



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



2019 Interim Report

CONTENTS

Financial Highlights	Page 2
Management Discussion and Analysis	Page 3-20
Corporate Governance and Other Information	Page 21-30
Independent Auditor's Report	Page 31
Interim Results	Page 32-64
Company Information	Page 65-66
Definitions	Page 67-68

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	<u>2019</u>	<u>2018</u>	Change
	RMB million (unaudited)	RMB million (unaudited)	
Revenue	3,968.4	3,293.9	+20.5%
Gross profit	568.9	576.9	-1.4%
Net profit	342.0	371.4	-7.9%
Basic earnings per share (in RMB)	0.61	0.68	-10.3%
Interim dividend per share (in RMB)	0.10	0.05	+100%
Gross profit margin	14.3%	17.5%	-3.2%
Net profit margin	8.6%	11.3%	-2.7%
	As at	As at	
	30 June 2019	31 December 2018	
	RMB million (unaudited)	RMB million (audited)	Change
Total assets	4,298.3	4,074.8	+5.5%
Total equity	2,519.8	2,377.5	+6.0%

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 in the coal chemical industry 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 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 business relationship with coal suppliers, the Group also engages in the trading of coal, coke, LNG and nonferrous materials mainly through the Group's trading company. As a continuing effort in extending the Group's vertical integration business model and expanding the Group's product portfolio along the coking chemical value chain of the coal chemical industry, the Group commenced operation of its LNG production facilities in the first quarter of 2018 and fully commenced production and sales in the third quarter of 2018.

In the first half of 2019, the Group's revenue was mainly generated from the following major business segments:

- **Coke:** which involves the production and sales 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 the sales of these by-products;
- **Energy products:** which involves the processing of coke oven crude gas into coal gas, extraction of LNG from coal gas and sales of coal gas and LNG; and
- **Trading:** which mainly involves the trading of coal, coke, LNG and non-ferrous materials.

FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS 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 market. General economic conditions of the PRC may have an impact on the market price and demand 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 downturn, the average selling prices of the Group's products may decrease and the Group may need to adjust its sale and purchase strategies in response 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 downturn. When economic conditions recover, the Group may increase the selling prices of the Group's products along with the increase in market demand and the rise in raw material prices. In addition, the Group may increase its prepayments for raw materials in order to secure raw material supplies and reduce the Group's financing activities. The Group's trading activities may also increase as the demand for coal, coke, LNG and non-ferrous materials increases when economic conditions recover. The market price for the Group's coke recovered substantially in 2016 and continued to maintain a rising trend from 2017 to the first half of 2019. Hence, the Group's results of operations, working capital position, as well as operating cash flows changed accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of the Group's coke and refined chemical products 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 its products based on the prevailing market prices in the respective regions where the Group sells its products, by reference to other various 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 demand in the iron, steel and chemical industries and (iii) the PRC domestic as well as global economic cycles;
- price of coal, principal raw material for the Group's production, 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 and petroleum by-products, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the average selling price (net of VAT) of each of the Group's principal products during the first six months of 2019 and the year of 2018 according to the Group's internal records.

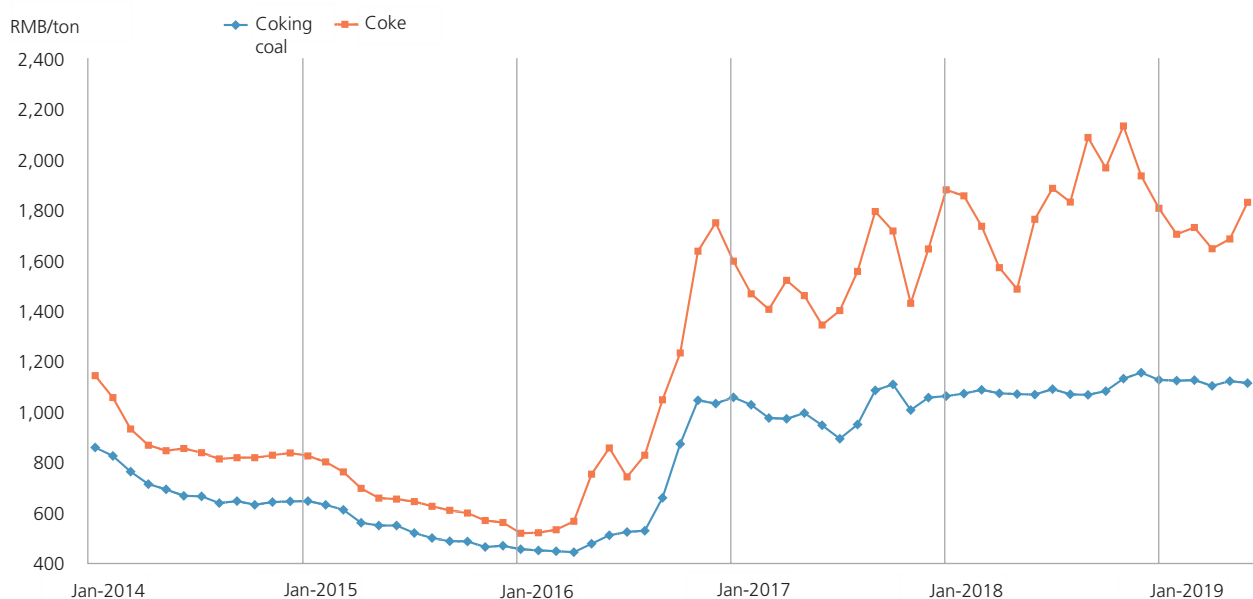
	For the first six months of 2019 Average selling price⁽¹⁾	2018 Average selling price ⁽¹⁾
	RMB/ton (except coal gas, in RMB/m³)	RMB/ton (except coal gas, in RMB/m ³)
Coke	1,748.4	1,842.1
Coke	1,820.5	1,937.1
Coke breeze	1,062.0	1,062.0
Refined Chemicals		
Benzene based chemicals	4,016.0	5,400.0
Pure benzene	4,021.2	5,667.9
Toluene	4,388.4	5,102.8
Coal tar based chemicals	3,258.7	3,389.0
Coal asphalt	3,416.3	3,458.9
Anthracene oil	2,817.4	2,916.3
Industrial naphthalene	3,781.4	4,300.7
Energy Products		
Coal gas	0.72	0.69
LNG	3,801.5	-

(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 coking 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 its 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 up the price of coal, which, in turn, will increase the costs of operating the Group's business.

MANAGEMENT DISCUSSION AND ANALYSIS

Increases or decreases in the prices of coal may not immediately result in adjustment 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, while slightly slackened in the first half of 2019, thus benefiting the Group's profitability. The following chart shows the average purchase price of coal and the average selling price of coke (net of VAT) from 2014 to June 2019 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, iron and steel. The Group believes it is generally able to negotiate the prices of the Group's products and raw materials taking into account market price fluctuations.

Acquisition and Integration of New Businesses

The Group established its vertically integrated business model primarily through acquisitions during the period from 2014 to 2016. The Group has successfully diversified its business through the acquisition of Shanghai Jinma Energy Sources Co. Ltd. ("Shanghai Jinma") to include trading business in May 2014, the acquisitions of Jinyuan Chemicals and Bohigh Chemical to include production and sales of benzene-based and coal tar-based chemicals in May 2015 and October 2016 respectively, and the acquisition of Jinning Energy for direct sales of coal gas to customers in December 2016. The Group commenced the operation of natural gas production facilities in March 2018 and engaged in full production and sales of natural gas in the third quarter of 2018. The Group is expected to face a series of challenges in the course of integrating its downstream businesses, such as coordinating the procurement and sales of raw materials and marketing activities, managing the relationship with additional customers and suppliers, handling new government regulations that govern different products, as well as harmonization of the possible discrepancies between the Company's policies and pragmatic guidelines. However, the Group has successfully integrated the management of each of the companies acquired, maintained the relationship with the customers and the suppliers, and optimized the production, sales and results during the past few years.

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. For the six months ended 30 June 2019, the Group sold approximately 1.1 million tons (on a moist basis) of coke. During the first half of 2019, the 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 m³ per annum for its own use (including the use for production of LNG) and for sales, and the annual production capacity of the LNG production facilities was approximately 123.0 million m³.

Access to and Cost of Financing

In addition to cash generated from operations, the Group financed its operations and capital expenditures primarily through borrowings from banks and financial institutions during the reporting period. The Group's interest-bearing borrowings as at 30 June 2019 and 31 December 2018 were approximately RMB907.4 million and RMB833.6 million, respectively. For the six months ended 30 June 2019 and the same period in 2018, the Group's finance costs were approximately RMB30.4 million and RMB21.6 million, respectively, accounting for approximately 0.8% and 0.7% of the Group's total revenue for the respective periods. The amount of borrowings as at the end of June 2019 increased as compared to the end of December 2018, primarily for the purposes of stabilizing cash flows and maintaining cash reserves for the developments of the Company. However, the finance costs increased when compared with the same period of the preceding year, mainly due to an increase in average borrowings during the reporting period. 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.

