)
Investment income from financial assets at FVTPL	(6,332)	—
Net foreign exchange (gain) loss	(517)	2,445
Operating cash flows before movements in working capital	1,302,386	890,823
(Increase) decrease in inventories	(134,572)	627
Increase in trade and other receivables	(447,570)	(209,273)
Increase in amounts due from shareholders	(46)	(42,881)
(Increase) decrease in amounts due from related parties	(39,745)	94,311
Increase (decrease) in trade and other payables	145,066	(67,962)
Decrease in amount due to a shareholder	—	(16,139)
Increase in amounts due to related parties	341	34,569
Decrease in contract liabilities	(59,114)	—
Cash generated from operations	766,746	684,075
Income tax paid	(236,700)	(201,344)
NET CASH FROM OPERATING ACTIVITIES	530,046	482,731

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018	2017
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Interest received	4,846	2,194
Assets related government subsidies received	—	1,561
Purchase of property, plant and equipment	(282,238)	(170,465)
Lease payment prepaid	(15,929)	(52,531)
Deposit for acquisition of property, plant and equipment	(10,400)	(7,738)
Repayments from shareholders	—	14,393
Payment for acquisition of subsidiaries	(14,801)	(33,782)
Investment in an associate	—	(9,900)
Placement of restricted bank balances	(336,226)	(40,057)
Withdrawal from restricted bank balances	265,315	160,118
Proceeds from disposal of property, plant and equipment	945	3,599
Purchases of financial assets at FVTPL	(1,415,000)	—
Proceeds from redemption of financial assets at FVTPL	1,351,332	—
NET CASH USED IN INVESTING ACTIVITIES	(452,156)	(132,608)
FINANCING ACTIVITIES		
Interest paid	(47,670)	(49,400)
New borrowings raised	720,900	353,000
Repayment of borrowings	(454,280)	(506,546)
Capital contributions from non-controlling interests of a subsidiary	—	19,000
Issue of new ordinary shares	—	344,962
Payment of issue costs	(3,015)	(20,995)
Dividends paid	(176,689)	(107,339)
Dividends paid to non-controlling interests of a subsidiary	(16,200)	(5,396)
NET CASH FROM FINANCING ACTIVITIES	23,046	27,286
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,936	377,409
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	481,704	106,740
Effect of foreign exchange rate changes	517	(2,445)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTING		
Bank balances and cash	583,157	481,704

1. GENERAL INFORMATION

Henan Jinma Energy Company Limited ("The Company") was established in the PRC on February 13, 2003 as a limited liability company under the Company Law of the PRC. On 3 August 2016, the Company was converted into a joint stock limited liability company.

The principal activities of the Company and its subsidiaries (the "Group") are mainly engaged in the production of coke and derivative chemical products, coal gas, liquefied natural gas ("LNG") and sale of related products.

The address of the registered office and the principal place of business of the Company is West First Ring Road South, Jiyuan, Henan Province, the PRC. The Company established a place of business in Hong Kong at Unit 2801, 28/F, 88 Hing Fat Street, Causeway Bay, Hong Kong. It was registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance (Cap. 622) on 11 April 2017.

The Company was owned by Henan Hongkong (Jiyuan) Coking Group Co., Ltd., Maanshan Iron & Steel Company Limited ("Maanshan Steel") and Jiangxi PXSteel Industrial Co., Ltd. ("Jiangxi PXSteel") when established 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") since August 2011. In August 2016, the Company was converted into a joint stock company with 400,000,000 shares at a par value of RMB1.00 in issue. Pursuant to a prospectus issued by the Company dated 26 September 2017 in relation to its global offering of the Company's shares (the "Global Offering"), the Company issued 133,334,000 H shares and were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 October 2017 (The "Listing"). In addition, 2,087,000 new H shares of the Company were issued upon exercise of over-allotment option and were listed on the Stock Exchange on 31 October 2017.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

2.1 IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 "Revenue" ("IAS 18"), IAS 11 "Construction Contracts and the related interpretations" ("IAS 11").

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Manufacturing and sales of coke, coking by-products, refined chemicals and energy products;
- Trading of coal, mining equipment and nonferrous materials.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Notes 5 and 3 respectively.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously Reported at 31 December 2017	Reclassification	**Carrying amounts under IFRS 15 at 1 January 2018***
		RMB'000	RMB'000	**RMB'000**
Current liabilities				
Trade and other payables	(i)	477,435	(28,100)	**449,335**
Amount due to a shareholder	(i)	83,861	(83,861)	**—**
Amounts due to related parties	(i)	35,188	(35,120)	**68**
Contract liabilities	(i)	—	147,081	**147,081**

* The amounts in this column are before the adjustments from the application of IFRS 9.

Note:

(i) As at 1 January 2018, advances from customers of RMB147,081,000 in respect of 110 contracts previously included in trade and other payables, amount due to a shareholder, and amounts due to related parties in trade nature were reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

2.1 IFRS 15 "Revenue from Contracts with Customers" (continued)

Impact on the consolidated statement of financial position

	As Reported	Adjustment	Amount without application of IFRS 15
	RMB'000	RMB'000	RMB'000
Current liabilities			
Trade and other payables	660,804	64,942	725,746
Amounts due to related parties	409	23,025	23,434
Contract liabilities	87,967	(87,967)	—

2.2 IFRS 9 "Financial Instruments"

In the current year, the Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) ECL for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39").

Accounting policies resulting from application of IFRS 9 are disclosed in Note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

2.2 IFRS 9 "Financial Instruments" (continued)

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Debt instruments at FVTOCI	Financial assets at amortised cost (previously classified as trade and other receivables)	Financial assets at amortised cost (previously classified as amounts due from shareholders)	Financial assets at amortised cost (previously classified as amounts due from related parties)	Deferred tax assets	Reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Closing balance at 31 December 2017-IAS 39	—	595,791	299,567	1,187	4,510	1,098,695
Effect arising from initial application of IFRS 9:						
Reclassification:						
From loans and receivables	605,225	(305,638)	(299,417)	(170)	—	—
Remeasurement:						
From amortised cost to fair value	(11,101)	—	—	—	2,775	(8,326)
Opening balance at 1 January 2018	594,124	290,153	150	1,017	7,285	1,090,369

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

2.2 IFRS 9 "Financial Instruments" (continued)

Summary of effects arising from initial application of IFRS 9 (continued)

(a) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the portfolio of financial assets which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under IFRS 9. As a result, these investments of RMB70,000,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

There was no impact on the amounts recognised in relation to these assets from the application of IFRS 9.

(b) Loans and receivables

As part of the Group's cash flow management, the Group has the practice of discounting or endorsing some of the bills receivables to financial institutions or suppliers before the bills are due for payment and derecognises bills discounted or endorsed on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the Group's bills receivables of RMB605,225,000 (including bill receivables due from shareholders and related parties) were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI. The related fair value losses of RMB11,101,000 was adjusted to debt instruments at FVTOCI and equity as at 1 January 2018.

(c) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and amounts due from shareholders/related parties in trade nature. Except for those which had been determined as credit impaired under IAS 39, the remaining balances are grouped based on aging and past due status.

Except for those which had been determined as credit impaired under IAS 39, ECL for other financial assets at amortised cost, including restricted bank balances, bank balances and cash, other receivables and advance to an associate, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

All of the Group's debt instruments at FVTOCI are bill receivables that are graded in the top credit rating among rating agencies. Therefore, these investments are considered to be low credit risk investments and the loss allowance is assessed on 12m ECL basis.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

2.3 Impacts on the opening balances of the consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening balances of the consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	IFRS 15	IFRS 9	1 January 2018 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets				
Deferred tax assets	4,510	—	2,775	7,285
Current Assets				
Trade and other receivables	595,791	—	(305,638)	290,153
Amounts due from shareholders	299,567	—	(299,417)	150
Amounts due from related parties	1,187	—	(170)	1,017
Debt instruments at FVTOCI	—	—	594,124	594,124
Current liabilities				
Trade and other payables	477,435	(28,100)	—	449,335
Amount due to a shareholder	83,861	(83,861)	—	—
Amounts due to related parties	35,188	(35,120)	—	68
Contract liabilities	—	147,081	—	147,081
Capital and Reserves				
Reserves	1,098,695	—	(8,326)	1,090,369

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

2.4 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[1]

1. Effective for annual periods beginning on or after 1 January 2019
2. Effective for annual periods beginning on or after a date to be determined
3. Effective for annual periods beginning on or after 1 January 2021
4. Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5. Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to IFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

2.4 New and amendments to IFRSs in issue but not yet effective (continued)

IFRS 16 "Leases" (continued)

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of 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 upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of 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 by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB6,320,000 as disclosed in Note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise 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.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (continued)

2.4 New and amendments to IFRSs in issue but not yet effective (continued)

Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that an entity applies IFRS 9, including the impairment requirements, to long- term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

