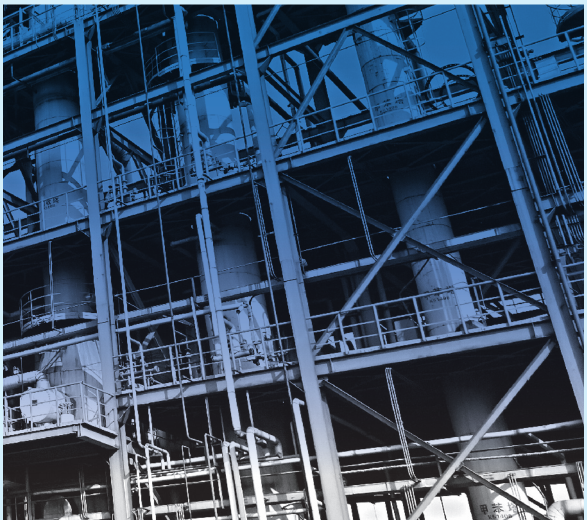
河南金馬能源股份有限公司

HENAN JINMA ENERGY COMPANY LIMITED

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

Stock Code: 6885

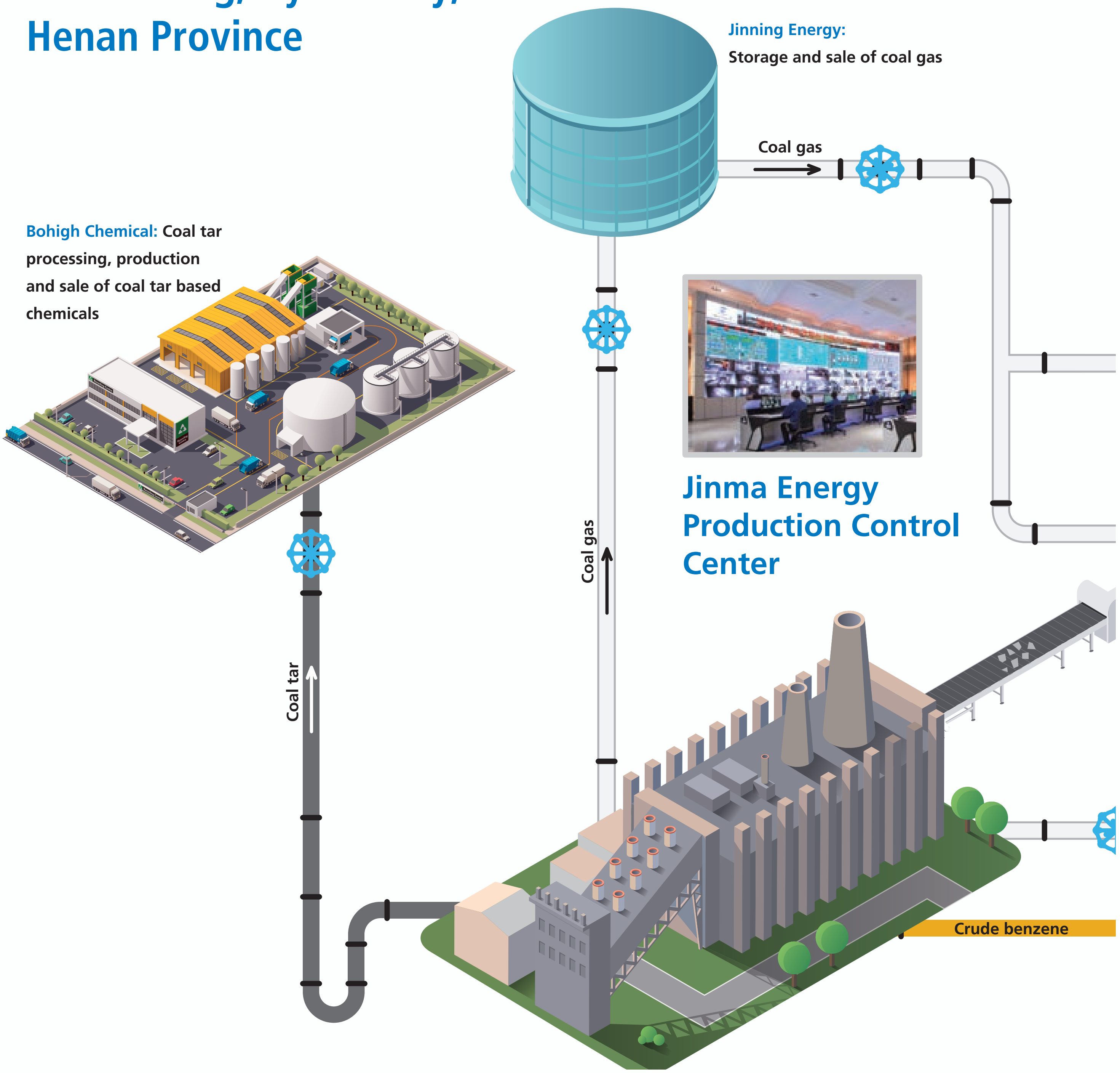
ANNUAL REPORT 2019



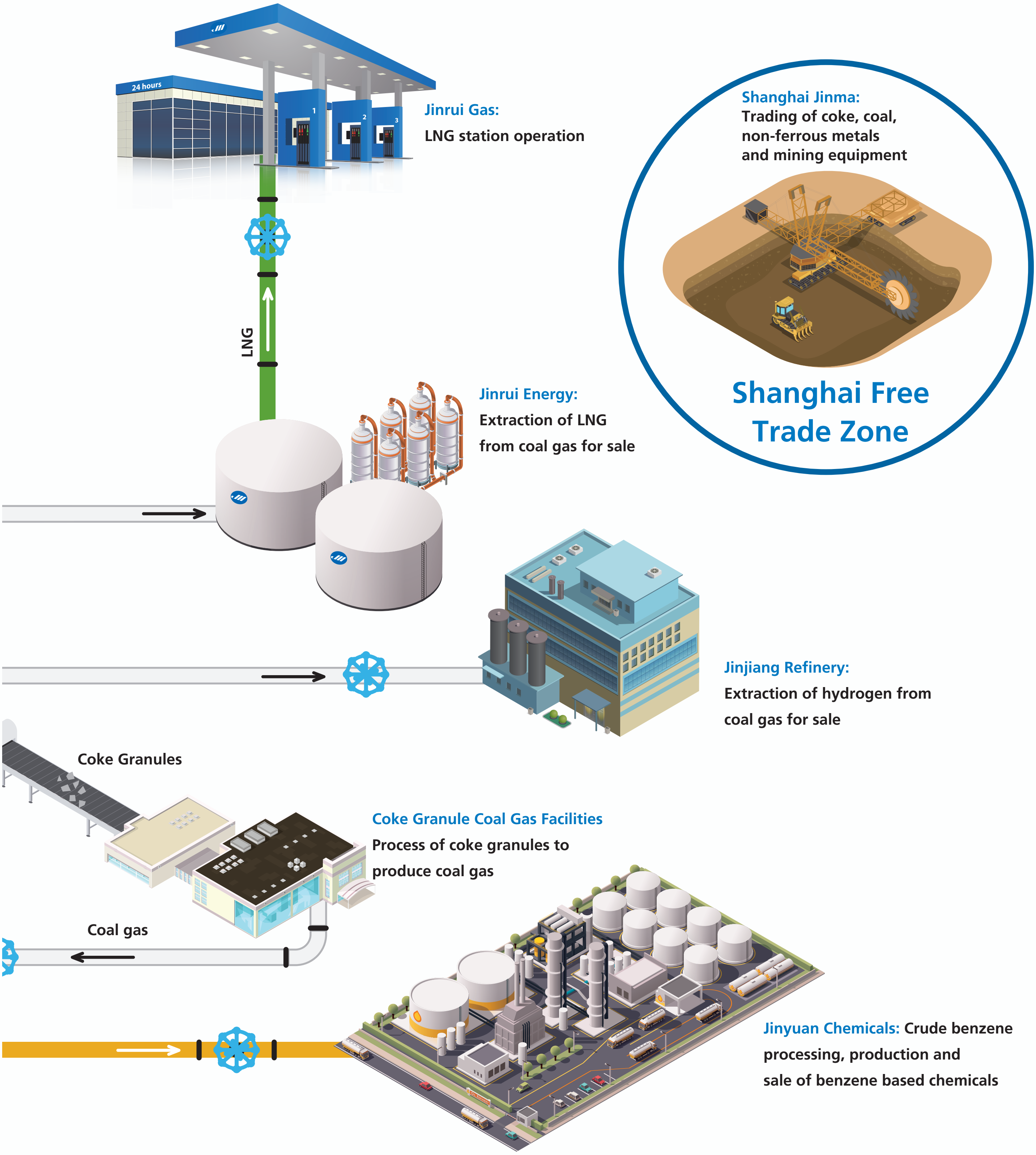
CONTENTS

GROUP PROFILE

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



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


24 hours
Jinrui Gas:
LNG station operation
Shanghai Jinma:
Trading of coke, coal,
non-ferrous metals
and mining equipment
Shanghai Free
Trade Zone
LNG
Jinrui Energy:
Extraction of LNG
from coal gas for sale
Jinjiang Refinery:
Extraction of hydrogen from
coal gas for sale
Coke Granules
Coke Granule Coal Gas Facilities
Process of coke granules to
produce coal gas
Coal gas
Jinyuan Chemicals: Crude benzene
processing, production and
sale of benzene based chemicals

MILESTONES

Steady Distribution of Dividends for Three Years Consecutively

Despite the business environment is full of challenges, the Company maintains a steady distribution of dividends for three years consecutively since its listing.

Three-Year Distribution of Dividends

Year	2017	2018	2019
Interim Dividend (RMB)	–	0.05	**0.10**
Final Dividend (RMB)	0.20	0.35	**0.20**
Special Dividend (RMB)	0.08	–	**0.10**
Total (RMB)	0.28	0.40	**0.40**
Average share price during the period	2.75	4.03	**3.85**
Dividend Yield Ratio	10.2%	9.9%	**10.4%**

Note: Dividend Yield Ratio = Dividend paid for the period / Average closing stock price for the period

As a regional leading enterprise in coke production and processing of coking by-products, the Company will continue to expand and broaden its portfolio of products along the coking industrial chain in future, increase production capacity and geographical coverage through merger and acquisition, and optimize the business structure of the Group to achieve stable returns for shareholders.

Corporate Accolades

The Company received the honour of Henan Top 100 Private Enterprises (河南民營企業100強) again in 2019 and ranked 36th, moved up 12 positions on the list when compared with 2018, and ranked 22nd among the Henan Top 100 Private Enterprises in the Manufacturing Industry (河南民營企業製造業100強), moved up 10 positions on the list when compared with 2018, and ranked 4th in the Henan Top 100 Private Enterprises Fulfilling Social Responsibilities (河南民營企業社會責任100強), moved up 2 positions on the list when compared with 2018. Meanwhile, the Company also won the honour of Top 10 Outstanding Social Responsibility Cases of Henan Private Enterprises for its socially beneficial deeds, reflecting the continuous improvements of the Company in the aspects of technological innovation, caring for staff, social charity and environmental protection.