Going forward, the Group will further increase its participation in the coking industrial chain of the coal chemical industry through the production of downstream energy products (including LNG). After the Group's LNG facilities have achieved full production and sales, contributions of the energy segment to revenue and gross profit of the Group will increase.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

	Six months ended 30 June		Changes
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	
Revenue	3,968,373	3,293,855	+20.5%
Cost of sales	(3,399,463)	(2,716,920)	+25.1%
Gross profit	568,910	576,935	-1.4%
Other income	12,455	5,902	+111.0%
Other gains or losses	2,764	502	+450.6%
(Reversal of) impairment losses under expected credit loss ("ECL") model, net	984	(5,148)	-119.1%
Selling and distribution expenses	(64,564)	(20,935)	+208.4%
Administrative expenses	(39,331)	(35,235)	+11.6%
Finance costs	(30,391)	(21,649)	+40.4%
Share of results in a joint venture	3,228	8	+40,250.0%
Share of results in an associate	51	-	+100.0%
Profit before tax	454,106	500,380	-9.2%
Income tax expense	(112,067)	(128,974)	-13.1%
Profit for the period	342,039	371,406	-7.9%
Other comprehensive income (expenses):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gain (loss) on:			
debt instruments at fair value through other comprehensive income ("FVTOCI")	2,358	(3,029)	-177.8%
Other comprehensive income (expense) for the period, net of tax	2,358	(3,029)	-177.8%
Total comprehensive income for the period	344,397	368,377	-6.5%
Profit for the period attributable to:			
— Owners of the Company	327,532	362,972	-9.8%
— Non-controlling interests	14,507	8,434	+72.0%
	342,039	371,406	-7.9%
Total comprehensive income for the period attributable to:			
— Owners of the Company	330,007	360,204	-8.4%
— Non-controlling interests	14,390	8,173	76.1%
	344,397	368,377	-6.5%
Earnings per share (RMB)			
— Basic	0.61	0.68	-10.3%

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Financial Information

- **Revenue** increased by approximately RMB674.5 million or approximately 20.5% as compared to the same period of the preceding year. The increase was mainly due to a significant increase in sales in the trading segment during the first half of 2019, and the contribution to sales by LNG since full production commenced in the third quarter of 2018.
- **Cost of sales** increased by approximately RMB682.5 million or approximately 25.1% as compared to the same period of the preceding year. This was mainly due to an increase in costs resulted from rising prices of raw materials (primarily coal and coal tar) for production in various segments and the increase in the trading volume of coke. For details of segmental costs, please refer to the analysis on results of business segments in this section.
- **Gross profit** decreased by approximately RMB8.0 million or approximately -1.4% as compared to the same period of the preceding year. The gross profit margin of the Group decreased from approximately 17.5% in the first half of 2018 to approximately 14.3% in the first half of 2019. This was mainly due to the rate of increase in the prices of raw materials (primarily coal and coal tar) for major products during the reporting period being faster than the rate of increase in the prices of products, particularly in the case of coke, its average selling price only increased by approximately 1.2% as compared to the same period of the preceding year, but the rate of increase in the price of coal as raw material for its production was 4.2%. Meanwhile, the overall gross profit margin also decreased due to a significant increase in the volume of trading business with a lower gross profit margin.
- **Other income** increased by approximately RMB6.6 million or approximately 111.0% as compared to the same period of the preceding year. The increase was mainly due to an increase in average bank deposits by 67.7% as compared to the same period of the preceding year, resulting in a corresponding increase in interest income from bank deposits. Also, government subsidies of approximately RMB5.6 million in the form of development supporting fund were received during the reporting period in respect of intelligent production management and technological upgrading.
- **Other gains or losses** increased by approximately RMB2.3 million or approximately 450.6% as compared to the same period of the preceding year. The increase was mainly due to approximately RMB3.8 million in investment income for the period from investments in structural deposits and listed securities measured at fair value through profit or loss and an increase in the gains on fair value changes in the balance at the end of the period, an increase of approximately RMB0.3 million in the gains on disposal of property, plant and equipment and an increase of approximately RMB0.4 million in other gains, which was partially offset by an increase in foreign exchange losses of approximately RMB1.3 million.
- **Impairment loss (net of reversal) under the expected credit loss model** decreased by approximately RMB6.1 million or approximately -119.1% as compared to the same period of the preceding year. The decrease mainly reflected the reduction in provision for losses in expected credit value of receivables.
- **Selling and distribution expenses** increased by approximately RMB43.6 million or approximately 208.4% as compared to the same period of the preceding year. The increase was mainly due to increase in sales of some coke customers, whose transportation costs were borne by the Company, and resulted in a corresponding increase in selling and distribution expenses.
- **Administrative expenses** increased by approximately RMB4.1 million or approximately 11.6% as compared to the same period of the preceding year. The increase was mainly due to (i) an increase in depreciation of property, plant and equipment and right-of-use assets of approximately RMB1.3 million and (ii) an increase in agency fees of approximately RMB1.9 million for listing compliances management, which was partially offset by a decrease in environmental protection resources tax.
- **Finance costs** increased by approximately RMB8.7 million or approximately 40.4% as compared to the same period of the preceding year. The increase was mainly due to an increase of approximately RMB73.8 million in the average loan balance and an increase of approximately RMB3.9 million in interest on discounted bills for the first six months in 2019 as compared to the same period in 2018.
- **Share of result in a joint venture** increased by approximately RMB3.2 million or approximately 40,250.0% as compared to the same period of the preceding year. This was mainly due to the suspended production of Jinjiang Refinery for maintenance repairs during the first half of 2018, and the maintenance repairs were completed in July 2018, its performance results had also recovered from a declining trend to a rising trend. In addition, Jinjiang Refinery received a one-off tax rebate on VAT during the first half of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Profit before tax** decreased by approximately RMB46.3 million or approximately -9.2% as compared to the same period of the preceding year.
- **Income tax expense** decreased by approximately RMB16.9 million or approximately -13.1% as compared to the same period of the preceding year.
- **Profit for the period** decreased by approximately RMB29.4 million or approximately -7.9% as compared to the same period of the preceding year.

RESULTS OF BUSINESS SEGMENTS

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

	Six months ended 30 June							
	Segment revenue		Segment gross profit		Segment gross profit margin		Percentage in total revenue of the Group	
	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	%	%	%	%
Coking	1,980,904	1,896,549	444,038	474,749	22.4	25.0	49.9	57.6
Trading	1,182,314	556,882	23,212	6,263	2.0	1.1	29.8	16.9
Refined chemicals	584,749	703,980	43,944	72,448	7.5	10.3	14.7	21.4
Energy	207,467	124,681	59,987	37,364	28.9	30.0	5.2	3.8

The coking segment has been the Group's largest business segment during the reporting period, revenue from sales of coke increased by approximately RMB84.4 million or approximately 4.4%. The increase in revenue from sales of coke during the reporting period was mainly due to an increase in the average selling price of coke brought by the limit imposed on production pursuant to environmental protection requirements, the average price of coke increased by approximately 1.2% from approximately RMB1,799.2 per ton in the first half of 2018 to an average price of RMB1,820.4 per ton in the first half of 2019 (both on after VAT basis). The cost of coal in the Group's manufacturing segment increased primarily due to an increase in the average purchase price of coal by approximately +4.2% from approximately RMB1,080.9 per ton in 2018 to approximately RMB1,126.2 per ton in 2019, which was attributable to the supply-side reform implemented by the State whereby the government restricted the number of operation days of coal mines in a year to reduce coal supply and the increase in demand from the iron and steel industry. As the rate of increase in raw material coal prices was higher than that of coke prices, the gross profit margin decreased from 25.0% for the same period of the preceding year to 22.4%.

The trading segment is the second largest business segment of the Group, trading revenue increased by approximately RMB625.4 million or approximately 112.3%. The increase was mainly due to an increase in coke trading volume by approximately 300,000 tons. Gross profit of the Group's trading segment increased by approximately RMB17.0 million or approximately 270.6%. The gross profit margin of this segment increased from approximately 1.1% in the first half of 2018 to approximately 2.0% in the first half of 2019, primarily brought by the higher gross profit margin of coke trading.

The refined chemical segment has become the third largest business segment of the Group. Revenue from sales of refined chemicals decreased by approximately RMB119.2 million or approximately -16.9% as compared to the same period of the preceding year. The decrease was due to a decrease of 25.5% in the average selling price of benzene-based chemicals from approximately RMB5,390.5 per ton in the first half of 2018 to approximately RMB4,016.0 per ton in the first half of 2019; but the average price of coal tar based chemicals was more or less the same. As the rate of decrease in the selling price of such chemicals was larger than the rate of decrease in costs, the gross profit margin of this segment reduced from approximately 10.3% in the first half of 2018 to approximately 7.5% in the first half of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The energy product segment is the fourth largest business segment of the Group. The revenue from sales of energy products increased by approximately RMB82.8 million or approximately 66.4%. The increase was mainly due to the commencement of full production and sales of LNG in the third quarter of 2018, however, due to a shortage in raw material coal gas required for full capacity production, the utilization rate of LNG production capacity in the first half of 2019 was approximately 50%, hence the gross profit margin of the energy product segment was not able to improve from approximately 30.0% in the first half of 2018, and the gross profit margin in the first half of 2019 was approximately 28.9%.

FINANCIAL POSITION

Financial Resources

In the first half of 2019, the Group's major financial resources were funded by the proceeds from the sales of products and borrowings from banks. The Directors have confirmed that the Group did not experience any liquidity problems in the first half of 2019.