As at 31 December 2018, advance to an associate of RMB60,940,000 are considered as long-term interests that, in substance form part of the Group's net investments in the associates. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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 consolidated financial statements 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 realisable 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.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and 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 are included in the consolidated statement 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 in 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's 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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non- controlling interests according to the Group's and the non-controlling interests' proportionate interests.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised 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 amount 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 recognised 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 are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

The subsequent accounting for 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 to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised 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 fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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 retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised 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).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in an associate 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 joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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 recognising its share of further losses. Additional losses are recognised 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 interest 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 interest 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 recognised 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 recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, 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 recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised 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 recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 2)

Under IFRS 15, the Group recognises 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised 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 recognised as an expense in the period in which they are incurred.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualified 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic 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 recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Taxable profit differs from profit before tax because 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 recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 recognised 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 recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interest in a joint venture and an associate, 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 recognised 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 the 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 realised, based on tax rate (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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including buildings 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 statement 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 recognised 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 recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and estimated depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised 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 recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, 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 (or a cash-generating unit) 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 recognised 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised 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 except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 “Business Combinations applies”.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in Note 2) (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, amounts due from shareholders/related parties, advance to an associate, restricted bank balances, bank balances and cash and debt instruments at FVTOCI). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and amounts due from shareholders/related parties in trade nature. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on aging and past due status.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2) (continued)

(i) *Significant increase in credit risk* (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the aging basis:

- Past-due status; and
- Nature, size and industry of debtor.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and amounts due from shareholders/related parties where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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 recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including borrowings, trade and other payables, amount due to a shareholder, amounts due to related parties, dividend payable and long term payable) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises 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 recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises 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 recognised in other comprehensive income accumulated in equity is recognised in profit or loss.

The Group derecognises 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 derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors 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 recognised in the period in which the estimates are 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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of interest in an associate and advance to an associate

The Group assesses whether there is any objective evidence of impairment of interest in an associate, Huozhou Coal Power Group Hongdong Yilong Co., Ltd. ("Yilong Coal") at the end of each reporting period. Test for impairment is required when there is any objective evidence that the carrying amount may not be recoverable. For the interest in Yilong Coal, an impairment exists when its carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. For the advance to Yilong Coal, an impairment exists when all contractual cash flows that are due to the Group in accordance with the contract exceed the cash flow that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

When value in use calculation for the interest in Yilong Coal is undertaken, the management of the Company prepared cash flow projections of Yilong Coal and appointed an external valuer for a valuation report of the underlying mining development projects. The projections and valuation are prepared based on the mining plan prepared by the management of Yilong Coal and, operation budget, future capital expenditure, market price of coal, costs to completion, as well as discount rates. The estimated future recoverable amount is largely determined by the above estimates. Future coal price forecasts do not represent actual sales prices that can be realised in the future, and mining plans, operation budget, future capital expenditure plans, and discount rates will also change.

When the Group assesses the ECL for advance to an associate, the management of the Group appointed an independent valuer for assisting such assessment. The measurement of ECL involves credit risk assessment on the associate based on the historical financial information and cash flow projection of the associate, as well as consideration of probability of default, which is determined by external credit rating of the associate and adjusted for industrial factors; loss given default, which is eastimated with reference to the hostorical average corporate debt recovery rates, forward-looking information, expected recovery duration and discount rate; and the exposure at default, which is the amount of the advance to an associate.

As at 31 December 2018 and 2017, the Directors considered that there was no impairment of the interest in Yilong Coal and advance to Yilong Coal. If the above forecast, estimates and factors used in assessment of ECL for advance to an associate change in the subsequent period, the estimated recoverable amount of interest in associate and the ECL for advance to an associate may change or be lower than the carrying amount and impairment may arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill and intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise.

As at 31 December 2018, the carrying amounts of goodwill and intangible assets are RMB8,001,000 and RMB63,820,000 (2017: RMB8,001,000 and RMB78,661,000), respectively. The Directors consider that no impairment loss is recognised in respect of goodwill and intangible assets during the years ended 31 December 2018 and 2017.

Allowance for inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is based on estimated selling prices less any estimated costs of completion and costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period.

As at 31 December 2018, the carrying amount of inventories is RMB281,752,000 (2017: RMB156,174,000) (net of allowance for inventories of RMB11,990,000 (2017: RMB2,996,000)).

Fair value measurement of financial instruments

Certain of the Group's financial assets, debt instruments amounting to RMB1,153,797,000 as at 31 December 2018 are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 46 for further disclosures.

Provision of ECL for financial assets

The Group uses provision matrix to calculate ECL for the trade receivables and amounts due from shareholders/related parties in trade nature. The provision rates are based on aging and past due status as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in Note 46 and Note 25.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives and impairment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation (other than construction in progress) and any impairment losses in the consolidated statement 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 recognised is charged to profit or loss.

As at 31 December 2018, the carrying amount of property, plant and equipment is RMB1,314,508,000 (2017: RMB1,047,432,000). The Directors consider that no impairment loss is recognised in respect of property, plant and equipment during the years ended 31 December 2018 and 2017.

5. REVENUE AND SEGMENT INFORMATION

Performance obligations for contracts with customers

The Group are mainly engaged in sales of coke and coke-related products to the customers and trading of coal, mining equipment and nonferrous materials through wholesale, for which revenue is recognised at one point in time.

For sales of coke and coke-related products, revenue is recognised when control of the products has transferred, being when the products have been delivered to the customers' specific location (delivery). Following the delivery, the customer has the primary responsibility when on use of the products and bears the risks of obsolescence and loss in relation to the products.

For trading of coal and mining equipment, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location (delivery). Following the delivery, the customer has the primary responsibility when on delivery of the goods and bears the risks of obsolescence and loss in relation to the products.

For some customers with long term relationships, the normal credit term is 30 to 60 days upon delivery. For other general customers, prepayment is required in advance according to the contracts entered and recognised as a contract liability until the products' delivery. have been delivered to the customer.

All sales of goods are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

Information reported to the Directors 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. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's operating segments under IFRS 8 "Operating Segments" are (i) sales of coke, (ii) sale of coking by-products, (iii) sales of refined chemicals, (iv) sales of energy products, mainly coal gas and LNG, (v) trading of coal, mining equipment and nonferrous materials, and (vi) other services including but not limited to provision of water, catering and fire prevention and management services.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Sales of goods						
	Coke RMB'000	Coking by-products RMB'000	Refined chemicals RMB'000	Energy products RMB'000	Trading RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2018							
Segment revenue	4,083,200	13,521	1,413,992	360,196	1,568,000	12,884	7,451,793
Segment results	1,137,132	3,345	120,411	93,789	25,657	1,044	1,381,378
Other income							8,883
Other gains and losses							(898)
Impairment losses, net of reversal							(12,513)
Selling and distribution expenses							(83,008)
Administrative expenses							(93,465)
Finance costs							(48,300)
Share of result in a joint venture							4,614
Share of result in an associate							(192)
Unallocated expenses							(19,987)
Profit before tax							1,136,512

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Sales of goods						
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2017							
Segment revenue	3,401,916	11,647	1,190,555	236,374	266,911	30,249	5,137,652
Segment results	752,239	3,960	80,777	74,989	6,703	3,694	922,362
Other income							6,885
Other gains and losses							(8,964)
Selling and distribution expenses							(35,111)
Administrative expenses							(65,419)
Finance costs							(50,799)
Listing expenses							(15,930)
Share of result in a joint venture							3,418
Share of result in an associate							(77)
Unallocated expenses							(17,518)
Profit before tax							738,847

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent gross profit from each segment, excluding sales related taxes, which are classified as unallocated expenses.

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to or reviewed by the Directors .

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

	Sales of goods						
	Coke RMB'000	Coking by-products RMB'000	Refined chemicals RMB'000	Energy products RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2018							
Amounts included in measure of segment results:							
Depreciation and amortisation	**35,007**	**1,191**	**27,782**	**26,784**	**8,146**	**6,784**	**105,694**
Release of prepaid lease payments	**—**	**—**	**—**	**—**	**—**	**2,960**	**2,960**

	Sales of goods						
	Coke RMB'000	Coking by-products RMB'000	Refined chemicals RMB'000	Energy products RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2017							
Amounts included in measure of segment results:							
Depreciation and amortisation	34,891	1,607	29,561	20,374	6,599	5,753	98,785
Release of prepaid lease payments	—	—	—	—	—	2,592	2,592

5. REVENUE AND SEGMENT INFORMATION (continued)

Entity-wide disclosures

Geographical information

All of the Group's revenue from external customers were generated from the PRC and non-current assets are located in the PRC during the years ended 31 December 2018 and 2017.

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group for the year is as below:

	2018	2017
	RMB'000	RMB'000
Maanshan Steel (Notes i and ii)	**1,030,544**	1,170,348
Jiangxi PXSteel and its subsidiaries (Notes i and ii)	**1,420,413**	897,488
Customer A (Note i)	**N/A***	607,228

Notes:

(i) Revenue from sale of coke.