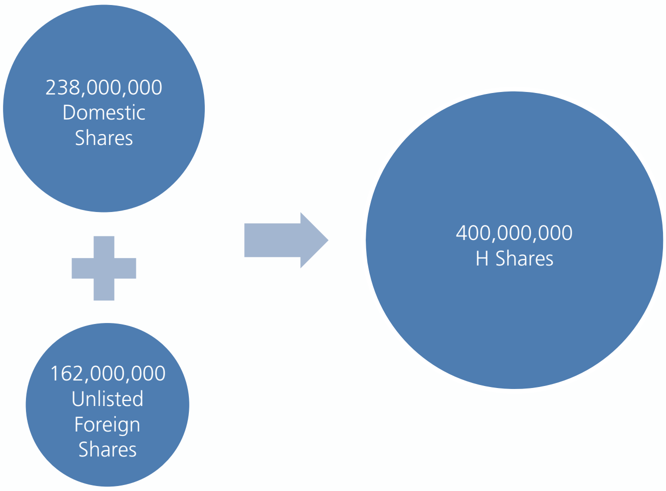
Coking Facilities Upgrade Project

The Group has prepared a coking facilities upgrade project, to upgrade the existing coking furnaces to an advanced coking furnaces with height of 7.65 meters, and at the same time to increase the relevant annual production capacity from 1.0 million tons to 1.8 million tons. The project has been successfully filed with the local government which is in line with national industrial policies. The new coking furnaces will be located at the same chemical industry park and co-produced with the existing coking facilities. The environmental assessment of the project was just approved. The overall construction is expected to be completed towards the end of 2021.

Note: 7.65-meters coking furnaces will be co-produced with the existing coking furnaces.

Application for the Full Conversion into H shares

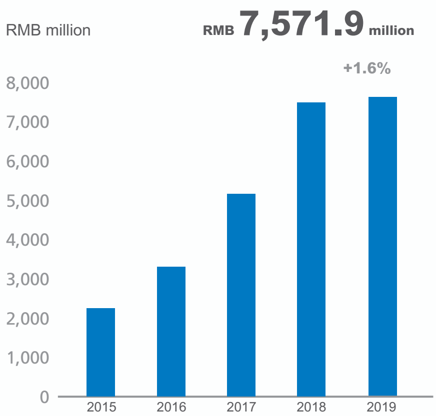
The Company has submitted an application to the China Securities Regulatory Commission ("**CSRC**") on 17 January 2020 requesting for the full conversion of domestic shares and unlisted foreign shares of the Company into H shares. We have received the first written hearing from CSRC, and is being proceeded. Upon obtaining all relevant approvals (including approvals from the CSRC and the Stock Exchange), our unlisted shares will be converted into H shares which are eligible for trading and listing on the Main Board of the Stock Exchange.