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 condensed consolidated statements of cash flows for the indicated periods:

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Net cash from operating activities	775,237	189,743
Net cash used in investing activities	(221,844)	(231,209)
Net cash (used in) from financing activities	(158,789)	188,968
Net increase in cash and cash equivalents	394,604	147,502
Cash and cash equivalents at the beginning of the period	583,157	481,704
Impact of changes in foreign exchange rate	(42)	(1,322)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	977,719	627,884

MANAGEMENT DISCUSSION AND ANALYSIS

- **Cash flow from operating activities**

In the first half of 2019, the Group's net cash from operating activities was approximately RMB775.2 million, mainly attributable to (i) operating cash flows before movements in working capital of approximately RMB521.5 million; (ii) a decrease in inventories of approximately RMB84.8 million; (iii) an increase in trade and other payables of approximately RMB73.7 million; (iv) a decrease in trade and other receivables of approximately RMB248.9 million; and (v) an increase in contractual liabilities of approximately RMB8.6 million.

- **Cash flow used in investing activities**

In the first half of 2019, the Group's net cash used in investing activities was approximately RMB221.8 million, which was mainly attributable to (i) payment of deposits or investments of approximately RMB191.9 million for the acquisition of property, plant and equipment; (ii) payment for right-of-use assets of approximately RMB22.2 million; (iii) deposit of restricted bank balances of approximately RMB169.2 million; and (iv) purchase of financial assets at fair value through profit or loss of approximately RMB105.0 million.

- **Cash flow (used in) from financing activities**

In the first half of 2019, the Group's net cash used in financing activities was approximately RMB158.8 million, mainly attributable to (i) a net increase in bank and other borrowings of approximately RMB73.8 million; (ii) the payment of dividends of approximately RMB187.4 million; (iii) interest expenses of approximately RMB30.2 million; and (iv) payment of dividends to non-controlling interests of RMB14.7 million.

Liabilities

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

	As at 30 June 2019	As at 31 December 2018	Increase/ (Decrease)
	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000
Bank borrowings	907,370	833,620	73,750
Secured	157,870	229,620	(71,750)
Unsecured	749,500	604,000	145,500
	907,370	833,620	73,750
Fixed-rate borrowings	390,000	450,000	(60,000)
Floating-rate borrowings	517,370	383,620	133,750
	907,370	833,620	73,750
Carrying amount repayable (based on scheduled repayment terms)			
Within one year	668,650	596,600	72,050
More than one year, but not more than two years	127,100	152,600	(25,500)
More than two years, but not more than five years	111,620	84,420	27,200
	907,370	833,620	73,750
Less: Amount due under current liabilities	(668,650)	(596,600)	(72,050)
Amount due after one year under non-current liabilities	238,720	237,020	1,700

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's bank and other borrowings during the year of 2018 and the first half of 2019 were all borrowings denominated in RMB.

As at 30 June 2019, the Group's bank borrowings of RMB150.8 million were secured by land use right and of RMB7.1 million were secured by bank bills.

As at 31 December 2018 and 30 June 2019, none of the Group's bank and other borrowings were guaranteed by third parties and related parties.

The table below sets forth the range of effective interest rate of bank borrowings at the end of the dates indicated below.

	<u>As at 30 June 2019</u>	<u>As at 31 December 2018</u>
Effective interest rate:		
—Fixed-rate borrowings	4.61%-6.75%	4.57%-6.75%
—Floating-rate borrowings	3.92%-6.20%	4.79%-6.20%

As at 30 June 2019, the Group had obtained bank credit facilities in a aggregate amount of approximately RMB1,582.0 million (As at 31 December 2018: RMB1,159.0 million), of which a total amount of approximately RMB674.6 million is still available (As at 31 December 2018: RMB160.0 million). As at such date, the Group had a total amount of approximately RMB907.4 million in outstanding bank borrowings (As at 31 December 2018: RMB833.6 million). The Group intends to refinance the bank borrowings as and when they fall due or repay the bank borrowings with internally generated funds (Refinancing has been achieved for bank borrowings of RMB314.6 million which fell due in the first half of 2019 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 30 June 2019 and up to the date of this interim report. As at 30 June 2019, 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 six months ended 30 June 2019, the Group was not subject to any material covenant on any of the Group's outstanding debt and, during the first half of 2019, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RATIOS

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

	Six months ended	Year ended
	30 June 2019	31 December 2018
Gearing Ratio	0.4x	0.4x
Return on Equity (annualized ratio)	27.8%	42.5%
Return on Assets (annualized ratio)	15.6%	24.2%

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 remained steady in the first half of 2019, which was mainly due to the Group's borrowing increased by RMB73.8 million or approximately 8.9% from RMB833.6 million as at 31 December 2018 to RMB907.4 million as at 30 June 2019, while the total equity increased by RMB142.3 million or approximately 6.0% from RMB2,377.5 million in the beginning of the year to RMB2,519.8 million as at 30 June 2019.

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 annualized return on equity in 2019 is lower than last year, which was mainly due to the decrease of the profit attributable to owners of the Company in the first half of 2019 (annualized) as compared with last year, and the increase of the average equity attributable to owners of the Company as compared with last year.

Return on Assets

Return on assets is calculated by dividing the annual or annualized profit for the period by the total average assets of the Group for the same period.

Similar to the reason of decrease for return on equity as compared with the corresponding period of last year, the decrease was mainly due to the decrease in profits in the first half of 2019 as well as the magnifying effect on the percentage of decrease by the increase of total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTRACTUAL OBLIGATIONS AND CAPITAL EXPENDITURE

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

	<u>As at</u> <u>30 June 2019</u>	<u>As at</u> <u>31 December 2018</u>
	RMB'000 (Unaudited)	RMB'000 (Audited)
Capital expenditure contracted but without provision in the consolidated financial statements of the Group:		
Acquisition of property, plant and equipment	<u>455,210</u>	<u>62,042</u>

The Group's capital commitments for the six months ended 30 June 2019 primarily relate to the construction of improvement on coking facilities and expansion on Benzene based processing capacity. 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 30 June 2019, the Group had no other material contractual commitments.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

During the first half of 2019, the Group endorsed and discounted certain bills receivables for the settlement of the Group's trade and other payables, and financing purposes. 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 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 30 June 2019	As at 31 December 2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
Endorsed bills for settlement of payables	2,537,667	2,665,785
Discounted bills for raising cash	481,378	–
Outstanding endorsed and discounted bills receivables with recourse	3,019,045	2,665,785

Save as disclosed above and as at 30 June 2019, 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 Directors confirmed that there has not been any material changes in the contingent liabilities of the Group since 30 June 2019 up to the date of this interim 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 disciplined operating and financial activities. During the first half of 2019, 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 (being HKD12.0 million as at 30 June 2019) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2019, the Group had fixed-rate borrowings in the amount of approximately RMB390.0 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 30 June 2019 is the carrying amount of those assets stated in the consolidated statements of financial position.

The Group mainly conducts transactions with high quality customers with whom the Group has established long-term relationship. When transacting with new customers, the Group generally requests for advanced payment before delivering the goods. 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 reviews 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 58% and 70% of exposure concentrated in five largest outstanding balances as at 30 June 2019 and 31 December 2018, 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 debtors 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.

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 30 June 2019 and up to the date of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND AND DIVIDEND POLICY

On 19 March 2018, the Company declared a 2018 final dividend of RMB0.35 per share in the total amount of RMB187,397,000 which were fully settled in June 2019.

In order to provide return to its shareholders, and having considered the financial and business conditions of the Group, the Group has adopted 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 differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the IFRS.

On 23 August 2019, the Board recommended the payment of an interim dividend of RMB0.10 per share for the six months ended 30 June 2019. The interim dividend is subject to the approval of the shareholders of the Company at the forthcoming extraordinary general meeting of the Company. Please refer to the announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the interim dividend.

DISTRIBUTABLE RESERVES

As at 30 June 2019, the Company had distributable reserves (i.e. retained earnings) of RMB1,177.7 million (at 31 December 2018: RMB1,068.8 million).

Recently, the Company had no plan to distribute the retained earnings of the Company accumulated prior to the first half of 2019.

MAJOR DEVELOPMENTS

The Group's strength in coking operations have 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 has been actively expanding the business of benzene based chemicals, coal tar based chemicals, coal gas and LNG. Following the implementation of the capacity expansion plan of benzene based and coal tar based chemicals as well as the plan of enhancement of production capacity construction of environmental protection facilities, the Group will further expand and deepen their involvement in the coking chemical value chain in 2019.

In line with the Group's business strategy in expanding its business vertically and horizontally along the coking chemical value chain of the coal chemical industry, the Group has been making continuous efforts in identifying coal chemical projects with promising profit and development potentials. Through a joint venture formed in May 2019 with Zenith Steel Group Co., Ltd., Jiangsu Zhong Tong Logistics Co., Ltd. and Shanghai Dong Ming Industrial Co., Ltd., who are stakeholders with established businesses in iron and steel manufacturing and logistics, respectively, being industries along the coking chemical value chain, it is expected that the Group would be able to leverage on the resources and expertise of such joint venture partners and gain access to new business opportunities and further deepen its business development along the coking chemical value chain. The Group holds a 51% interest in the joint venture and had already injected RMB687.0 million in aggregate into the joint venture by 30 June 2019. Further details in respect of the formation of the joint venture are set out in the Company's circular dated 25 February 2019.

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 achieve an annual production capacity of approximately 123.0 million m³ of LNG. Assuming that the annual production capacity of the Group's LNG production facilities is fully utilized, the Group estimates that the Group's LNG production will require additional approximately 300.0 million m³ of coal gas per year. To secure sufficient amount of coal gas required for the production of LNG, the Group plans to build a new coke granule coal gas facility to produce coal gas by heating small coke granule 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 August this year, the construction has been completed and operation has commenced successfully. The total investment in the 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 June 2019, the investment amount in the coke granule coal gas facilities amounted to RMB158.4 million.