(ii) Maanshan Steel and Jiangxi PXSteel are shareholders of the Company.

* The revenue of the Customer A contributed less than 10% of the total sales of the Group during the year ended 31 December 2018.

6. OTHER INCOME

	2018	2017
	RMB'000	RMB'000
Interest income on bank deposits	**4,846**	2,194
Release of asset-related government subsidies (Note 39)	**592**	761
Government grants	**1,752**	3,463
Income on scrap sales	**1,601**	—
Rental income	**2**	100
Others	**90**	367
	8,883	6,885

7. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	RMB'000
Investment income from financial assets at FVTPL	6,332	—
Allowance for doubtful debts (Note)	—	(164)
Allowance for inventories	—	(2,996)
Loss on disposal of property, plant and equipment	(4,122)	(3,791)
Gain on release of financial guarantee contracts	—	3,300
Donations	(2,954)	(2,739)
Foreign exchange loss	(519)	(2,871)
Others	365	297
	(898)	(8,964)

Note: The allowance for doubtful debts is disclosed in Note 8 in the current year.

8. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018	2017
	RMB'000	RMB'000
Impairment losses recognised on:		
– Trade receivables - goods and services	12,513	—

9. FINANCE COSTS

	2018	2017
	RMB'000	RMB'000
Interest expense on:		
– Other borrowings	—	3,009
– Bank borrowings	46,120	42,395
– Discounted bank acceptance bills	—	1,494
– Letters of credit	1,550	2,502
– Imputed interest for long term payable	630	1,399
	48,300	50,799

10. PROFIT BEFORE TAX

	2018	2017
	RMB'000	RMB'000
Profit before tax has been arrived at after charging:		
Staff costs		
Directors' and supervisors' remuneration (Note 14)	2,284	1,071
Other staff costs	108,897	106,012
Other staffs' retirement benefit	16,290	7,103
Total staff costs	127,471	114,186
Staff costs capitalized in inventories	(87,453)	(86,733)
Staff costs capitalized in property, plant and equipment	(2,809)	(3,224)
	37,209	24,229
Depreciation of property, plant and equipment	90,853	83,944
Capitalized in inventories	(82,564)	(77,245)
	8,289	6,699
Release of prepaid lease payments	2,960	2,592
Amortisation of intangible assets (included in cost of sales)	14,841	14,841
Auditors' remuneration	2,800	1,850
Cost of inventories recognised as expenses	6,090,402	4,232,808

11. INCOME TAX EXPENSE

	2018	2017
	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT")		
Current tax	293,550	190,131
Underprovision in prior years	2,380	962
Deferred tax (Note 23)	(11,650)	(82)
	284,280	191,011

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%.

The taxation charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	RMB'000	RMB'000
Profit before tax	1,136,512	738,847
Tax charge at the applicable income tax rate of 25% (2017: 25%)	284,128	184,712
Tax effect of expenses not deductible for tax purposes	1,038	5,939
Income tax on concessionary rate (Note)	(1,991)	(290)
Tax effect of share of results in an associate and a joint venture	(1,105)	(835)
Tax effect of tax losses not recognised	—	534
Utilisation of tax losses previously not recognised	(145)	—
Underprovision in prior years	2,380	962
Others	(25)	(11)
Income tax expense	284,280	191,011

Note: Pursuant to the relevant tax rules and regulation in the PRC, revenue from Comprehensive Utilization of Resources ("資源綜合利用") is eligible for additional tax deduction.

12. OTHER COMPREHENSIVE EXPENSE

	2018	2017
	RMB'000	RMB'000
Other comprehensive expense includes:		
Item that may be reclassified subsequently to profit or loss:		
Fair value loss on:		
debt instruments at FVTOCI	(1,884)	—

Income tax effect relating to other comprehensive expense

	Year ended 31/12/2018			Year ended 31/12/2017		
	Before-tax amount	Tax expenses (benefit)	Net-of-income tax amount	Before-tax amount	Tax expenses (benefit)	Net-of-income tax amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Item that may be reclassified subsequently to profit or loss:						
Fair value loss on:						
debt instruments at FVTOCI	2,512	(628)	1,884	—	—	—

13. DIVIDENDS

On 19 March 2018, a final dividend in respect of the year ended 31 December 2017 of RMB0.20 (2017:nil) per share and a special dividend of RMB0.08 per share (2017: RMB0.25), in a total amount of dividend of RMB0.28 per share (2017:RMB0.25) and in an aggregate amount of RMB149,918,000 (2017: RMB100,000,000) was declared by the Company. Such dividend had been fully settled by June 2018 (2017: June).

On 10 October 2018, an interim dividend in respect of six months ended 30 June 2018 of RMB0.05 per share and in an aggregate amount of RMB26,771,000 was declared by the Company. Such dividend had been fully settled by November 2018.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of RMB0.35 per share and in an aggregate amount of RMB187,397,000, have been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. 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 are as follows:

Directors' emoluments for services as Directors and its subsidiary undertakings

	Fees	Basic salaries	Performance related bonuses	Retirement benefit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2018					
Executive and non-executive directors:					
Mr. Chiu Fai Yiu	—	—	—	—	—
Mr. Quanshan Qiu	—	—	—	—	—
Mr. Xiayu Hu	—	—	—	—	—
Mr. Zhiming Wang	—	—	—	—	—
Mr. Tianxi Li	—	250	263	24	537
Mr. Mingzhong Wang	—	350	288	26	664
Independent non-executive directors:					
Mr. Tak Lung Wu	241	—	—	—	241
Mr. Yuhui Liu	120	—	—	—	120
Mr. Wenhua Zheng	120	—	—	—	120
Supervisors:					
Mr. Tsz Leung Wong	—	—	—	—	—
Mr. Qiangxian Zhang	—	—	—	—	—
Mr. Wujun Zhang	—	100	95	16	211
Mr. Tao David Zhou	69	—	—	—	69
Ms. Fangyuan Tian	80	—	—	—	80
Ms. Yali Hao	—	113	113	16	242
	630	813	759	82	2,284

14. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors', Chief Executive's and Supervisors' emoluments (continued)

	Fees	Basic salaries	Performance related bonuses	Retirement benefit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2017					
Executive and non-executive directors:					
Mr. Chiu Fai Yiu	—	—	—	—	—
Mr. Kecong Lu	—	—	—	—	—
Mr. Xiayu Hu	—	—	—	—	—
Mr. Zhiming Wang	—	—	—	—	—
Mr. Tianxi Li	—	200	—	25	225
Mr. Mingzhong Wang	—	300	—	24	324
Independent non-executive directors:					
Mr. Tak Lung Wu	79	—	—	—	79
Mr. Yuhui Liu	100	—	—	—	100
Mr. Wenhua Zheng	100	—	—	—	100
Supervisors:					
Mr. Tsz Leung Wong	—	—	—	—	—
Mr. Qiangxian Zhang	—	—	—	—	—
Mr. Zhongge Li	—	60	—	17	77
Mr. Tao David Zhou	22	—	—	—	22
Ms. Fangyuan Tian	67	—	—	—	67
Ms. Yali Hao	—	60	—	17	77
	368	620	—	83	1,071

Notes:

Certain executive directors and supervisors who did not receive emoluments during the reporting periods, 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 Shareholder's Entities. In the opinion of the Directors, it is not practicable to allocate their remunerations to the Group.

Mr. Mingzhong Wang is the Chief Executive of the Company and his emoluments disclosed above include those for services in connection with the management of affairs of the Group rendered by him as the Chief Executive. The other directors and supervisors received remuneration for their services of management of affairs of the Group or their services as Directors/Supervisors of the Company respectively.

14. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

Five individuals with the highest emoluments

Of the five individuals with the highest emoluments in the Group two (2017: two) were Directors for the year ended 31 December 2018, whose emoluments are included in the disclosures above. The emoluments of the remaining individuals are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries, wages and allowance	1284	1,913
Performance related bonuses	603	—
Retirement benefit	46	23
	1,933	1,936

Their emoluments were within the following bands:

	Number of employees	
	2018	2017
Nil to RMB1,000,000	3	2
RMB1,500,001 to RMB2,000,000	—	1

No emoluments were paid by the Group to the Directors or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office during both years. None of the directors waived any emoluments during both years.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following analysis:

	2018	2017
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	832,408	532,330
	'000	'000
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	535,421	430,674

Basic earnings per share was calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

No diluted earnings per share is presented as for the years ended 31 December 2018 and 2017 because there was not potential ordinary share during both years.