FIVE YEAR FINANCIAL HIGHLIGHTS

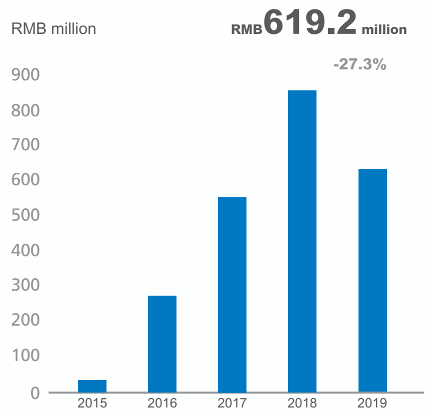
Revenue

For the year ended 31 December



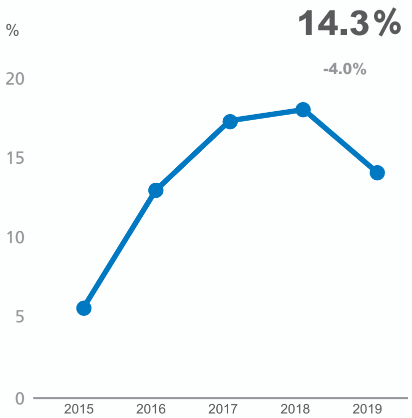
Profit for the year

For the year ended 31 December



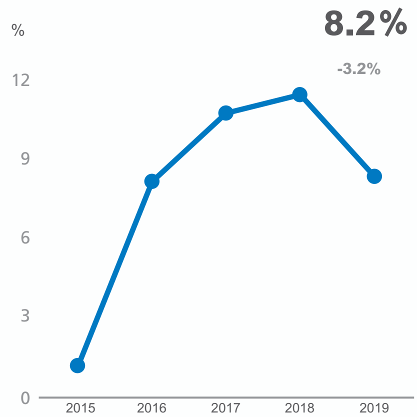
Gross profit margin

For the year ended 31 December



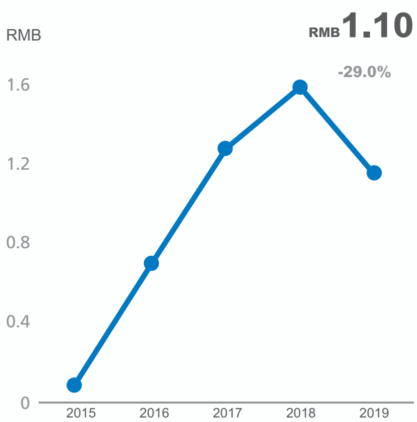
Net profit margin

For the year ended 31 December



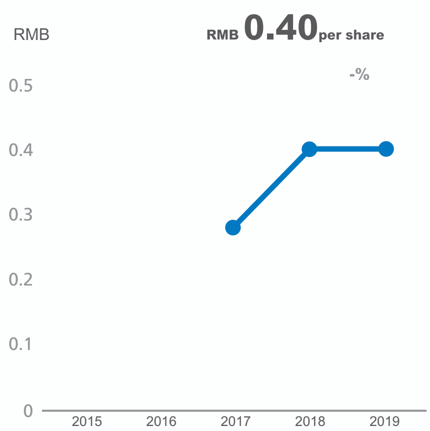
Basic earnings per share

For the year ended 31 December



Dividend per share

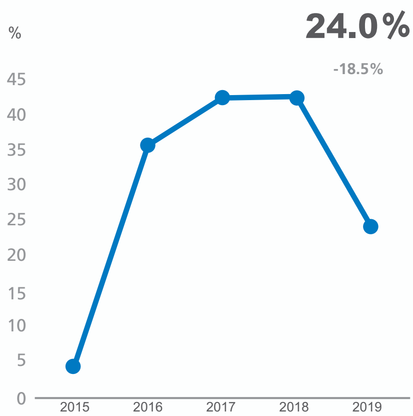
For the year ended 31 December



Note: The above figure shows the dividend distribution of the Company after its listing, including dividends paid in 2017 and 2018, and the 2019 dividends included the paid interim dividend and the final and special dividend recommended by the Board.

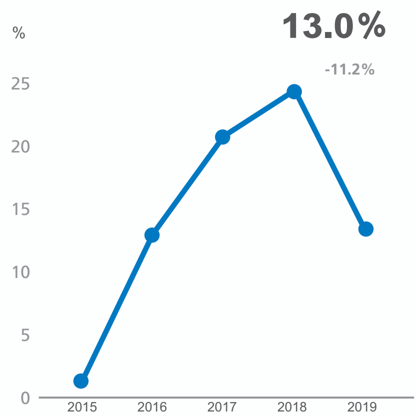
Return on equity

For the year ended 31 December



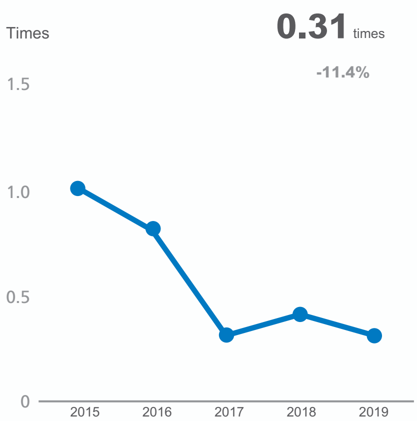
Return on assets

For the year ended 31 December



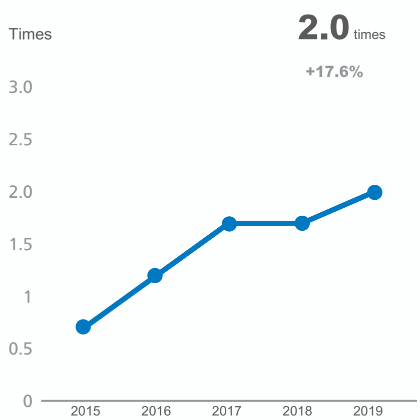
Gearing ratio

For the year ended 31 December



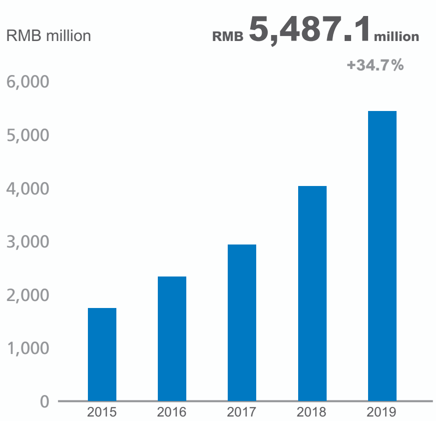
Current ratio

For the year ended 31 December



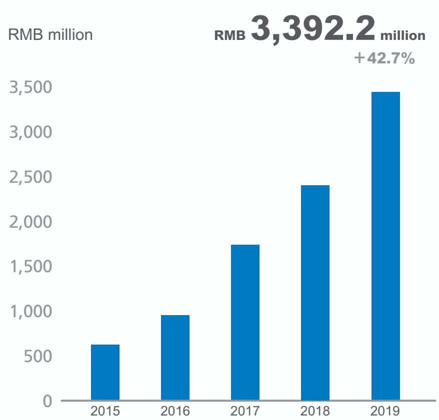
Total assets

As at 31 December



Total equity

As at 31 December



CHAIRMAN'S STATEMENT

I am pleased to present the annual results of the Group for the year ended 31 December 2019 ("**Year**"), the third year after the listing of the Company.

The year 2019 was a turbulent year in global politics and economy. China's economy has made respective adjustments as it could not exempt itself from the current situation. The average selling price of coking products, which represents approximately 50.0% of the Group's revenue, decreased by 7.4% from RMB1,842/ton in 2018 to RMB1,706/ton in 2019. However, with the implementation of relevant production-related policies issued by the government, the average purchase price of coking coal, being the main production raw material of the Group, recorded an increase of approximately 1.3% as compared with that of the same period of 2018. Thus, during the Year, the difference between the average sales price of coke and the purchase price of coking coal dropped by approximately 19.3% as compared with that of 2018, which was the major cause for the decrease of approximately 27.3% to RMB619 million in the Group's profit of the Year.