- **Gas Stations**

The Group plans to invest approximately RMB125.0 million in the construction of four 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. The four gas stations are expected to have a total refilling capacity of approximately 80.0 million m³ of LNG per year. Of these gas stations, two of them had commenced operation in the first quarter of 2018 with the other station commenced operation in April 2019. As at the end of June 2019, the Group's investment in the construction of gas stations amounted to RMB55.0 million.

Upon completion of the gas stations, the Group also plans to procure natural gas from suppliers in neighboring areas for sale. The Group plans to supply gas to logistics customers, heavy trucks and buses at 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 June 2019, 60% of the expansion project for processing crude benzene has been completed, completion of construction and commencement of operation are expected to take place at the end 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. This project has not yet started construction due to more frequent safety inspections, after a recent serious industrial accident in neighboring province, which lengthened the time for design review of the project.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

- **Construction 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. The project was completed in December 2018 and was ready for full operation in the first quarter of 2019. The total investment amount of this project is estimated to be approximately RMB48.6 million. As of June 2019, the Group has invested RMB46.9 million in this project.

In addition, the investment amount of the project for productization of desulfurized waste liquid is planned to be RMB72.0 million. It is estimated that the project will be completed in the first quarter of 2020 and will generate revenue of approximately RMB3 to 4 million for the Group.

- **Coke Dry Quenching Device Construction project**

The coke oven coke dry quenching device reconstruction project commenced in the third quarter of 2018. As of June 2019, the Group has invested RMB21.8 million. It is expected that the project can be put into operation at the beginning of 2020. After commencing operation, the quality of coke products will be improved and will be better responded to the requirements of environmental protection regulatory department in relation to the limited production measure for environmental protection.

- **Wastewater Treatment project**

In response to the operation of the coke dry quenching facility, the Group will invest approximately RMB150 million to expand its wastewater treatment capability. Currently, the Group is introducing advanced technologies from overseas and carrying out the preliminary foundation work. The Group has invested approximately RMB30 million in this project.

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company persists in becoming an enterprise full of sense of social responsibility, by adhering to the principle of harmonious development combining economic benefit and social benefit, promoting technological progress in the industry consistently and assuming 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 AND THE ARTICLES OF ASSOCIATION

The Company has formulated the Articles of Association of the Company (the "Articles") in accordance with the 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.

During the reporting period, the Company revised the Articles in accordance with the latest requirements of the Company law to further improve the corporate governance system. For details of resolutions on the amendments to the Articles and the announcements on the relevant resolutions of the meeting, please refer to the notice of extraordinary general meeting of the Company published on the websites of the Hong Kong Stock Exchange and the Company dated 15 February 2019, the supplementary notice of extraordinary general meeting dated 18 March 2019 and the announcement on poll results of the general meeting dated 1 April 2019.

During the six months ended 30 June 2019, the Company has complied with all the code provisions under the Code contained in Appendix 14 of the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code and the Company Secretary will also issue to all Directors and Supervisors a compliance notice of suspending trading during the black-out period in accordance with the Model Code. Having made specific enquiries with the Directors, 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 during the six months ended 30 June 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGE OF SESSION OF THE BOARD OF DIRECTORS

The first session of the Board of Directors consisted of nine directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors for a term expiring on the date of annual general meeting held on 15 May 2019. During the reporting period, the members of the first session of Board of Directors are listed as follows:

Executive Directors

Mr. Yiu Chiu Fai (*Chairman*)

Mr. Wang Mingzhong (*Chief Executive Officer*)

Mr. Li Tianxi (*Executive deputy general manager*)

Non-executive Directors

Mr. Hu Xiayu (*Deputy Chairman*)

Mr. Wang Zhiming

Mr. Qiu Quanshan

Independent Non-executive Directors

Mr. Zheng Wenhua

Mr. Liu Yuhui

Mr. Wu Tak Lung

The directors of the second session of the Board of Directors were appointed at the annual general meeting held on 15 May 2019 for a term of three years until the conclusion of the annual general meeting to be held three years thereafter. The second session of the Board of Directors consisted of nine directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The members of the second session of Board of Directors are listed as follows:

Executive Directors

Mr. Yiu Chiu Fai (*Chairman*)

Mr. Wang Mingzhong (*Chief Executive Officer*)

Mr. Li Tianxi (*Executive deputy general manager*)

Non-executive Directors

Mr. Hu Xiayu (*Deputy Chairman*)

Mr. Wang Zhiming

Mr. Qiu Quanshan

Independent Non-executive Directors

Mr. Zheng Wenhua

Mr. Liu Yuhui

Mr. Wu Tak Lung

CHANGE OF SESSION OF THE SUPERVISORY COMMITTEE

The first session of the Supervisory Committee consisted of six supervisors, including two shareholder representative supervisors, two employee supervisors and two independent supervisors for a term expiring on the date of annual general meeting held on 15 May 2019. During the reporting period, the members of the first session of the Supervisory Committee are listed as follows:

Supervisors

Mr. Wang Tsz Leung (*Chairman*)
Mr. Zhang Qiangxian
Mr. Zhou Tao, David
Ms. Tian Fangyuan
Ms. Hao Yali
Mr. Zhang Wujun

The supervisors of the second session of the Supervisory Committee were appointed at the annual general meeting held on 15 May 2019 for a term of three years until the conclusion of the annual general meeting to be held three years thereafter. The second session of the Supervisory Committee consisted of six supervisors, including two shareholder representative supervisors, two employee supervisors and two independent supervisors. The members of the second session of the Supervisory Committee are listed as follows:

Supervisors

Mr. Wang Tsz Leung (*Chairman*)
Ms. Li Lijuan
Mr. Zhou Tao, David
Ms. Tian Fangyuan
Ms. Hao Yali
Mr. Zhang Wujun

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INFORMATION ON DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information on Directors, Supervisors and Chief Executive Officer of the Company for the six months ended 30 June 2019 and up to the date of this interim report are as follows:

Directors

Details of change

Mr. Wang Zhiming

As at 18 July 2019, he resigned as a non-executive Director of the Company.

The Board proposes to appoint Ms. Ye Ting as a non-executive Director, subject to the approval by the shareholders of the Company, for a term commencing immediately after the conclusion of the forthcoming extraordinary general meeting and until the expiration of the term of the current session of the Board.

Mr. Wu Tak Lung

As at 23 May 2019, he resigned as an independent director of Olympic Circuit Technology Co., Ltd. (stock code: 603920), a company listed in Shanghai, the PRC.

Supervisors

Details of change

Mr. Zhang Qiangxian

As at 15 May 2019, he retired as a supervisor of the Company.

Ms. Li Lijuan

As at 15 May 2019, she was appointed as a supervisor of the Company upon the approval at the general meeting. The biographical details of Ms. Li Lijuan are set out below:

Ms. Li Lijuan, aged 48, has joined Maanshan Steel since July 1993 and served in various positions, including as a financial manager of 馬鋼(蕪湖)加工中心 (Wuhu processing division of Maanshan Steel) from July 2013 to November 2014 and the deputy chief of finance of the sales division of Maanshan Steel from November 2014 to September 2018. Since September 2018, she has been the manager of the equity management office of the financial department of Maanshan Steel. Ms. Li is also a director of Anhui Masteel K. Wah New Building Materials Co., Ltd. (安徽馬鋼嘉華新型建材有限公司) and a director of 安徽馬鋼化工能源科技有限公司 (Anhui Magang Chemical Energy Technology Co., Ltd.*), both being subsidiaries of Maanshan Steel.

Ms. Li is qualified as an accountant in the PRC and graduated from Anhui University of Technology in 1993, specializing in accounting.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2019, 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 were as follows:

<u>Name</u>	<u>Nature of interest</u>	<u>Class of shares</u>	<u>Number of shares held (Note 1)</u>	<u>Approximate percentage of shareholding in the relevant class of shares of the Company (Note 2)</u>	<u>Approximate percentage of shareholding in the total share capital of the Company (Note 3)</u>
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	1,453,000 (L)	1.07%	0.27%

Notes:

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

Save as disclosed above, as at 30 June 2019, 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 are or were materially interested, directly or indirectly, in any significant transaction, arrangement or contract which the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries was a party.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the reporting period was the Company, its holding company or any of its subsidiaries nor 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SECURITIES

As at 30 June 2019, 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 shares	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	1,453,000 (L)	1.07%	0.27%
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 (Note 13)	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 (Note 13)	H shares	17,931,000 (L)	13.24%	3.35%
China Risun Group (Hong Kong) Limited (中國旭陽集團(香港)有限公司)	Beneficial owner	H shares	13,000,000 (L)	9.60%	2.43%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. The letter "L" denotes the entity/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 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 60.46% 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% of the shares of Asian Equity Special Opportunities Portfolio Master Fund Limited. Accordingly, Mr. Ruan David Ching Chi is deemed to be interested in the interest owned by RAYS Capital Partners Limited and Asian Equity Special Opportunities Portfolio Master Fund Limited in the Company 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 30 June 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, REDEMPTION AND SALE OF SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the six months ended 30 June 2019.

PROVISION OF FINANCIAL SUBSIDIES AND GUARANTEES FOR ASSOCIATES OR SUBSIDIARIES

As at 30 June 2019, 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 30 June 2019, the Group had a total of 1,540 employees, including 16 senior management, 59 mid-level management and 1,465 ordinary employees. For the six months ended 30 June 2019, the staff cost of the Group amounted to approximately RMB55.7 million as compared to approximately RMB61.3 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 of Directors, remuneration packages (including non-pecuniary benefits, pension rights and compensation) of individual executive Directors and remuneration packages of senior management officers. The remuneration committee reviews 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.