16. PROPERTY, PLANT AND EQUIPMENT

	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 1 January 2017	502,825	916,257	13,788	68,465	20,593	1,521,928
Additions	324	9,964	2,350	4,270	235,680	252,588
Transfer from construction in progress	7,811	20,487	—	—	(28,298)	—
Disposals	(522)	(14,231)	(1,577)	(3,080)	(122)	(19,532)
At 31 December 2017	510,438	932,477	14,561	69,655	227,853	1,754,984
Additions	1,175	10,905	3,414	2,361	345,141	362,996
Transfer from construction in progress	104,161	308,691	—	870	(413,722)	—
Disposals	(6,259)	(1,123)	(86)	(52)	(64)	(7,584)
At 31 December 2018	**609,515**	**1,250,950**	**17,889**	**72,834**	**159,208**	**2,110,396**
Depreciation						
At 1 January 2017	204,021	393,284	7,898	30,547	—	635,750
Provided for the year	24,713	52,900	1,898	4,433	—	83,944
Eliminated on disposals	(98)	(8,117)	(1,464)	(2,463)	—	(12,142)
At 31 December 2017	228,636	438,067	8,332	32,517	—	707,552
Provided for the year	25,403	59,316	1,888	4,246	—	90,853
Eliminated on disposals	(1,766)	(623)	(81)	(47)	—	(2,517)
At 31 December 2018	**252,273**	**496,760**	**10,139**	**36,716**	—	**795,888**
Carrying values						
At 31 December 2018	**357,242**	**754,190**	**7,750**	**36,118**	**159,208**	**1,314,508**
At 31 December 2017	281,802	494,410	6,229	37,138	227,853	1,047,432

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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 structures	3%-10%
Machinery and equipment	4%-19%
Motor vehicles	10%-24%
Office equipment	6%-32%

17. PREPAID LEASE PAYMENTS

	2018	2017
	RMB'000	RMB'000
Analyzed for reporting purpose as:		
Current assets	2,936	2,843
Non-current assets	114,050	101,174
	116,986	104,017

18. INTANGIBLE ASSETS

	Franchise right
	RMB'000
Cost	
1 Janauary 2017 and as at 31 December 2017 and 2018	93,502
Amortisation	
Provision for and as at 31 December 2017	14,841
Provision for the year	14,841
At 31 December 2018	29,682
Carrying values	
At 31 December 2018	63,820
At 31 December 2017	78,661

The intangible assets of the Group are franchise right of sales of gas, which is amortised over the tenure of 6.3 years in accordance with the contractual agreement.

19. GOODWILL

	RMB'000
CARRYING VALUE	
Arising on acquisition of a subsidiary during the year ended 31 December 2016 and as at 31 December 2017 and 2018	8,001

For the purpose of impairment testing, goodwill has been allocated to individual cash-generating unit which is engaged in distribution and sales of coal gas.

The following describes the key assumptions of the cash flow projections: the recoverable amounts of the cash-generating unit 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 value 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% (2017: 28.5%), as at 31 December 2018. Cash flow projections during the forecast period for this business line are 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 sets of cash flows beyond the 5-year period are projected using zero steady growth rate, which does not exceed the average long-term growth rate for the relevant industry.

The management of the Group believes that any reasonably possible changes in any of these assumptions would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount. The management of the Group determines that there are no impairment of its cash-generating unit containing goodwill during both years.

20. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at the end of the reporting periods are set out below.

Name of subsidiary	Place of establishment and operations	Equity interest attributable to the Group		Fully paid registered capital	Principal activities
		2018	2017		
Directly held:					
濟源市金源化工有限公司 (Jiyuan Jinyuan Chemicals Co.,Ltd.)	PRC	100%	100%	RMB100,000,000	Manufacturing and sales of benzene based chemicals
上海金馬能源有限公司 (Shanghai Jinma Energy Sources Co.,Ltd.) ("Shanghai Jinma")	PRC	75%	75%	RMB20,000,000	Trading of coal and coal mining equipment
河南博海化工有限公司 (Henan Bohigh Chemical Co., Ltd.)	PRC	100%	100%	USD7,700,000	Manufacturing and sale of coal tar based chemicals
河南金瑞能源有限公司 (Henan Jinrui Energy Co., Ltd.) ("Jinrui Energy")	PRC	71%	71%	RMB100,000,000	Manufacturing and sale of LNG
濟源市金寧能源實業有限公司 (Jiyuan Jinning Energy Co.,Ltd.) ("Jinning Energy")	PRC	51%	51%	RMB10,000,000	Distribution and sale of coal gas
Indirectly held:					
河南金瑞燃氣有限公司 (Henan Jinrui Gas Co., Ltd.)	PRC	100%	100%	RMB25,500,000	Sales and retail of LNG

All the subsidiaries of the Company are domestic limited liability companies. None of the subsidiaries had any debt securities outstanding at 31 December 2018 and 2017 or at any time during the year.

20. PARTICULARS OF SUBSIDIARIES (continued)

The table below shows details of non-wholly-owned subsidiaries of the Group:

Name of subsidiary	Proportion ownership interest held by non-controlling interests At 31 December		Profit (loss) allocated to non-controlling interests Year ended 31 December		Accumulated non-controlling interests At 31 December	
	2018	2017	**2018**	2017	**2018**	2017
	%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Shanghai Jinma	**25**	25	**1,142**	819	**6,585**	6,943
Jinrui Energy	**29**	29	**2,478**	(527)	**30,966**	28,488
Jinning Energy	**49**	49	**16,204**	15,214	**60,283**	58,779
			19,824	15,506	**97,834**	94,210

Summarized financial information (prepared in accordance with IFRSs) in respect of the Group's subsidiary that has material non-controlling interests is set out below.

Jinning Energy

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current assets	**40,006**	25,048
Non-current assets	**48,806**	50,803
Current liabilities	**12,810**	14,010
Non-current liabilities	**2,488**	2,638
Net equity (Note)	**123,028**	119,960
Equity attributable to owners of the Company	**62,745**	61,181
Equity attributable to non-controlling interests	**60,283**	58,779

Note: The net equity includes fair value adjustments on properties, intangible assets and related deferred taxation arising from business combination amounting to RMB49,514,000 (2017: RMB60,757,000).

20. PARTICULARS OF SUBSIDIARIES (continued)

Jinning Energy (continued)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**272,050**	240,016
Expenses	**238,982**	208,966
Profit for the year (Note)	**33,068**	31,050
Profit and total comprehensive income attributable to owners of the Company	**16,864**	15,836
Profit and total comprehensive income attributable to non-controlling interests	**16,204**	15,214
Profit for the year	**33,068**	31,050
Dividends declared to non-controlling interests	**14,700**	5,396
Net cash inflow from operating activities	**51,179**	48,815
Net cash outflow from investing activities	**(887)**	(17,206)
Net cash outflow from financing activities	**(30,000)**	(26,018)
Net cash inflow	**20,292**	5,591

Note: The profit for the year includes adjustments for depreciation on properties and amortisation of intangible assets recognised upon the business combination amounting to RMB11,243,000 (2017: RMB11,346,000).

21. INTEREST IN A JOINT VENTURE

	2018	2017
	RMB'000	RMB'000
Cost of unlisted investment in a joint venture	49,000	49,000
Share of post-acquisition results	5,925	6,211
	54,925	55,211

Details of the Group's joint venture at the end of the reporting period are set out below.

Name of Joint venture	Place of registration and operations	Fully paid registered capital	Equity interest attributable to the Group		Principal activities
			2018	2017	
Henan Jinjiang Refinery Co., Ltd. ("Jinjiang Refinery") 濟源市金江煉化有限公司	PRC	RMB100,000,000	49%	49%	Manufacture and sale of hydrogen

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 consolidated financial statements.

	2018	2017
	RMB'000	RMB'000
Current assets	28,491	15,856
Non-current assets	163,319	183,895
Current liabilities	28,417	37,075
Non-current liabilities	51,301	50,000
The above amounts of assets and liabilities include the followings:		
Cash and cash equivalents	9,964	9,525
Non-current financial liabilities (excluding trade and other payables and provisions)	40,000	50,000

21. INTEREST IN A JOINT VENTURE (continued)

	2018	2017
	RMB'000	RMB'000
Revenue	165,959	168,445
Profit and total comprehensive income for the year	9,416	6,976
Dividend receivable from the joint venture	4,900	—

The above profit for the year includes the following:

	2018	2017
	RMB'000	RMB'000
Depreciation	16,133	15,949
Interest income	104	178
Interest expense	3,026	3,676
Income tax expense	5	2,362

Reconciliation of the above summarized financial information to the carrying amount of the interest in a joint venture recognised in consolidated financial statements.

	2018	2017
	RMB'000	RMB'000
Net assets	112,092	112,676
Proportion of the Group's ownership interest in the joint venture	49%	49%
Carrying amounts of the Group's interest in the joint venture	54,925	55,211

22. INTERESTS IN AN ASSOCIATE/ADVANCE TO AN ASSOCIATE

	2018	2017
	RMB'000	RMB'000
Cost of unlisted investment in an associate	41,460	41,460
Share of post-acquisition results	(269)	(77)
	41,191	41,383
Advance to an associate (Note)	60,940	60,940

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 during the year ended 31 December 2014 as "Deposit for acquisition of mining right". On 28 January 2015, Huozhou Coal, Shanxi Yilong and the Company have jointly established Yilong Coal with interest holding of 51%, 16% and 33% respectively. The total registered capital of Yilong Coal is RMB80,000,000, the Company contributed capital of RMB16,500,000 and RMB9,900,000 to Yilong Coal on 9 January 2015 and 20 February 2017 respectively, in accordance with the shareholders' agreement.