Overall, the Group's main developments in 2019 are summarized as follows:

- In face with the unstable business operating environment, but benefited from the Company's business positioning and the management's leadership and execution capabilities, the production and sales of the Group maintained the usual stability and achieved full sales of its products. Turnover of inventory and accounts receivables were satisfactory and the Group's finance remained healthy. At the end of 2019, the Group's cash and bank balance amounted to approximately RMB1,698 million, representing an increase of approximately RMB1,115 million as compared with that in the end of 2018. This increase was mainly attributable to the capital of RMB660 million contributed by the joint venture shareholders of Shenzhen Jinma Energy Co., Ltd (深圳市金馬能源有限公司) established by the Group in 2019, and the cash flow derived from the profit after tax of the Year of RMB619 million. Such increase served the purpose of creating a reserve for the investment in the 1.8 million tons/year coking facilities upgrade projects of the Group and for the future uncertain economic situation. The Group's bank borrowings increased by RMB210 million as compared with the end of 2018, while the gearing ratio remained at approximately 0.31 times. During the year 2019, the Group did not have any difficulties in obtaining bank and other borrowings, nor have delayed repayments in any outstanding bank loans and other borrowings.

- In view of a satisfactory performance in the Group's production and sales, the Group's revenue recorded an increase of 1.6% to RMB7,572 million in spite of the decrease in coke prices. This was mainly attributable to a strategic development in the Group's Trading business which revenue increased 33.6% alongside with an increase in gross margin, and the growth in revenue of 25.2% in the Group's Energy Products business resulting from full production of LNG. However, the Refined Chemicals business of the Group was negatively impacted by the global oil price drop and had recorded a drop of 14.1% in revenue.

- The growth in the Group's Trading and Energy Products business partially offset the decrease in the Group's profit resulted from a decrease in product prices of the Group's Coke and Refined Chemicals businesses. The Group's gross margin fell by 4% to 14.3% while net profit margin fell by 3.2% to 8.2%, and the earnings per share decreased by RMB0.45 to RMB1.10 per share.

- While facing the challenges in operations, the Group further strengthened its environmental management and steadily proceeded with laid down environmental-protection construction projects, such as desulfurization waste liquid treatment and comprehensive utilization project, crude benzene hydrogenation capacity expansion project and coke dry quenching power generation project, in particular the 180m^3/h wastewater treatment project that applied international standard technologies and equipment has in turn included one of the world's most advanced reverse osmosis technologies from Israel. We strived to build up an environmental-friendly and high efficiency coking chemical enterprise.

- To cope with the national development strategies of the capital market, and to increase the liquidity of the Company's H shares in the Main Board of the Stock Exchange in Hong Kong in addition to enhancing our market participation, the Company has submitted an application to the China Securities Regulatory Commission ("**CSRC**") on 17 January 2020, requesting for the full conversion of domestic shares and unlisted foreign shares of the Company into H shares. Upon the successful application and obtaining all the relevant approvals, it is expected that the liquidity of H shares of the Company will significantly increase. Company will continuously report the key developments of the application to the shareholders.

Looking forward, China's policies of environmental governance will continuously be strictly implemented, and with the large-scale integration and modernization of its iron and steel industry, these will give rise to the demands for high-quality coke. To match with such development, the Group will continuously invest in the upgrading of its coking production facilities that meet the national requirements for environmental friendly production of high-quality coke. I am also pleased to announce that the upgrade project for the development of two coking furnaces with height of 7.65 meters and annual production capacity of 1.8 million tons has been recently approved by the environment bureau.

With the outbreak of novel coronavirus (COVID-19) now being under control in China, given that the Group's production and sales have not been significantly affected, and further based on the financial results for the year of 2019 and solid financial position of the Group, I am pleased to announce that the Board of the Company recommended, according to the dividend policy formulated by the Company, the payment of a final dividend of RMB0.20 per share to the shareholders of the Company. The Board has also recommended a payment of a special dividend of RMB0.10 per share to show gratitude to all shareholders of the Company for their support and trust in the Company since the outbreak of the novel coronavirus (COVID-19). Together with the final dividend in total of RMB0.30 per share, the dividend for the whole year amounts to RMB0.40 per share. During the three years upon the listing of the Company, the Company has made a total payment of dividends of RMB578 million to all shareholders. As such, with a total payment of RMB1.08 per share as compared with the issue price of HK$3.00 per share, the return ratio for the three years, after tax, was approximately 36.0%.

At the end of 2019, Maanshan Steel (A share stock code: 600808 and H share stock code: 00323), a substantial shareholder who holds 26.89% equity interest of the Company, has become a controlling subsidiary of China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司) ("**China Baowu**"), and thus China Baowu becomes a substantial shareholder of the Company. By production volume in 2018, China Baowu was the world's second largest iron and steel group, and it is directly owned by the State-owned Assets Supervision and Administration Commission of the State Council. The Company expects that this change will bring drive to the Group in its business development and corporate governance that will in turn result in a long-term and sound development for the Group.

We will uphold our principal of "Low Carbon and Green, Circular Development, Transform and Upgrade, and Quality and Efficiency", while continuously adjusting and optimizing the product structure of the Company, extend industrial chain and cultivating new profit growth centers. We will seek changes in midst of stability approach to create attractive returns for our shareholders.

Finally, 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
29 April 2020

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

Capitalizing on the Group's years of operations in the coking chemical industry and the Group's long-term relationships with coal suppliers, the Group also engages in the trading of coal, 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, the Group commenced operation of its LNG production facilities in the first quarter of 2018 and fully launched the production and sale in the third quarter.