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.

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 all employees in accordance with the relevant PRC labor laws and regulations.

According to the development plan and operating requirements of the Company, management formulates the annual training plans and the human resources 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 employees with various targeted trainings from job entry to personal development.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee of the Company was set up by the Board with specific terms of reference for the purpose of reviewing the Company's financial information, overseeing the Company's financial reporting system, risk management and internal control systems. The Audit Committee comprises three Directors, including Mr. Wu Tak Lung (independent non-executive Director), Mr. Hu Xiayu (non-executive Director) and Mr. Liu Yuhui (independent non-executive Director), and is chaired by Mr. Wu Tak Lung.

The Audit Committee has reviewed with the management and the external auditor, Deloitte Touche Tohmatsu, the accounting methods adopted by the Company and the unaudited condensed consolidated interim financial statements of the Company for the reporting period. The Audit Committee also has reviewed this interim report. The Company's unaudited consolidated interim results for the reporting period have been reviewed by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The dividend of 2018 was RMB0.40 per share, including final dividend of RMB0.35 per share which was fully paid in June 2019.

The Board has resolved to recommend the payment of interim dividend ("interim dividend") of RMB0.10 per share for the six months ended 30 June 2019 in cash to shareholders whose names appear on the register of members of the Company on 29 October 2019.

The relevant resolutions are subject to the approval by the shareholders at the extraordinary general meeting of the Company to be convened on 18 October 2019. The interim dividend is expected to be distributed on or before 19 November 2019.

TAX ON DIVIDENDS FOR H SHAREHOLDERS

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

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》, the Company will withhold and pay enterprise income tax at the tax rate of 10% when distributing interim 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 interim dividend;

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 interim 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 interim 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.

APPRECIATIONS

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

Yiu Chiu Fai

Chairman of the Board

23 August 2019

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF HENAN JINMA ENERGY COMPANY LIMITED.

河南金馬能源股份有限公司

(a joint stock company established in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Henan Jinma Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 32 to 64, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

23 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	Six months ended	
		30/06/2019	30/06/2018
		RMB' 000 (unaudited)	RMB' 000 (unaudited)
Revenue	3	3,968,373	3,293,855
Cost of sales		(3,399,463)	(2,716,920)
Gross profit		568,910	576,935
Other income	4	12,455	5,902
Other gains and losses	5	2,764	502
(Reversal of) impairment losses under expected credit loss ("ECL") model, net	6	984	(5,148)
Selling and distribution expenses		(64,564)	(20,935)
Administrative expenses		(39,331)	(35,235)
Finance costs	7	(30,391)	(21,649)
Share of results in a joint venture		3,228	8
Share of results in an associate		51	–
Profit before tax	8	454,106	500,380
Income tax expense	9	(112,067)	(128,974)
Profit for the period		342,039	371,406
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gain (loss) on:			
debt instruments measured at fair value through other comprehensive income ("FVTOCI")		2,358	(3,029)
Other comprehensive income (expense) for the period, net of tax		2,358	(3,029)
Total comprehensive income for the period		344,397	368,377
Profit for the period attributable to:			
– Owners of the Company		327,532	362,972
– Non-controlling interests		14,507	8,434
		342,039	371,406
Total comprehensive income for the period attributable to:			
– Owners of the Company		330,007	360,204
– Non-controlling interests		14,390	8,173
		344,397	368,377
Earnings per share (RMB)			
– Basic	11	0.61	0.68

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30/06/2019 RMB' 000 (unaudited)	31/12/2018 RMB' 000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,366,881	1,314,508
Right-of-use assets	12	143,507	–
Prepaid lease payments		–	114,050
Intangible assets		68,272	63,820
Goodwill		12,989	8,001
Interest in a joint venture		58,153	54,925
Interests in an associate		41,242	41,191
Advance to an associate		60,940	60,940
Financial assets at fair value through profit or loss (“FVTPL”)	17	35,727	–
Deferred tax assets	13	14,518	15,481
Deposit for acquisition of property, plant and equipment		50,875	10,400
		1,853,104	1,683,316
CURRENT ASSETS			
Inventories		208,520	281,752
Prepaid lease payments		–	2,936
Trade and other receivables	14	239,449	237,925
Amounts due from a shareholder	15	28,955	196
Amounts due from related parties	16	16,489	40,762
Financial assets at FVTPL	17	70,142	70,000
Debt instruments at FVTOCI	18	837,788	1,083,797
Restricted bank balances		66,117	90,921
Bank balances and cash		977,719	583,157
		2,445,179	2,391,446
CURRENT LIABILITIES			
Borrowings	19	668,650	596,600
Trade and other payables	20	691,881	660,804
Amounts due to related parties	21	89	409
Lease liabilities		1,491	–
Contract liabilities		97,120	87,967
Tax payable		31,747	75,237
		1,490,978	1,421,017
NET CURRENT ASSETS		954,201	970,429
TOTAL ASSETS LESS CURRENT LIABILITIES		2,807,305	2,653,745

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	<u>30/06/2019</u>	<u>31/12/2018</u>
		RMB' 000 (unaudited)	RMB' 000 (audited)
CAPITAL AND RESERVES			
Share capital		535,421	535,421
Reserves		<u>1,886,814</u>	<u>1,744,204</u>
Equity attributable to owners of the Company		<u>2,422,235</u>	2,279,625
Non-controlling interests		<u>97,550</u>	97,834
TOTAL EQUITY		<u>2,519,785</u>	<u>2,377,459</u>
NON-CURRENT LIABILITIES			
Borrowings	19	<u>238,720</u>	237,020
Long term payable		–	9,970
Lease liabilities		<u>4,651</u>	–
Deferred revenue		<u>20,337</u>	6,666
Deferred tax liabilities	13	<u>23,812</u>	<u>22,630</u>
		<u>287,520</u>	<u>276,286</u>
		<u>2,807,305</u>	<u>2,653,745</u>

Chiufai Yiu

DIRECTOR

Mingzhong Wang

DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	FVTOCI reserve	Statutory surplus reserve fund	Retained profits	Special reserve	Total		
	RMB' 000	RMB' 000	RMB' 000	RMB' 000 (Note i)	RMB' 000	RMB' 000 (Note ii)	RMB' 000	RMB' 000	RMB' 000
At 31 December 2018 (audited)	535,421	386,496	(10,210)	148,785	1,204,307	14,826	2,279,625	97,834	2,377,459
Profit for the period	-	-	-	-	327,532	-	327,532	14,507	342,039
Other comprehensive income (expense) for the period	-	-	2,475	-	-	-	2,475	(117)	2,358
Total comprehensive income for the period	-	-	2,475	-	327,532	-	330,007	14,390	344,397
Dividends paid	-	-	-	-	(187,397)	-	(187,397)	(14,700)	(202,097)
Capital contribution from non-controlling shareholder (Note iii)	-	-	-	-	-	-	-	26	26
Transfer	-	-	-	-	(3,663)	3,663	-	-	-
At 30 June 2019 (unaudited)	535,421	386,496	(7,735)	148,785	1,340,779	18,489	2,422,235	97,550	2,519,785
At 31 December 2017 (audited)	535,421	386,496	-	70,685	630,663	10,851	1,634,116	94,210	1,728,326
Adjustments	-	-	(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 period	-	-	-	-	362,972	-	362,972	8,434	371,406
Other comprehensive expense for the period	-	-	(2,768)	-	-	-	(2,768)	(261)	(3,029)
Total comprehensive income for the period	-	-	(2,768)	-	362,972	-	360,204	8,173	368,377
Dividends paid	-	-	-	-	(149,918)	-	(149,918)	(15,450)	(165,368)
Transfer	-	-	-	-	(3,889)	3,889	-	-	-
At 30 June 2018 (unaudited)	535,421	386,496	(11,094)	70,685	839,828	14,740	1,836,076	86,933	1,923,009

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.
- (iii) It represents the capital contribution from the non-controlling shareholder of Shenzhen Jinma Energy Co., Ltd, a subsidiary newly established in May 2019.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019)