In addition, on 16 October 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 31 December 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 an associate as an additional investment cost in Yilong Coal by the Company as the Directors 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.

For the year ended 31 December 2018, Yilong Coal has entered into the trail run stage and still undertakes certain projects for technological transformation.

Note: The total advance is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors, it is expected that the Group would not demand for repayment within the next twelve months from the end of the reporting period. Accordingly, the amount is shown as a non-current asset.

22. INTERESTS IN AN ASSOCIATE/ADVANCE TO AN ASSOCIATE (continued)

Details of the Group's associate at the end of the reporting period are set out below.

Name of associate	Place of registration and operations	Fully paid registered capital	Equity interest attributable to the Group		Principal activities
			2018	2017	
Yilong Coal 霍州煤電集團洪洞億隆 煤業有限責任公司	PRC	RMB80,000,000	**33%**	33%	Mining and sale of coal

Summarized financial information in respect of the Group's associate is set out below. The summarized financial information below represents amounts shown in the assoicate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

	2018	2017
	RMB'000	RMB'000
Current assets	**73,992**	10,488
Non-current assets	**1,130,188**	592,264
Current liabilities	**1,069,241**	522,985
Non-current liabilities	**55,755**	—
Revenue	**—**	—
Loss for the year	**(580)**	(233)

Reconciliation of the above summarized financial information of the carrying amount of the interest in the associate recognised in the consolidated financial statements.

	2018	2017
	RMB'000	RMB'000
Net assets	**79,184**	79,767
Proportion of the Group's ownership interest in the associate	**33%**	33%
	26,131	26,323
Additional investment cost in the associate	**15,060**	15,060
Carrying amounts of the Group's interest in the associate	**41,191**	41,383

23. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax assets (liabilities) recognized and movements thereon during the current and prior years:

	Allowance for inventories	Allowance for doubtful debts	Temporary difference on deductible expenses	Financial guarantee provisions	Unrealised profits	Fair value adjustments upon acquisition of subsidiaries	Deferred revenue	Fair value change of debt instruments at FVTOCI	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	594	644	3,588	825	275	(29,825)	1,615	—	(22,284)
Credit (charge) to profit or loss	155	(196)	(3,455)	(825)	374	3,829	200	—	82
At 31 December 2017	749	448	133	—	649	(25,996)	1,815	—	(22,202)
Adjustments (Note 2)	—	—	—	—	—	—	—	2,775	2,775
At 1 January 2018 (restated)	749	448	133	—	649	(25,996)	1,815	2,775	(19,427)
Credit (charge) to profit or loss	2,249	3,128	293	—	2,112	4,016	(148)	—	11,650
Credit to other comprehensive income	—	—	—	—	—	—	—	628	628
At 31 December 2018	2,998	3,576	426	—	2,761	(21,980)	1,667	3,403	(7,149)

For the purpose of presentation in the consolidated statement 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:

	2018	2017
	RMB'000	RMB'000
Deferred tax assets	**15,481**	4,510
Deferred tax liabilities	**(22,630)**	(26,712)
	(7,149)	(22,202)

As at 31 December 2018, the Group had unused tax losses of RMB1,556,000 (2017: RMB2,136,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. All tax losses will expire within 5 years from the year of origination.

24. INVENTORIES

	2018	2017
	RMB'000	RMB'000
Raw materials	**203,955**	118,955
Finished goods	**77,797**	37,219
	281,752	156,174

25. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	RMB'000
Bills receivables	—	305,638
Trade receivables from sales of goods	88,446	140,262
Less: Allowance for credit losses	(10,422)	—
	78,024	140,262
Other receivables	23,017	55,160
Less: Allowance for credit losses	(3,888)	(1,797)
	19,129	53,363
Prepayments to suppliers	82,537	64,008
Prepaid other taxes and charges	53,335	32,520
Dividend receivables from a joint venture	4,900	—
	237,925	595,791

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to RMB88,446,000 and RMB140,262,000 respectively.

The following is an aging analysis of trade receivables (net of allowance for credit losses) presented based on invoice date at the end of the reporting period:

	2018	2017
	RMB'000	RMB'000
Within 90 days	67,245	139,014
91 - 180 days	5,992	536
181 - 365 days	665	628
Over 365 days	4,122	84
	78,024	140,262

As at 31 December 2018, total bills received amounting to RMB1,083,797,000 (31 December 2017: RMB305,638,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period and are measured at FVTOCI since the year 2018. All bills received by the Group are with a maturity period of not more than six months.

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 customer, the Group's management shall be responsible for assessment of the potential customer's credit quality and determination of credit limits and credit approvals for customers. Credit limits attributed to customers are reviewed periodically.

25. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB20,536,000 which are past due as at the reporting date. Out of the past due balances, RMB14,515,000 has been past due 90 days or more and all of which is considered as in default. The Group does not hold any collateral over these balances.

As at 31 December 2017, included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB45,392,000, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. Based on the historical experience of the Group, trade receivables that are past due but not impaired are generally recoverable. The Group does not hold any collateral over these balances.

The following is an aging of trade receivables (net of allowance for credit losses), which are past due but not impaired:

	2017
	RMB'000
Overdue by:	
Within 90 days	44,763
91 - 180 days	162
181 - 365 days	467
	45,392

Movements in the allowance for credit losses for other receivables are as follows:

	2017
	RMB'000
At beginning of the year	2,580
Provided during the year	1,795
Reversal during the year	(1,631)
Write off during the year	(947)
At end of the year	1,797

Detail of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 46.

26. AMOUNTS DUE FROM SHAREHOLDERS

	2018	2017
	RMB'000	RMB'000
Trade nature		
Maanshan Steel	196	299,417
Jinma Xingye (Note)	—	150
	196	299,567

Note: The balance is prepayment in nature for purchase of materials.

The credit period granted for those balances in trade nature is between 30 to 180 days. The amounts in trade nature are unsecured and interest-free. As at 31 December 2017, the balances in trade nature included RMB299,417,000 of outstanding bills. These bills were issued by banks with maturity within 6 months. The following is an aging analysis of trade receivables from shareholders (excluding bill receivables), presented based on invoice date dates at the end of the reporting period.

	2018	2017
	RMB'000	RMB'000
Within 90 days	196	—

All amounts due from shareholders with trade nature are not past due as at 31 December 2017.

27. AMOUNTS DUE FROM RELATED PARTIES

	2018	2017
	RMB'000	RMB'000
Trade nature		
Jiangxi PXSteel's subsidiaries	31,454	1,026
A subsidiary of Maanshan Steel	—	150
Jiyuan Fangsheng Chemicals Co., Ltd. ("Fangsheng Chemicals") (Note i)	—	11
Jiyuan Yungong Logistics Co., Ltd. ("Yungong Logistics") (Note ii)	9,308	—
	40,762	1,187

Notes:

(i) The entity is controlled by a shareholder of the Company. The balance is prepayment in nature for purchase of materials.

(ii) The key management personnel of the entity is one of key management personnel of the Company. The Directors are of opinion that the entity is related party of the Group. The balance includes prepayment of RMB3,865,000 in nature for shipping.

27. AMOUNTS DUE FROM RELATED PARTIES (continued)

As at 31 December 2017, the Group's balances included bills receivables from related parties were RMB170,000. These bills are issued by banks with maturity within 6 months.

As at 31 December 2017, 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 the reporting period.

As at 31 December 2018, all amounts due from related parties are not past due.

	2018	2017
	RMB'000	RMB'000
Within 90 days	36,897	—
181 - 360 days	—	1,006
	36,897	1,006

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 the reporting period.

	2017
	RMB'000
91 - 180 days	1,006

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. FINANCIAL ASSETS AT FVTPL

It represented two financial assets. One is a structured deposit of RMB50,000,000 placed in the banking institute with maturity period of six months. In accordance with the relevant terms of the deposit, the expected yield rate is floating and linked with the Shanghai Interbank Offered Rate. Another is a bank wealth product of RMB20,000,000 with a flexible maturity period within 1 year. In accordance with the relevant terms of the product, the yield rate is floating and linked with performance of the underlying assets. These two financial assets are recognised as financial assets at FVTPL.

29. DEBT INSTRUMENTS AT FVTOCI

	2018	2017
	RMB'000	RMB'000
Bill receivables	1,083,797	—

The above debt instruments at FVTOCI represent bill receivables which were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI.

30. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

Restricted bank balances and bank balances carry interest at prevailing market interest rates ranging from 0.35% to 3.10% (2017: from 0.35% to 3.00%) per annum as at 31 December 2018.

The Group's restricted bank balances were pledged to banks for issuing bills.