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

- **Coke:** which involves the production and sale of coke;
- **Refined chemicals:** which involves the processing of coking by-products into a series of benzene based and coal tar based refined chemicals and sale of these chemicals;
- **Energy products:** which involves the processing of coke oven crude gas into coal gas , extraction of LNG from coal gas and sale of coal gas and LNG; and
- **Trading:** which mainly involves the trading of coal, coke, LNG and nonferrous materials.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE GROUP

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

General Economic Conditions and the Demand in Downstream Industries

The Group sells all its products in the PRC. General economic conditions of the PRC affect the market prices and demands for the Group's products, as well as the prices of coal, the primary raw material for the production of the Group's coke, refined chemicals and energy products. During economic downturns, the average selling prices of the Group's products may decrease and the Group may need to adjust the Group's purchase and sale strategies to adapt to such conditions, such as reducing the Group's purchase of raw materials or engaging in more financing activities to increase the Group's working capital. The Group's trading activities may also decrease during economic downturns. When economic conditions recover, the Group may increase the selling prices of the Group's products along with the increase in market demands and raw material prices. In addition, the Group may increase the Group's prepayments for raw materials in order to secure raw material supplies. The Group's trading activities may also increase as the demands for coke, coal, coal mining equipment, nonferrous materials and natural gas increase when economic conditions recover. The market price for the Group's coke recovered substantially in 2016 and continued to remain stable from 2017 to 2019. The Group's results of operations, working capital position, as well as operating cash flows changed correspondingly as a result.

Sale of the Group's products of coke, LNG and refined chemical depend primarily on the domestic consumption of such products by the iron and steel industry and the chemical industry. Coke is a key raw material used in the production of iron and steel, while refined chemicals are mainly used as raw materials in various downstream industries such as rubber, textiles and pharmaceutical industries and LNG is mainly provided for the use in the production in surrounding industrial parks and for supplying gas to logistics customers, heavy trucks and buses at gas stations. Coking refined chemicals are often taken as cost-competitive substitutes for petroleum-based refined chemicals in China as it has rich coal resources, the price of which is relatively cheaper than petroleum resources. Therefore, the demand and pricing for the Group's refined chemicals are also affected by the petroleum price and the development in the petrochemical industry.

Prices of the Group's Raw Materials and Products

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

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

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

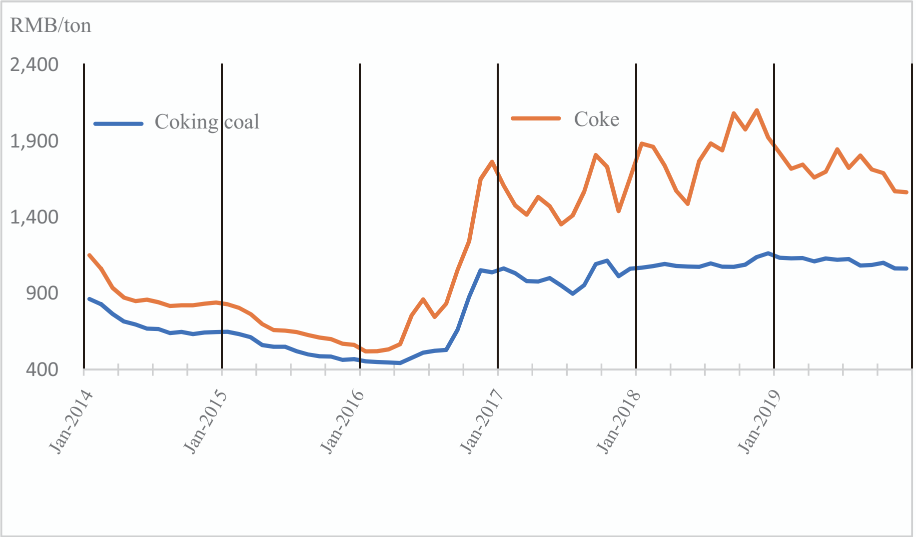
The following table sets forth the average selling price (net of VAT) of each of the Group's principal products during 2019 and 2018 according to the Group's internal records.

	Year ended 31 December	
	2019 Average selling price(1)	2018 Average selling price(1)
	RMB/ton (except coal gas in RMB/m^3)	RMB/ton (except coal gas in RMB/m^3)
Coke	**1,705.90**	1,842.10
Coke	**1,784.30**	1,937.10
Coke breeze	**941.10**	1,062.00
Refined Chemicals		
Benzene based chemicals	**4,311.40**	5,400.00
Pure benzene	**4,352.40**	5,667.90
Toluene	**4,631.10**	5,102.80
Coal tar based chemicals	**3,066.20**	3,389.00
Coal asphalt	**3,060.80**	3,458.90
Anthracene oil	**2,784.00**	2,916.30
Industrial naphthalene	**3,693.80**	4,300.70
Energy Products		
Coal gas	**0.71**	0.69
LNG	**3,735.40**	3,885.16

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

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

Increases or decreases in the prices of coal may not immediately result in changes in the prices of the Group's products or vice versa. In a rising market for the Group's products, the Group may benefit from the widening spread between the prices of raw materials and the Group's products. While in a falling market for the Group's products, the Group may suffer from the narrowing spread. Following the second half of 2016 when the price spread between the Group's purchase of coal and sale of coke widened, the spread continued to expand in 2017 and sustained in 2018 and remained stable in 2019, while fell from the highest average spread in the past 5 years from 2018, thus the Group's profitability still remained stable. The following chart shows the average purchase price of coking coal and the average selling price of coke (net of VAT) from 2014 to 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 and iron and steel. The Group believes the Group is generally able to negotiate the prices of the Group's products and raw materials taking into account market price fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS

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. The business of the Group in 2019 remained stable, with production capacity utilization rate of each of the principal products substantially maintained. Full sales of the Group has been consistently achieved with revenue of the Group. In the year 2019, the capacity Group's production capacity for coke was approximately 2.1 million tons (on a moist-free basis) per annum, and the Group's processing capacity for crude benzene and coal tar was approximately 120,000 tons and 180,000 tons per annum, respectively. At the same time, the Group's production capacity for coal gas was approximately 1,000 million m^3 per annum, for self use (including the use in production of LNG) and sales, while the production capacity of LNG production facilities was approximately 123.0 million m^3 per annum.