	Six months ended	
	30/06/2019	30/06/2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit before tax	454,106	500,380
Adjustments for:		
Interest income	(5,910)	(3,792)
Loss (gain) on disposal of property, plant and equipment	(275)	96
Depreciation of property, plant and equipment	53,630	44,366
Depreciation of right-of-use assets	2,007	–
Release of prepaid lease payments	–	1,422
Amortization of intangible assets	7,622	7,421
(Reversal of) impairment losses under ECL model, net	(984)	5,148
(Reversal of) allowance for inventories	(11,364)	400
Share of results in an associate	(51)	–
Share of results in a joint venture	(3,228)	(8)
Finance costs	30,391	21,649
Release of assets-related government subsidies	(629)	(296)
Investment income from financial assets at FVTPL	(2,962)	(1,698)
Gain on fair value changes from financial assets at FVTPL	(869)	–
Net foreign exchange loss	42	1,322
	521,526	576,410
Operating cash flows before movements in working capital		
Decrease (increase) in inventories	84,802	(25,518)
Decrease (increase) in trade and other receivables	248,878	(350,967)
Increase in amounts due from a shareholder	(28,759)	(3,244)
Decrease (increase) in amounts due from related parties	24,273	(15,208)
Increase in trade and other payables	73,747	195,533
Decrease in amounts due to related parties	(320)	–
Increase (decrease) in contract liabilities	8,568	(64,050)
	932,715	312,956
Cash generated from operations		
Income tax paid	(157,478)	(123,213)
	775,237	189,743
NET CASH FROM OPERATING ACTIVITIES		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended	
	30/06/2019	30/06/2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
INVESTING ACTIVITIES		
Interest received	5,910	3,792
Assets related government subsidies received	14,300	–
Purchase of property, plant and equipment	(141,064)	(123,399)
Payments for right-of-use assets	(22,230)	–
Deposit for acquisition of property, plant and equipment	(50,875)	(12,110)
Payment for acquisition of subsidiary in prior year	(7,357)	(11,200)
Acquisition of a subsidiary (Note 26)	(13,986)	–
Placement of restricted bank balances	(169,243)	(100,000)
Withdrawal from restricted bank balances	194,047	70,010
Proceeds from disposal of property, plant and equipment	692	–
Purchases of financial assets at FVTPL	(105,000)	(450,000)
Proceeds from disposal of financial assets at FVTPL	72,962	391,698
NET CASH USED IN INVESTING ACTIVITIES	(221,844)	(231,209)
FINANCING ACTIVITIES		
Interest paid	(30,212)	(21,049)
New borrowings raised	467,050	560,900
Repayment of borrowings	(393,300)	(182,500)
Repayments of leases liabilities	(256)	–
Capital contributions from non-controlling shareholder of a subsidiary	26	–
Payment of issue costs	–	(3,015)
Dividends paid	(187,397)	(149,918)
Dividends paid to non-controlling interests of a subsidiary	(14,700)	(15,450)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(158,789)	188,968
NET INCREASE IN CASH AND CASH EQUIVALENTS	394,604	147,502
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	583,157	481,704
Effect of foreign exchange rate changes	(42)	(1,322)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, Represented by:		
Bank balances and cash	977,719	627,884

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEX") (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial assets, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the annual consolidated financial statements for the year ended 31 December 2018 of Henan Jinma Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group").

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases (“IAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Right-of-use assets (continued)

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies IFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. Specifically, the Group assessed its contracts on office rental in Hong Kong and in Shenzhen. The application of new definition of a lease concluded that both of the new contracts signed were modification of the original contracts with lease terms expanded, and such modification were recognised at the effective date of the modification.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedient to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.88%.

Operating lease commitments disclosed as at 31 December 2018

Lease liabilities discounted at relevant incremental borrowing rates

Less: Recognition exemption – short-term leases and low value assets

Lease liabilities relating to operating leases recognised upon application of IFRS 16
as at 1 January 2019

Analysed as:

Current

Non-current

**At 1 January
2019**

**RMB' 000
(unaudited)**

6,320

4,516

–

4,516

1,051

3,465

4,516

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets
		RMB' 000
		(unaudited)
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		4,516
Reclassified from prepaid lease payments	(a)	116,986
Adjustments on rental deposits at 1 January 2019	(b)	32
		<u>121,534</u>
By class:		
Leasehold lands		116,986
Land and buildings		<u>4,548</u>
		<u>121,534</u>

- (a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB2,936,000 and RMB114,050,000 respectively were reclassified to right-of-use assets.
- (b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB32,000 was adjusted to refundable rental deposits paid and right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2018 RMB' 000 (unaudited)	Adjustments RMB' 000 (unaudited)	Carrying amounts under IFRS 16 at 1 January 2019 RMB' 000 (unaudited)
Non-current Assets				
Prepaid lease payments	(a)	114,050	(114,050)	–
Right-of-use assets		–	121,534	121,534
Other receivables				
– Rental deposits	(b)	200	(32)	168
Current Assets				
Prepaid lease payments	(a)	2,936	(2,936)	–
Current Liabilities				
Lease liabilities		–	1,051	1,051
Non-current liabilities				
Lease liabilities		–	3,465	3,465

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Applying IFRS 16 as a lessor has no impact on the Group's condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement profit or loss and other comprehensive income and cash flows for the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application of other new and amendments to IFRSs

Impacts and changes in accounting policies of application on Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that the Group 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, the Group does not take into account adjustments to their carrying amount required by IAS 28 Investments in Associates and Joint Ventures ("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 30 June 2019, advance to an associate of RMB60,940,000 is 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. REVENUE AND SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the Group's revenue and profit for the period. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the directors of the Group.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. 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 segments.

	Sale of goods						Total RMB' 000
	Coke RMB' 000	Coking by products RMB' 000	Refined chemicals RMB' 000	Energy products RMB' 000	Trading RMB' 000	Others RMB' 000	
For the six months ended 30 June 2019 (unaudited)							
Segment revenue	<u>1,980,904</u>	<u>7,202</u>	<u>584,749</u>	<u>207,467</u>	<u>1,182,314</u>	<u>5,737</u>	<u>3,968,373</u>
Segment results	<u>444,038</u>	<u>3,187</u>	<u>43,944</u>	<u>59,987</u>	<u>23,212</u>	<u>416</u>	<u>574,784</u>
Other income							12,455
Other gains and losses							2,764
Reversal of impairment losses under ECL model, net							984
Selling and distribution expenses							(64,564)
Administrative expenses							(39,331)
Finance costs							(30,391)
Share of results in a joint venture							3,228
Share of results in an associate							51
Unallocated expenses							(5,874)
Profit before tax							<u>454,106</u>

	Sale of goods						Total RMB' 000
	Coke RMB' 000	Coking by products RMB' 000	Refined chemicals RMB' 000	Energy products RMB' 000	Trading RMB' 000	Others RMB' 000	
For the six months ended 30 June 2018 (unaudited)							
Segment revenue	<u>1,896,549</u>	<u>6,444</u>	<u>703,980</u>	<u>124,681</u>	<u>556,882</u>	<u>5,319</u>	<u>3,293,855</u>
Segment results	<u>474,749</u>	<u>1,508</u>	<u>72,448</u>	<u>37,364</u>	<u>6,263</u>	<u>499</u>	<u>592,831</u>
Other income							5,902
Other gains and losses							502
Impairment losses under ECL model, net							(5,148)
Selling and distribution expenses							(20,935)
Administrative expenses							(35,235)
Finance costs							(21,649)
Share of results in a joint venture							8
Unallocated expenses							(15,896)
Profit before tax							<u>500,380</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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

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 six months ended 30 June 2019 and 2018.

Information about major customers

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

	Six months ended	
	30/06/2019	30/06/2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Maanshan Iron & Steel Company Limited ("Maanshan Steel") (Notes i and ii)	N/A*	729,762
Jiangxi PXSteel Industrial Co., Ltd ("Jiangxi PXSteel") and its subsidiaries (Notes i and ii)	648,683	582,170
Customer A (Note iii)	N/A*	356,563
Customer B (Note i)	428,619	N/A*
Customer C (Note i)	406,022	N/A*

Notes:

- (i) Revenue from sale of coke.
 - (ii) Maanshan Steel and Jiangxi PXSteel are shareholders of the Company.
 - (iii) Revenue from sale of refined chemicals.
- * The revenue of the customer contributed less than 10% of the total sales of the Group during the respective period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. OTHER INCOME

	Six months ended	
	30/06/2019	30/06/2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Interest income on bank deposits	5,910	3,792
Release of asset-related government subsidies	629	296
Government grants (Note)	5,611	650
Others	305	1,164
	12,455	5,902

Note: The government grants represent the amounts received from the local government by the Company in relation to financial support funds provided to the Company by local government.

5. OTHER GAINS AND LOSSES

	Six months ended	
	30/06/2019	30/06/2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Investment income from financial assets at FVTPL	2,962	1,698
Gain on fair value changes from financial assets at FVTPL	869	–
Allowance for inventories	–	(400)
(Loss) gain on disposal of property, plant and equipment	275	(96)
Donations	(239)	(432)
Foreign exchange loss	(1,735)	(479)
Others	632	211
	2,764	502

6. (REVERSAL OF) IMPAIRMENT LOSSES UNDER ECL MODEL, NET

	Six months ended	
	30/06/2019	30/06/2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Impairment losses recognised (reversed) on:		
– Trade receivables – goods and services	984	(5,148)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

During the current interim period, the Group reversed the impairment allowance of RMB984,000, due to collection of the receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

7. FINANCE COSTS

Interest expenses on:

- Bank borrowings
- Imputed interest for long term payable
- Letter of credit
- Lease liabilities
- Discounted bank acceptance bills

Six months ended	
30/06/2019	30/06/2018
RMB' 000 (unaudited)	RMB' 000 (unaudited)
25,191	20,532
850	600
309	517
126	–
3,915	–
30,391	21,649

8. PROFIT BEFORE TAX

Profit before tax for the period from continuing operations has been arrived at after crediting the following items:

Staff costs

- Directors' and supervisors' remuneration
(including retirement benefit scheme contributions)
- Other staff costs
- Other staffs' retirement benefit scheme contributions

Total staff costs

Staff costs capitalized in inventories

Staff costs capitalized in property, plant and equipment

Depreciation of property, plant and equipment

Capitalized in inventories

Depreciation of right-of-use assets

Release of prepaid lease payments

Amortization of intangible assets (included in cost of sales)

Cost of inventories recognized as expenses

Six months ended	
30/06/2019	30/06/2018
RMB' 000 (unaudited)	RMB' 000 (unaudited)
1,167	750
49,997	56,664
4,504	3,924
55,668	61,338
(40,034)	(40,554)
(1,635)	(2,998)
13,999	17,786
53,630	44,366
(49,893)	(41,370)
3,737	2,996
2,007	–
–	1,422
7,622	7,421
3,399,463	2,716,920

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

9. INCOME TAX EXPENSE

	Six months ended	
	30/06/2019	30/06/2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
Current tax	112,433	130,018
Deferred tax (Note 13)	(1,921)	(3,518)
Underprovision in prior year	1,555	2,474
	112,067	128,974

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:

	Six months ended	
	30/06/2019	30/06/2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Profit before tax	454,106	500,380
Tax charge at the applicable income tax rate of 25% (2018: 25%)	113,526	125,095
Tax effect of expenses not deductible for tax purposes	54	1,125
Income tax on concessionary rate (Note)	(2,276)	(161)
Tax effect of share of results in an associate and a joint venture	(820)	(2)
Tax effect of tax losses not recognized	41	449
Underprovision in prior year	1,555	2,474
Others	(13)	(6)
Income tax expense	112,067	128,974

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

10. DIVIDEND

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

On 18 March 2019, 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 was declared by the Company. Such dividend had been fully settled by June 2019.