31. BORROWINGS

	2018	2017
	RMB'000	RMB'000
Bank borrowings	833,620	567,000
Secured	229,620	—
Unsecured	604,000	567,000
	833,620	567,000
Fixed-rate borrowings	450,000	490,000
Floating-rate borrowings	383,620	77,000
	833,620	567,000
Carrying amount repayable: (based on scheduled payment terms)		
Within one year	596,600	282,000
More than one year, but not more than two years	152,600	262,000
More than two years, but not more than five years	84,420	23,000
	833,620	567,000
Less: Amount due shown under current liabilities	(596,600)	(282,000)
Amount due after one year shown under non-current liabilities	237,020	285,000

The ranges of effective interest rate of the Group's borrowings are:

	2018	2017
Effective interest rate:		
– Fixed-rate borrowings	4.57%-6.75%	4.57%-6.75%
– Floating-rate borrowings	4.79%-6.20%	4.79%-6.30%

32. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	RMB'000
Trade payables	288,633	228,798
Bills payables	148,953	50,000
	437,586	278,798
Receipt in advance from customers	—	31,744
Salaries and wages payables	18,472	16,777
Other tax payables	5,246	10,967
Consideration payable for purchase of property, plant and equipment	182,058	109,038
Accruals	7,339	7,957
Listing expenses payable	—	8,083
Shipping expenses payables	—	50
Consideration payable for a business combination	2,437	6,039
Other payables	7,666	7,982
	223,218	198,637
	660,804	477,435

The following is an aging analysis of trade payables based on the invoice date at the end of the reporting period:

	2018	2017
	RMB'000	RMB'000
Within 90 days	273,788	214,882
91 - 180 days	6,226	2,762
181 - 365 days	3,432	3,906
Over 1 year	5,187	7,248
	288,633	228,798

At the end of the 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.

33. AMOUNT DUE TO A SHAREHOLDER

	2018	2017
	RMB'000	RMB'000
Trade nature		
Maanshan Steel (Note)	—	83,861

Note: The balance is receipt in advance in nature and reclassified as contract liabilities since the year 2018.

34. AMOUNTS DUE TO RELATED PARTIES

	2018	2017
	RMB'000	RMB'000
Trade in nature		
Jinjiang Refinery (Note)	—	68
A subsidiary of Jiangxi PXSteel (Note)	—	35,120
Yungong Logistics	289	—
	289	35,188
Non-trade in nature		
Jinjiang Refinery	120	—
	409	35,188

Note: The balances are receipt in advance in trade nature for purchase of goods from the Group.

The credit periods 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 the reporting period:

	2018	2017
	RMB'000	RMB'000
Within 90 days	289	—

35. CONTRACT LIABILITIES

	31 December 2018	1 January 2018*
	RMB'000	RMB'000
Sales of goods - current	87,967	147,081

* The amounts in this column are after the adjustments from the application of IFRS 15.

Contract liabilities are all expected to be settled within the Group's normal operating cycle, and are classified as current based on the Group's earliest obligation to transfer goods to the customers.

Revenue recognised in the current year with perfomance obligation satisfied includes whole contract liability balance at the beginning of the year.

36. RETIREMENT BENEFIT COSTS

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 benefit 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 contributions to these plans recognised as employee benefit capitalized as production costs or expensed as incurred for the year ended 31 December 2018 are RMB8,644,000 (2017: RMB7,186,000).

37. SHARE CAPITAL

	2018	2017
	RMB'000	RMB'000
At beginning of the year	535,421	400,000
Issue of new ordinary shares (Note)	—	135,421
At end of the year	535,421	535,421

Note: On 10 October 2017, 133,334,000 new H shares of RMB1 each of the Company were issued at a price of HK$3.00 (equivalent to RMB2.55) each, upon the Global Offering and Listing of the shares of the Company on the Stock Exchange. On 31 October 2017, 2,087,000 new H shares of RMB1 each of the Company were issued at a price of HK$3.00 (equivalent to RMB2.55) each upon exercise of over-allotment option. The proceeds of HK$159,486,000 (equivalent to RMB135,421,000) representing the par value of the new H shares of the Company, were credited to the Company's share capital. The remaining proceeds of approximately HK$246,777,000 (equivalent to approximately RMB209,541,000), before issuing expenses of RMB24,010,000, were credited to the Company's capital reserve.

38. LONG TERM PAYABLE

The amount represents the present value of consideration payable due after 31 December 2018, in relation to the acquisition of Jinning Energy during the year ended 31 December 2016, which is calculated using imputed interest rate of 4.75% per annum by reference to the prevailing market rate.

39. DEFERRED REVENUE

	2018	2017
	RMB'000	RMB'000
Assets-related from government subsidies	6,666	7,258

During the year ended 31 December 2018, the Group did not receive any government subsidies (2017: RMB1,561,000), 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 year ended 31 December 2018, subsidy income of approximately RMB592,000 (2017: RMB761,000) were released to profit or loss.

40. OPERATING LEASES

As lessee

At the end of the 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:

	2018	2017
	RMB'000	RMB'000
Not later than 1 year	1,031	695
Later than 1 year and not later than 5 years	2,361	764
Later than 5 years	2,928	3,119
	6,320	4,578

Operating leases are negotiated for lease terms principally ranged from 8 months to 21 years.

As lessor

Land, loading yards, and offices were leased for 0.5 year (2017: 1 year) as at December 2018. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018	2017
	RMB'000	RMB'000
Not later than 1 year	101	94

41. CAPITAL COMMITMENTS

	2018	2017
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the Group's consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	62,042	139,563

In December 2018, the Company has entered into an agreement in respect of the proposal of formation of a joint venture company in Shenzhen named Shenzhen Jinma Energy Co., Ltd ("Shenzhen Jinma") with three other independent third parties. The amount of the capital contributions to be injected under the agreement is RMB2,245 million, among which, the Company is committed to inject 51% of the total capital contributions, amounting to RMB1,145 million, which will be made within one year after the establishment of the joint venture Company. Pursuant to the proposed joint venture agreement, the Company has power over Shenzhen Jinma, is exposed, or has rights, to variable returns from its involvement with Shenzhen Jinma and has the ability to use its power to affect its returns, therefore, Shenzhen Jinma would be a non-wholly owned subsidiary of the Group after establishment. The transaction is subject to the shareholders' approval on 1 April 2019.

42. PLEDGE OF ASSETS

At the end of the 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:

	2018	2017
	RMB'000	RMB'000
Prepaid lease payments	39,680	26,686
Restricted bank balances	90,921	20,010
	130,601	46,696

43. CONTINGENT LIABILITIES

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, 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 consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivables at the end of the reporting period are as follows:

	2018	2017
	RMB'000	RMB'000
Endorsed bills for settlement of payables	2,665,785	2,070,608
Discounted bills for raising cash	—	105,929
Outstanding endorsed and discounted bills receivables with recourse	2,665,785	2,176,537

The outstanding endorsed and discounted bills receivables are with maturities within 6 months.

44. RELATED PARTY TRANSACTIONS

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 consolidated financial statements, the Group entered into the following transactions with its related parties during the year:

Purchases from and sales to related parties

	2018	2017
	RMB'000	RMB'000
Sales of products and services to:		
Maanshan Steel and its subsidiary (Note i)	1,030,544	1,218,363
Jiangxi PXSteel's subsidiaries	1,420,413	897,488
Yungong Logistics	17,045	—
Jinjiang Refinery	86,157	93,613
Jinrun Enterprise (Note ii)	—	11,137
Fangsheng Chemicals	17	16
Jinma Xingye (Note ii)	—	4
Purchase of raw materials and services:		
Jinma Xingye (Note ii)	—	3,826
Yungong Logistics	26,819	—
Fangsheng Chemicals	6,900	6,814
Jinjiang Refinery	5,835	3,923
Rental expenses for office:		
Jinma HK (Note iii)	624	1,129

Notes:

(i) In prior year, the sales to Maanshan Steel's subsidiary were arranged by a fellow subsidiary of Maanshan Steel and all the related trade receivables were collected through the fellow subsidiary. There is no such arrangement in current year.

(ii) The transactions between these related parties and the Group have been terminated after the Listing.

(iii) The rental expenses paid to Jinma HK were due to a lease of the office in Hong Kong from Jinma HK.

44. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the year was as follows:

	2018	2017
	RMB'000	RMB'000
Salaries and allowance	2,834	2,923
Performance related bonuses	2,238	—
Retirement benefit	176	156
	5,248	3,079

Key management represents the Directors disclosed in Note 14 and other senior management personnel of the Group. 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 from prior year.