Access to and Cost of Financing

In addition to cash generated from the Group's operations, the Group financed the Group's operations and capital expenditures primarily through bank and financial institution borrowings during the period. The Group's interest-bearing borrowings for the years ended 31 December 2019 and 2018 were approximately RMB1,043.5 million and RMB833.6 million, respectively. The Group's finance costs for the years ended 31 December 2019 and 2018 were approximately RMB54.3 million and RMB48.3 million, respectively, accounting for approximately 0.7% and 0.6% of the Group's total revenue for the respective periods. The increased borrowings at the end of 2019 relative to end of 2018 aims to enhance liquidity and provide reserve for future development of the Company. The finance cost increased mainly due to the increases in long-term and short-term borrowing facilities during 2019 as compared to 2018. The Group's ability to pay the interest incurred with respect to the borrowings, or repay or refinance the Group's borrowings could have an impact on the financial position and operation results of the Group.

RESULTS OF OPERATIONS

Consolidated Statements of Profit or Loss and Other Comprehensive Income

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**7,571,945**	7,451,793
Cost of sales	**(6,490,863)**	(6,090,402)
Gross profit	**1,081,082**	1,361,391
Other income	**45,784**	8,883
Other gains and losses	**(7,748)**	(898)
Impairment losses under expected credit loss model, net of reversal	**2,737**	(12,513)
Selling and distribution expenses	**(143,250)**	(83,008)
Administrative expenses	**(100,449)**	(93,465)
Finance costs	**(54,265)**	(48,300)
Share of result in a joint venture	**3,949**	4,614
Share of result in an associate	**(240)**	(192)
Profit before tax	**827,600**	1,136,512
Income tax expense	**(208,353)**	(284,280)
Profit for the year	**619,247**	852,232
Other comprehensive expense:		
Item that may be reclassified subsequently to profit or loss:		
Fair value income (loss) on:		
bills receivables at fair value through other comprehensive income (FVTOCI)	**914**	(1,884)
Total comprehensive income for the year	**620,161**	850,348
Profit for the year attributable to:		
– Owners of the Company	**587,202**	832,408
– Non-controlling interests	**32,045**	19,824
	619,247	852,232
Total comprehensive income attributable to:		
– Owners of the Company	**588,116**	830,524
– Non-controlling interests	**32,045**	19,824
	620,161	850,348
Earnings per share (RMB)		
– Basic	**1.10**	1.55

Consolidated Financial Information

- **Revenue and gross profit margin**

  The Group's revenue increased by approximately RMB120.1 million or approximately 1.6% from approximately RMB7,451.8 million in 2018 to approximately RMB7,571.9 million in 2019. The business of the Group in 2019 remained stable, with production capacity utilization rate of each of the principal products substantially maintained. Full sales of the Group has been consistently achieved with revenue of the Group. Facing the economic adjustment in China in 2019, the sales price of each of the principal products of the Group decreased, which affected the revenue and gross profit, leading to a decrease in gross profit margin of the Group from 18.3% in 2018 to 14.3% in 2019.

- **Other Income**

  Other income increased by approximately RMB36.9 million or approximately 414.6% from approximately RMB8.9 million in 2018 to approximately RMB45.8 million in 2019. The significant increase was mainly due to the increase in interest income from bank deposits of approximately RMB7.9 million, and also an increase in government subsidies in relation to businesses of the Coking and Refined Chemicals segments of approximately RMB4.8 million.

- **Other gains and Losses**

  Other gains and losses further decreased by approximately RMB6.8 million or approximately 755.6% from the net loss of approximately RMB0.9 million in 2018 to the net loss of approximately RMB7.7 million in 2019. The loss was mainly due to the measurement in fair value and fair value loss of bills receivables measured at fair value through other comprehensive income is reclassified to other gain and loss; and due to loss in impairment of goodwill.

- **Impairment losses under expected credit loss model, net of reversal**

  Impairment loss of the Group in 2018 was approximately RMB12.5 million, which was attributable to the impairment allowance wrote back in part in the period resulting in a reversal of net impairment of approximately RMB2.7 million, this mainly reflected the expected allowance for credit risk in respect of trade and other receivables in 2019 decreased significantly comparing with the amount of impairment allowance last year.

- **Selling and Distribution Expenses**

  Selling and distribution expenses increased by approximately RMB60.3 million or approximately 72.7% from approximately RMB83.0 million in 2018 to approximately RMB143.3 million in 2019. The increase was primarily due to transportation expenses of certain coke sale were transferred to the Group in 2019.

- **Administrative Expenses**

  Administrative expenses increased by approximately RMB6.9 million or approximately 7.4% from approximately RMB93.5 million in 2018 to approximately RMB100.4 million in 2019. The increase was primarily due to the increase in employee's salaries and professional service fees for new projects, amortization of newly acquired land and bank surcharges.

- **Finance Costs**

  Finance costs increased by approximately RMB6.0 million or approximately 12.4% from approximately RMB48.3 million in 2018 to approximately RMB54.3 million in 2019. The increase was mainly due to the increase in long-term and short-term borrowing facilities during 2019 as compared to 2018.

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

  Share of result in a joint venture decreased by approximately RMB0.7 million or approximately 15.2% from approximately RMB4.6 million in 2018 to approximately RMB3.9 million in 2019. The decrease was mainly attributable to the maintenance of the joint venture's production facilities for over two months in mid-2019, yet its production and sales gradually returned to a normal level subsequently.