Subsequent to the end of the current interim period, an interim dividend of RMB0.10 per share, amounting to RMB53,542,000 in aggregate, has been proposed by the directors of the Company and is subject to the approval by the shareholders of the Company (2018 interim dividend: RMB0.05 per share, amounting to RMB26,771,000 in aggregate).

11. EARNINGS PER SHARE

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

	Six months ended	
	30/06/2019	30/06/2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>327,532</u>	<u>362,972</u>
	' 000	' 000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>535,421</u>	<u>535,421</u>
	RMB	RMB
Earnings per share	<u>535,421</u>	<u>535,421</u>

No diluted earnings per share is presented as there was not potential ordinary share during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the construction in progress of the Group has increased by approximately RMB80,517,000, mainly including coke granules coal gas facilities and coke dry quenching reconstruction facilities (for the six months ended 30 June 2018: RMB132,906,000 (unaudited) mainly including coke granules coal gas facilities and LNG facilities), and other property, plant and equipment increased by RMB24,208,000 (for the six months ended 30 June 2018: RMB46,502,000 (unaudited)) in order to upgrade its manufacturing capabilities. And property, plant and equipment of approximately RMB1,695,000 was acquired through acquisition of a subsidiary.

During the current interim period, the Group modified two lease agreements for office rental with extension of lease terms. At the date of modification, the Group recognized RMB1,751,000 of right-of-use asset and RMB1,751,000 of lease liability. Furthermore, the Group paid approximately RMB22,230,000 of prepaid lease payments for acquiring two pieces of land use rights.

13. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax assets (liabilities) recognized and movements thereon during the current and prior periods:

	Allowance for inventories	ECL provision	Temporary deductible difference on expenses	Fair value change of financial assets at FVTPL	Unrealized 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 31 December 2017 (audited)	749	448	133	-	649	(25,996)	1,815	-	(22,202)
Adjustments	-	-	-	-	-	-	-	2,775	2,775
At 1 January 2018 (restated)	749	448	133	-	649	(25,996)	1,815	2,775	(19,427)
Charge (credit) to profit or loss	(649)	1,287	(231)	-	1,158	2,027	(74)	-	3,518
Charge to other comprehensive income	-	-	-	-	-	-	-	1,010	1,010
At 30 June 2018 (unaudited)	100	1,735	(98)	-	1,807	(23,969)	1,741	3,785	(14,899)
Charge (credit) to profit or loss	2,898	1,841	524	-	954	1,989	(74)	-	8,132
Charge to other comprehensive income	-	-	-	-	-	-	-	(382)	(382)
At 31 December 2018 (audited)	2,998	3,576	426	-	2,761	(21,980)	1,667	3,403	(7,149)
Charge (credit) to profit or loss	(2,988)	(245)	(426)	217	(21)	1,967	3,417	-	1,921
Charge to other comprehensive income	-	-	-	-	-	-	-	(786)	(786)
Acquisition of a subsidiary	-	-	-	-	-	(3,280)	-	-	(3,280)
At 30 June 2019 (unaudited)	10	3,331	-	217	2,740	(23,293)	5,084	2,617	(9,294)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

13. DEFERRED TAX ASSETS/LIABILITIES (continued)

For the purpose of presentation in the condensed 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:

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Deferred tax assets	14,518	15,481
Deferred tax liabilities	<u>(23,812)</u>	<u>(22,630)</u>
	<u>(9,294)</u>	<u>(7,149)</u>

As at 30 June 2019, the Group had unused tax losses of RMB1,597,000 (31 December 2018: RMB1,556,000 (audited)) 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.

14. TRADE AND OTHER RECEIVABLES

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Trade receivables from sales of goods	105,870	88,446
Less: Allowance for credit losses	<u>(9,438)</u>	<u>(10,422)</u>
	<u>96,432</u>	<u>78,024</u>
Other receivables	28,528	23,017
Less: Allowance for credit losses	<u>(3,888)</u>	<u>(3,888)</u>
	<u>24,640</u>	<u>19,129</u>
Prepayments to suppliers	77,504	82,537
Prepaid other taxes and charges	40,873	53,335
Dividend receivables from a joint venture	-	4,900
	<u>239,449</u>	<u>237,925</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. TRADE AND OTHER RECEIVABLES (continued)

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:

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Within 90 days	86,473	67,245
91 – 180 days	4,241	5,992
181 – 365 days	5,553	665
Over 365 days	165	4,122
	<u>96,432</u>	<u>78,024</u>

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.

As at 30 June 2019, included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB23,635,000 (31 December 2018: RMB20,536,000 (audited)), which are past due at the end of the reporting period. Out of the past due balances, RMB2,715,000 (31 December 2018: RMB14,515,000 (audited)) 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.

Detail of impairment assessment of trade and other receivables are set out in Note 6.

15. AMOUNTS DUE FROM A SHAREHOLDER

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Trade nature		
Maanshan Steel	<u>28,955</u>	<u>196</u>

The amounts in trade nature are unsecured and interest-free. The following is an aging analysis of trade receivables from a shareholder, presented based on invoice date dates at the end of the reporting period. All amounts due from a shareholder with trade nature are not past due.

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Within 90 days	<u>28,955</u>	<u>196</u>

Details of the impairment assessment are set out in Note 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

16. AMOUNTS DUE FROM RELATED PARTIES

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Trade nature		
Jiangxi PXSteel's subsidiaries	3,780	31,454
Jiyuan Yungong Logistics Co., Ltd. (Yungong Logistics) (Note i)	12,433	9,308
Jiyuan Fangsheng Chemicals Co., Ltd. ("Fangsheng Chemicals") (Note ii)	276	–
	<u>16,489</u>	<u>40,762</u>

Notes:

- (i) The key management personnel of the entity is one of key management personnel of the Company. The directors of the Company are of opinion that the entity is related party of the Group. The balances are in relation to LNG sales to this entity and among the balances, RMB4,080,000 are prepayment for logistic services provided by this entity (31 December 2018: among the balances, RMB3,865,000 (audited) are prepayment for logistic services provided by this entity).
- (ii) The balances are prepayment in nature of raw material purchase from this entity.

The following is an aging analysis of trade receivables from related parties, presented based on invoice date dates at the end of the reporting period. All amounts due from related parties with trade nature are not past due.

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Within 90 days	5,638	36,897
91 – 180 days	5,495	–
181 – 360 days	1,000	–
	<u>12,133</u>	<u>36,897</u>

Details of the impairment assessment are set out in Note 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. FINANCIAL ASSETS AT FVTPL

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Financial assets mandatorily measured at FVTPL:		
Listed securities		
– Equity securities listed in the HKEX (Note)	<u>35,727</u>	–
Financial assets designated at FVTPL:		
Structural deposits	<u>70,142</u>	70,000
	<u>105,869</u>	<u>70,000</u>
Analysed for reporting purposes as:		
Current assets	<u>70,142</u>	70,000
Non-current assets	<u>35,727</u>	–
	<u>105,869</u>	<u>70,000</u>

Note: During the current interim period, the Company subscribed 14,013,000 initial public offering shares of a company listed in the HKEX at share price of HKD2.80 (equivalent to RMB2.40) as cornerstone investor. The equity securities have 6 months lock-up period for trading since subscription. The investee company is engaged in the production and sales of coke and coking products.