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 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

	2018	2017
	RMB'000	RMB'000
Financial assets		
Financial assets at FVTPL	70,000	—
Debt instruments at FVTOCI	1,083,797	—
Financial assets at amortised cost	878,029	—
Loans and receivables (including bank balances and cash)	—	1,362,671
Total	2,031,826	1,362,671
Financial liabilities		
Amortised cost	1,473,746	1,133,355

46. FINANCIAL INSTRUMENTS (continued)

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/related parties, financial assets at FVTPL, debt instruments at FVTOCI, restricted bank balances, bank balances and cash, trade and other payables, dividend receivable/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 manage and monitor these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

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 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 borrowings, assuming that the floating-rate borrowings outstanding at the end of the reporting period was outstanding for the whole relevant period. If the interest rate on the floating-rate borrowings 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 RMB1,438,000 (2017: RMB289,000) for the year ended 31 December 2018. This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings as at 31 December 2018 and 2017. No sensitivity analysis on bank balances is presented as the Directors consider that the exposure of cash flow interest rate risk arising from bank balances is minimal.

Foreign currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies, which are mainly bank balances and cash and trade and other payables, at the end of the reporting period are as follows:

	2018	2017
	RMB'000	RMB'000
Assets		
Bank balances and cash – HK$	11,229	154,816
Bank balances and cash – US$	—	84
Liabilities		
Trade and other payables – HK$	—	5,934
Trade and other payables – US$	—	980

46. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

The following table details the Group's sensitivity to 5% appreciation of HK$ against RMB which represents the management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis of the Group includes the outstanding foreign currencies denominated monetary items and adjusts for five percent appreciation of foreign exchange rates at the end of the reporting period.

	2018	2017
	RMB'000	RMB'000
Increase in post-tax profit	421	5,583

There would be an equal and opposite impact on the above post-tax results, should HK$ be weakened against RMB in the above sensitivity analysis. No sensitivity analysis is presented for US$ denominated assets and liabilities as the amount is insignificant.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position.

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. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade receivables individually (exceeding RMB10 million) or based on provision matrix. In this regard and considering the long-term relationships with its customers and the financial position of these customers, the Directors consider that the Group's credit risk is significantly reduced.

For other receivables and advance to an associate, the Group makes individual assessment based on external credit rating, industrial factors, historical observed default rates and are adjusted for forward-looking information that is available without undue cost or effort. The Group provided (net of reversal) RMB2,091,000 impairment allowance on other receivables during the current year. And for advance to an associate, the Group determines the credit risk is limited, the ECL for advance to an associate is immaterial.

The Group's credit risk on bank balances, restricted bank balances and cash is low and there is no significant concentration of credit risk because all bank deposits are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies. No recognition of ECL on bank balances, restricted bank balances and cash is considered necessary.

The Group only invests in debt securities with low credit risk. The Group's debt instruments at FVTOCI are bank acceptance bills and therefore are considered to be low credit risk investments. During the year ended 31 December 2018, no ECL on debt instruments at FVTOCI was recognised in the profit or loss.

The Group has concentration of credit risk in trade receivables and amounts due from shareholders and related parties in trade nature, with 70% exposure concentrated with five largest outstanding balances as at 31 December 2018 (2017: 74%).

46. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	External credit rating	12m or lifetime ECL	Gross carrying amount	
			RMB'000	RMB'000
Debt instruments at FVTOCI				
Bill receivables	Investment grade	12m ECL	**1,083,797**	
		Credit-impaired	—	**1,083,797**
Financial assets at amortised costs				
Trade receivables/amounts due from shareholders/related parties in trade nature	(Note i)	Lifetime ECL (not credit impaired)	**111,024**	
		Credit-impaired	**14,515**	**125,539**
Bank balances and cash/restricted bank balances	AA+	12m ECL	**674,078**	
		Credit-impaired	—	**674,078**
Advance to an associate	B3	12m ECL	**60,940**	
		Credit-impaired	—	**60,940**
Other receivables	(Note ii)	12m ECL	**15,724**	
		Credit-impaired	**7,293**	**23,017**

Notes:

(i) For trade receivables and amounts due from shareholders/related parties in trade nature, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by aging and past due status.

(ii) For other receivables, the external credit ratings are not available for each individual to be assessed.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its sales of goods operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The following table provides information about the exposure to credit risk for trade receivables and amounts due from shareholders/related parties in trade nature, which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired). Debtors credit-impaired with gross carrying amounts of RMB14,515,000 as at 31 December 2018 were assessed individually.

46. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Gross carrying amount

	Average loss rate	Trade receivables, amounts due from shareholders/ related parties	ECL (not credit impaired)
		RMB'000	RMB'000
Current (not past due)	—	105,003	—
0-90 days past due	0.48%	6,021	29
		111,024	29

As at 31 December 2018, the Group provided RMB29,000 impairment allowance for trade receivables and amounts due from shareholders/related parties in trade nature based on the provision matrix, while impairment allowance of RMB10,393,000 were made on credit impaired debtors by individual ECL assessment.

The following table shows the movement in lifetime ECL that has been recognised trade receivables, amounts due from shareholders/ related parties in trade nature under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2017 under IAS 39	—	—	—
Adjustment upon application of IFRS 9	—	—	—
As at 1 January 2018 – As restated	—	—	—
– Impairment losses recognised	29	10,393	10,422
At 31 December 2018	29	10,393	10,422

46. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (credit-impaired)
	RMB'000
As at 31 December 2017 under IAS 39	1,797
Adjustment upon application of IFRS 9	—
As at 1 January 2018 - As restated	1,797
– Impairment losses recognised	2,091
At 31 December 2018	3,888

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier.

Liquidity risk

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2018, the Group had unutilized bank facilities of approximately RMB160,000,000 (2017: RMB465,000,000).

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

		As at 31 December 2018				
	Weighted average interest rate	Carrying amounts	On demand or within 6 months	6 months to 1 year	1 year to 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.57%-6.75%	833,620	410,058	215,291	251,566	876,915
Trade and other payables	N/A	629,747	629,747	—	—	629,747
Long term payable	4.75%	9,970	—	—	11,200	11,200
Amounts due to related parties	N/A	409	409	—	—	409
		1,473,746	1,040,214	215,291	262,766	1,518,271

46. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate	As at 31 December 2017				
		Carrying amounts	On demand or within 6 months	6 months to 1 year	1 year to 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.57%-6.75%	567,000	163,005	145,822	296,942	605,769
Trade and other payables	N/A	426,767	426,767	—	—	426,767
Long term payable	4.75%	20,539	—	—	22,400	22,400
Amount due to a shareholder	N/A	83,861	83,861	—	—	83,861
Amounts due to related parties	N/A	35,188	35,188	—	—	35,188
		1,133,355	708,821	145,822	319,342	1,173,985

Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	31/12/2018	31/12/2017		
Bills receivables classified as financial assets at FVTOCI	**Assets- RMB1,083,797,000**	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.
Structural deposits classified as financial assets at FVTPL	**Assets- RMB70,000,000**	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.

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 statement of cash flows as cash flows from financing activities.

	Accrued listing expenses (included in other payable)	Borrowings	Interest payable on letter of credit (included in bill payables)	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	3,015	567,000	—	—	570,015
Financing cash flows (Note)	(3,015)	220,500	(1,550)	(192,889)	23,046
Non-cash changes:					
Dividend declared	—	—	—	192,889	192,889
Finance costs recognised	—	46,120	1,550	—	47,670
At 31 December 2018	—	833,620	—	—	833,620
At 1 January 2017	—	720,546	—	13,123	733,669
Financing cash flows (Note)	(20,995)	(198,950)	—	(112,735)	(332,680)
Non-cash changes:					
Dividend set-off with amount due from shareholders	—	—	—	(5,784)	(5,784)
Dividend declared	—	—	—	105,396	105,396
Finance costs recognised	—	45,404	—	—	45,404
Issue cost accrued	24,010	—	—	—	24,010
At 31 December 2017	3,015	567,000	—	—	570,015

Note: The cash flows represent new borrowings raised, the repayment of borrowings, interest paid, dividend paid and advanced from/repayment paid to shareholders/related parties in the consolidated statement of cash flows.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018	2017
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	800,488	642,199
Prepaid lease payments	32,609	28,216
Investments in subsidiaries	310,574	310,574
Interest in a joint venture	49,000	49,000
Interest in an associate	41,460	41,460
Advance to an associate	60,940	60,940
Deferred tax assets	6,252	2,376
Deposit for acquisition of property,plant and equipment	9,439	4,124
	1,310,762	1,138,889
CURRENT ASSETS		
Inventories	215,277	95,133
Prepaid lease payments	710	829
Trade and other receivables	122,927	430,803
Amounts due from shareholders	196	299,417
Amounts due from subsidiaries	31,782	132,474
Amounts due from related parties	35,319	1,186
Financial assets FVTPL	70,000	—
Debt instruments at FVTOCI	899,684	—
Restricted bank balances	62,362	10
Bank balances and cash	529,370	439,874
	1,967,627	1,399,726