18. DEBT INSTRUMENTS AT FVTOCI

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Debt instruments at FVTOCI	<u>837,788</u>	<u>1,083,797</u>

The above debt instruments at FVTOCI represent bill receivables held by the Group for future settlement of trade 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. All bills received by the Group are with a maturity of less than twelve months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

19. BORROWINGS

	<u>30/06/2019</u>	<u>31/12/2018</u>
	<u>RMB' 000</u>	<u>RMB' 000</u>
	<u>(unaudited)</u>	<u>(audited)</u>
Bank borrowings:		
– secured	157,870	229,620
– unsecured	749,500	604,000
	<u>907,370</u>	<u>833,620</u>
Fixed-rate borrowings	390,000	450,000
Floating-rate borrowings	517,370	383,620
	<u>907,370</u>	<u>833,620</u>
Carrying amount repayable:		
Within one year or on demand	668,650	596,600
More than one year, but not more than two years	127,100	152,600
More than two years, but not more than five years	111,620	84,420
	<u>907,370</u>	<u>833,620</u>
Less: Amount shown under current liabilities	<u>(668,650)</u>	<u>(596,600)</u>
Amount due after one year shown under non-current liabilities	<u>238,720</u>	<u>237,020</u>
		Six months ended
	<u>30/06/2019</u>	<u>30/06/2018</u>
Effective interest rate:		
– Fixed-rate borrowings	4.61%-6.75%	4.57%-6.75%
– Floating-rate borrowings	3.92%-6.20%	4.79%-6.20%

As at 30 June 2019, the Group's borrowings of RMB150,820,000 were secured by land use rights and of RMB7,050,000 were secured by bank bills.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

20. TRADE AND OTHER PAYABLES

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Trade payables	325,075	288,633
Bills payables	205,120	148,953
	530,195	437,586
Salaries and wages payables	7,391	18,472
Other tax payables	4,992	5,246
Consideration payable for purchase of property, plant and equipment	135,319	182,058
Accruals	2,680	7,339
Consideration payable for a business combination	7,200	2,437
Other payables	4,104	7,666
	161,686	223,218
	691,881	660,804

The following is an aging analysis of trade payables based on the invoice date at the end of the reporting period:

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Within 90 days	294,334	273,788
91 – 180 days	12,513	6,226
181 – 365 days	10,906	3,432
Over 1 year	7,322	5,187
	325,075	288,633

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. AMOUNTS DUE TO RELATED PARTIES

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Trade in nature		
Yungong Logistics	<u>89</u>	<u>289</u>
Non-trade in nature		
Henan Jinjiang Refinery Co., Ltd. ("Jinjiang Refinery")	<u>-</u>	<u>120</u>

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:

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Within 90 days	-	289
181 – 365 days	<u>89</u>	<u>-</u>
	<u>89</u>	<u>289</u>

22. CAPITAL COMMITMENTS

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the Group's condensed consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	<u>455,210</u>	<u>62,042</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

23. CONTINGENT LIABILITIES

The Group (i) endorsed certain bill receivables for the settlement of trade and other payables; and (ii) discounted certain bill receivables to banks for raising of cash. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bill receivables are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were derecognized on the condensed consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bill receivables at the end of the reporting period are as follows:

	<u>30/06/2019</u>	<u>31/12/2018</u>
	RMB' 000	RMB' 000
	(unaudited)	(audited)
Endorsed bills for settlement of payables	2,537,667	2,665,785
Discounted bills for raising cash	481,378	–
Outstanding endorsed and discounted bills with recourse	<u>3,019,045</u>	<u>2,665,785</u>

The outstanding endorsed and discounted bill receivables are with maturities within 6 months.

24. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below

(a) Transactions with related parties

Other than the transactions and balances with related parties disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with its related parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

24. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

(1) Purchases from and sales to related parties

Type of transactions	Six months ended	
	30/06/2019 RMB' 000 (unaudited)	30/06/2018 RMB' 000 (unaudited)
Sales of products and services to:		
Maanshan Steel	344,679	729,762
Jiangxi PXSteel's subsidiaries	648,683	582,170
Jinjiang Refinery	30,884	38,245
Yungong Logistics	8,913	–
Fangsheng Chemicals	11	–
Purchase of raw materials and services:		
Fangsheng Chemicals	2,321	4,177
Jinjiang Refinery	2,024	2,420
Rental expenses for office:		
Jinma Energy (Hong Kong) Limited ("Jinma HK") (Note)	303	309

Note: The rental expenses paid to Jinma HK were due to a lease of the office in Hong Kong from Jinma HK.

(2) Compensation and key management personnel

The remuneration of key management personnel of the Group during the periods was as follows:

	Six months ended	
	30/06/2019 RMB' 000 (unaudited)	30/06/2018 RMB' 000 (unaudited)
Salaries and allowance	1,803	1,501
Performance related bonuses	484	–
Retirement benefit scheme contributions	93	83
	2,380	1,584

Key management represents the directors of the Company 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

25. 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 techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (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 techniques and key inputs
	30/06/2019 (unaudited)	31/12/2018 (audited)		
Bill receivables classified as financial assets at FVTOCI in the condensed consolidated statement of financial position	Assets – RMB837,788,000	Assets – RMB1,083,797,000	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 in the condensed consolidated statement of financial position	Assets – RMB70,142,000	Assets – RMB70,000,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.
Held-for-trading non-derivative financial assets at FVTPL in the condensed consolidated statement of financial position	Assets – RMB35,727,000	N.A	Level 1	Quoted bid prices in an active market

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

26. ACQUISITION OF A SUBSIDIARY

On 18 March 2019, the Group acquired 100% interest in Jiyuan Ouya Gas Station Co., Ltd. ("Ouya Gas Station") from an independent third party at a cash consideration of RMB15,503,000. Ouya Gas Station is principally engaged in the retail of gasoline and diesel oil and was acquired with the objective of improving the Group's downstream distribution. The acquisition has been completed on 31 March 2019, when the Group obtained the control of Ouya Gas Station. The acquisition was accounted for by acquisition method.

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	RMB' 000
	(unaudited)
Current assets	718
Non-current assets	13,770
Current liabilities	(693)
Non-current liabilities	(3,280)
	<u>10,515</u>

Goodwill arising on acquisition (determined on a provisional basis)

	RMB' 000
	(unaudited)
Consideration at fair value:	
– cash transferred	14,203
– included in trade and other payables	1,300
	<u>15,503</u>
Less: recognised amount of identifiable net assets acquired (100%)	(10,515)
Goodwill arising on acquisition	<u>4,988</u>

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflows arising on acquisition

	RMB' 000
	(unaudited)
Consideration at fair value	
– paid in cash	14,203
Less: cash and cash equivalent balances acquired	(217)
	<u>13,986</u>

Impact of acquisition on the results of the Group

Included in the profit for the interim period is RMB25,000 attributable to Ouya Gas Station. Revenue for the interim period includes RMB1,069,000 is attributable to Ouya Gas Station.

COMPANY INFORMATION

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

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

Contact information

Tel.: +852 3115 7766
Fax: +852 3115 7798
Email: paulwong@hnmny.com

Company website

www.hnmny.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. Hu Xiayu (*Deputy Chairman*)
Mr. Qiu Quanshan
Mr. Wang Zhiming

Independent non-executive Directors

Mr. Zheng Wenhua
Mr. Liu Yuhui
Mr. Wu Tak Lung

Supervisors

Mr. Wang Tsz Leung (*Chairman*)
Ms. Li Lijuan (*appointed on 15 May 2019*)
Mr. Zhou Tao, David
Ms. Tian Fangyuan
Ms. Hao Yali
Mr. Zhang Wujun
Mr. Zhang Qiangxian (*retired on 15 May 2019*)

Audit Committee

Mr. Wu Tak Lung (*Chairman*)
Mr. Liu Yuhui
Mr. Hu Xiayu

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. Hu Xiayu (*Chairman*)
Mr. Zheng Wenhua
Mr. Li Tianxi

Company secretary

Mr. Wong Hok Leung

Authorized representatives

Mr. Yiu Chiu Fai
Mr. Wong Hok Leung

COMPANY INFORMATION

Auditors

Deloitte Touche Tohmatsu

Legal advisers

PRC Law

EY Chen & Co. Law Firm

Hong Kong Law

Reed Smith Richards Butler

H share registrar

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

Principal bankers

Agricultural Bank of China Limited Jiyuan Branch
Industrial and Commercial Bank of China Limited Jiyuan Branch
Bank of China Limited Jiyuan Branch
Shanghai Pudong Development Bank Zhengzhou Branch
Bank of Luoyang Co., Ltd. Jili Branch
China Citic Bank Zhengzhou Branch
Jiyuan Rural Commercial Bank
China Guangfa Bank Zhengzhou Shangdu Branch
Bank of Pingdingshan Zhengzhou Branch
Bank of Communications Jiyuan Branch
Bank of China (Hong Kong) Limited Metroplaza Branch

In this interim 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 interim report, Taiwan, the Macau Special Administrative Region of the PRC and the Hong Kong Special Administrative Region of the PRC
“Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Company”	Henan Jinma Energy Company Limited
“Director(s)”	Director(s) of our Company
“Group”	our Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LNG”	liquefied natural gas
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“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)”	Supervisor(s) of our Company

TECHNICAL TERMS

“basic earnings per share”	$\frac{\text{Profit attributable to owners of the Company}}{\text{Weighted average number of shares in issue during the year/period}}$
“dividend payout ratio”	$\frac{\text{Dividend}}{\text{Profit attributable to owners of the Company}}$
“gearing ratio”	$\frac{\text{Total interest-bearing bank borrowings}}{\text{Total equity}}$
“return on assets”	$\frac{\text{Profit for the period}}{\text{Average total assets during the year/period}}$
“return on equity”	$\frac{\text{Profit attributable to owners of the Company}}{\text{Average equity attributable to owners of the Company during the year/period}}$

DEFINITIONS

ABBREVIATED NAMES OF COMPANIES

“Bohigh Chemical”	河南博海化工有限公司 (Henan Bohigh Chemical Co., Ltd.)
“Fangsheng Chemicals”	濟源市方升化學有限公司 (Jiyuan Fangsheng Chemicals 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.*))
“Jinjiang Refinery”	河南金江煉化有限責任公司 (Henan Jinjiang Refinery 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.*)
“Jinrun Enterprise”	濟源市金潤實業有限公司 (Jiyuan Jinrun Enterprise 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)
“Shanghai Jinma”	上海金馬能源有限公司 (Shanghai Jinma Energy Sources Co., Ltd.*)

In this report, if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese 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