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2018	2017
	RMB'000	RMB'000
CURRENT LIABILITIES		
Borrowings	559,000	282,000
Trade and other payables	347,075	277,150
Amount due to a shareholder	—	83,861
Amounts due to related parties	22,956	35,120
Contract liabilities	20,557	—
Tax payable	66,583	10,332
	1,016,171	688,463
NET CURRENT ASSETS	951,456	711,263
TOTAL ASSETS LESS CURRENT LIABILITIES	2,262,218	1,850,152
CAPITAL AND RESERVES		
Share capital	535,421	535,421
Reserves	1,595,161	1,001,934
TOTAL EQUITY	2,130,582	1,537,355
NON-CURRENT LIABILITIES		
Borrowings	115,000	285,000
Long term payable	9,970	20,539
Deferred revenue	6,666	7,258
	131,636	312,797
	2,262,218	1,850,152

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in the Company's reserves:

	Capital reserve	Other Comprehensive income	Statutory surplus reserve	Retained profits	Special reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	200,965	—	21,294	201,321	3,280	426,860
Profit and total comprehensive income for the year	—	—	—	489,543	—	489,543
Issue of new ordinary shares	209,541	—	—	—	—	209,541
Listing expenses related to the issue of ordinary shares	(24,010)	—	—	—	—	(24,010)
Dividends paid	—	—	—	(100,000)	—	(100,000)
Transfer	—	—	49,391	(48,638)	(753)	—
At 31 December 2017	386,496	—	70,685	542,226	2,527	1,001,934
Adjustments	—	(7,865)	—	—	—	(7,865)
At 1 January 2018	386,496	(7,865)	70,685	542,226	2,527	994,069
Profit and total comprehensive income for the year	—	—	—	778,851	—	778,851
Other comprehensive expense	—	(1,070)	—	—	—	(1,070)
Dividends paid	—	—	—	(176,689)	—	(176,689)
Transfer	—	—	78,100	(75,573)	(2,527)	—
At 31 December 2018	386,496	(8,935)	148,785	1,068,815	—	1,595,161

COMPANY INFORMATION

Company name

河南金馬能源股份有限公司
Henan Jinma Energy Company Limited

Share listing

Stock abbreviation: Jinma Energy
H Share: The Stock Exchange of Hong Kong Limited
Stock Code: 6885

Registered office and principal place of business in the PRC

West First Ring Road South
Jiyuan
Henan Province
PRC

Principal place of business in Hong Kong

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88 Hing Fat Street
Causeway Bay
Hong Kong

Contact information

Tel.: +852 3115 7766
Fax: +852 3115 7798
Email: paulwong@hnjmny.com

Company website

www.hnjmny.com

Board of Directors

Executive Directors

Mr. Yiu Chiu Fai *(Chairman)*
Mr. Wang Mingzhong *(Chief Executive Officer)*
Mr. Li Tianxi *(Executive deputy general manager)*

Non-executive Directors

Mr. Lu Kecong *(Deputy chairman)*
(resigned on 26 June 2018)
Mr. Hu Xiayu *(Deputy chairman)*
(appointed as Deputy chairman on 26 June 2018)
Mr. Qiu Quanshan *(appointed on 10 October 2018)*
Mr. Wang Zhiming

Independent non-executive Directors

Mr. Zheng Wenhua
Mr. Liu Yuhui
Mr. Wu Tak Lung

Supervisors

Mr. Wang Tsz Leung *(Chairman)*
Mr. Zhang Qiangxian
Mr. Zhou Tao, David
Ms. Tian Fangyuan
Mr. Li Zhongge *(resigned on 19 March 2018)*
Ms. Hao Yali
Mr. Zhang Wujun *(appointed on 19 March 2018)*

Audit Committee

Mr. Wu Tak Lung *(Chairman)*
Mr. Liu Yuhui
Mr. Lu Kecong *(resigned on 26 June 2018)*
Mr. Hu Xiayu *(appointed as a member on 26 June 2018)*

Remuneration Committee

Mr. Zheng Wenhua *(Chairman)*
Mr. Wu Tak Lung
Mr. Wang Mingzhong

Nomination Committee

Mr. Yiu Chiu Fai *(Chairman)*
Mr. Liu Yuhui
Mr. Zheng Wenhua

Strategic Development Committee

Mr. Lu Kecong *(Chairman)*
(resigned on 26 June 2018)
Mr. Hu Xiayu *(Chairman)*
(appointed as Chairman on 26 June 2018)
Mr. Zheng Wenhua
Mr. Li Tianxi

Compliance adviser

Haitong International Capital Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Company secretary

Mr. Wong Hok Leung

Authorized representatives

Mr. Yiu Chiu Fai
Mr. Wong Hok Leung

Auditors

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Admiralty
Hong Kong

Legal advisers

PRC Law

EY Chen & Co. Law Firm
51/F, Shanghai World Financial Center
100 Century Avenue
Pudong New District
Shanghai
PRC

Hong Kong Law

Reed Smith Richards Butler
20/F, Alexandra House
18 Chater Road
Central
Hong Kong

H share registrar

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

COMPANY INFORMATION

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 Jiyuan Branch
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. Jili Branch
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

Jiyuan Rural Commercial Bank
No. 86 Central Road, Xin Garden
Jiyuan, Henan Province
PRC

China Guangfa Bank Zhengzhou Shangdu Road Sub-branch
No. 31 Shangdu Road
Zhengzhou, Henan Province
PRC

Bank of Pingdingshan Co., Ltd. Zhengzhou Branch
No. 6 Fengyi Road, Jinshui District
Zhengzhou, Henan Province
PRC

Bank of Communications Jiyuan Branch
No. 435 Central Road, Xin Garden
Jiyuan, Henan Province
PRC

Bank of China (Hong Kong) Limited Metroplaza Branch
Shop 260-265, Metroplaza
223 Hing Fong Road
Kwai Chung, New Territories
Hong Kong

DEFINITIONS

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

GENERAL TERMS

"Board"	the board of Directors of our Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Taiwan, the Macau Special Administrative Region of the PRC and the Hong Kong Special Administrative Region of the PRC
"Code"	Corporate Governance Code set out as Appendix 14 to 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
"Company" or "our Company"	Henan Jinma Energy Company Limited (河南金馬能源股份有限公司)
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	Director(s) of our Company
"Group"	our Company and its subsidiaries
"HK" or "Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LNG"	liquefied natural gas
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the member of the Supervisory committee of our Company established pursuant to the PRC Company Law
"Supervisory Committee"	the Supervisory committee of our Company established pursuant to the PRC Company Law

DEFINITIONS

TECHNICAL TERMS

"basic earnings per share"	$\frac{\text{Profit attributable to owners of the Company}}{\text{Weighted average number of shares in issue during the year}}$
"current ratio"	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$
"dividend payout ratio"	$\frac{\text{Dividend}}{\text{Profit attributable to owners of our Company}}$
"gearing ratio"	$\frac{\text{Total interest-bearing bank borrowings}}{\text{Total equity}}$
"return on assets"	$\frac{\text{Profit and total comprehensive income}}{\text{Average total assets}}$
"return on equity"	$\frac{\text{Profit attributable to owners of our Company}}{\text{Average equity attributable to owners of our Company}}$

ABBREVIATED NAMES OF COMPANIES

"Bohigh Chemical"	河南博海化工有限公司 (Henan Bohigh Chemical Co., Ltd.)
"Golden Star"	金星化工(控股)有限公司 (Golden Star Chemicals (Holdings) Limited)
"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.*))
"Jiangxi PXSteel Group"	Jiangxi PXSteel and its subsidiaries
"Jinjiang Refinery"	河南金江煉化有限責任公司 (Henan Jinjiang Refinery Co., Ltd.*)
"Jinma Energy"	河南金馬能源股份有限公司 (Henan Jinma Energy Co., Ltd.*)
"Jinma Coking"	金馬焦化(英屬維爾京群島) 有限公司 (Jinma Coking (BVI) Limited)
"Jinma HK"	金馬能源(香港)有限公司 (Jinma Energy (Hong Kong) Limited), formerly known as 金馬焦化(香港)有限公司 (Jinma Coking (Hong Kong) Limited)
"Jinma Xingye"	濟源市金馬興業投資有限公司 (Jiyuan Jinma Xingye Investment Co., Ltd.*)
"Jinning Energy"	濟源市金寧能源實業有限公司 (Jiyuan Jinning Energy Co., Ltd.*)
"Jinrui Energy"	河南金瑞能源有限公司 (Henan Jinrui Energy Co., Ltd.*)
"Jinrui Gas"	河南金瑞燃氣有限公司 (Henan Jinrui Gas Co., Ltd.*)
"Jinyuan Chemicals"	濟源市金源化工有限公司 (Jiyuan Jinyuan Chemicals Co., Ltd*)
"Maanshan Steel"	馬鞍山鋼鐵股份有限公司 (Maanshan Iron & Steel Company Limited)
"Maanshan Steel Group"	Maanshan Steel and its subsidiaries
"Shanghai Jinma"	上海金馬能源有限公司 (Shanghai Jinma Energy Sources Co., Ltd.*)
"Yugang Coking"	豫港 (濟源) 焦化集團有限公司 (Henan Hongkong (Jiyuan) Coking Group Co., Ltd.)

In this report, 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 which are marked with "*" is for identification purpose only.

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