- **Profit Before Tax**

  As a result of the foregoing, the Group's profit before tax decreased by approximately RMB308.9 million or approximately 27.2% from approximately RMB1,136.5 million in 2018 to approximately RMB827.6 million in 2019.

- **Income Tax Expense**

  Income tax expense decreased by approximately RMB75.9 million or approximately 26.7% from approximately RMB284.3 million in 2018 to approximately RMB208.4 million in 2019. The significant decrease was primarily due to the decrease in the Group's profit for the period.

- **Other Comprehensive Income/(loss)**

  Other comprehensive loss in 2018 was approximately RMB1.9 million, and the changes on bills receivables measured at fair value through other comprehensive income at the end of 2019 was approximately RMB0.9 million.

- **Total Comprehensive Income for the Year**

  As a result of the foregoing, the Group's total comprehensive income decreased by approximately RMB230.1 million or approximately 27.1% from approximately RMB850.3 million in 2018 to approximately RMB620.2 million in 2019. The Group's net profit margin decreased from approximately 11.4% in 2018 to approximately 8.2% in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Segment Result

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

	Year ended 31 December							
	Segment revenue		Segment gross profit		Segment gross profit margin		Percentage in total revenue of the Group	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**%**	%	**%**	%
Coke	**3,786,355**	4,083,200	**838,800**	1,137,132	**22.2**	27.8	**50.0**	54.8
Refined Chemicals	**1,214,273**	1,413,992	**65,547**	120,411	**5.4**	8.5	**16.0**	19.0
Energy Products	**450,860**	360,196	**120,668**	93,789	**26.8**	26.0	**6.0**	4.8
Trading	**2,094,878**	1,568,000	**60,619**	25,657	**2.9**	1.6	**27.7**	21.0

Both revenue and gross profit margin of Coke and Refined Chemicals of the Group in 2019 decreased, mainly because demand and price dropped as a result of the economic adjustment in China, in which the highest average sales price of coke in the past five years decreased by 7.4% from RMB1,842 in 2018 to RMB1,706 in 2019. Due to related production policy of the government, the average purchase price of coking coal, which is the principal raw material of the Group recorded an increase of 1.3% in 2019, comparing that of the same period in 2018, leading to a drop in gross profit margin of 5.6% to 22.2% in 2019. For Refined Chemicals, also as the overall decline in the global oil price, its segment gross profit margin recorded a relatively significant decrease, from 8.5% in 2018 to 5.4% in 2019.

For the energy products segment, the production capacity utilization rate of the natural gas facilities was approximately 60% only in terms of the whole year despite of its full operation in 2019. In addition, due to the abundant supply in global natural gas market, the average wholesale selling price of natural gas decreased by approximately 15%, comparing to 2018, as a result, the gross profit margin of energy products segment could maintain at approximately 26.8% only.

Facing the market adjustment, revenue of the Trading segment in 2019 increased to approximately RMB2,094.9 million, while gross profit margin of the segment increased from 1.6% in 2018 to 2.9% in 2019, thanks to the modes of strategic cooperation with certain customers in the Coal Trading business.

FINANCIAL POSITION

Financial Resources

In 2019, the Group's major financial resources were funded by the proceeds from the sales of the Group's products, shareholders' equity and borrowings from bank and financial institutions. The Directors have confirmed that the Group did not experience any liquidity problems in 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 consolidated statement of cash flows for the periods:

	Year ended 31 December	
	2019	2018
	RMB' 000	RMB' 000
Net cash from operating activities	**1,071,691**	466,897
Net cash used in investing activities	**(506,108)**	(388,488)
Net cash from financing activities	**549,201**	22,527
Net increase in cash and cash equivalents	**1,114,784**	100,936
Cash and cash equivalents at the beginning of the year	**583,157**	481,704
Impact of change in exchange rate	**(125)**	517
Cash and cash equivalents at the end of the year, representing bank balances and cash	**1,697,816**	583,157

- **Cash Flow from Operating Activities**

  The Group's net cash from operating activities of approximately RMB1,071.7 million for 2019 was primarily attributable to (i) the Group's operating cash flows before movements in working capital of approximately RMB935.3 million; (ii) increase in trade and other receivables of approximately RMB89.2 million; (iii) decrease in amounts due from related parties of approximately RMB18.9 million, mainly resulting from faster recovery of amounts due from related parties; and (iv) increase in trade and other payables of approximately RMB290.9 million. Yet the net cash inflow from operating activities are partially offset by (v) slight increase in inventories of coke of approximately RMB22.2 million; (vi) increase in amounts due from a shareholder of approximately RMB20.0 million; and (vii) decrease in contract liabilities of approximately RMB22.3 million; and (viii) income tax paid of approximately RMB259.3 million.

- **Cash Flow from Investing Activities**

  The Group's net cash used in investing activities of approximately RMB506.1 million for 2019 was primarily due to (i) acquisition of property, plant and equipment or payment of deposit for production and environmental protection facilities of approximately RMB525.6 million; (ii) payment of approximately RMB28.5 million in relation to acquisition projects, yet partially offset by net withdrawal of approximately RMB16.0 million from restricted bank balances and interest received for approximately RMB12.8 million.

- **Cash Flow from Financing Activities**

  The Group's net cash from financing activities of approximately RMB549.2 million in 2019 was primarily due to a net increase in bank and other borrowings of approximately RMB209.9 million and a capital contribution from the controlling equity interest of a subsidiary of RMB660.0 million; yet partially offset by payment of dividends of approximately RMB261.2 million and interest expenses of approximately RMB52.7 million.

Liabilities

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

	As at 31 December		
	2019	2018	Increase/ (decrease)
	RMB'000	RMB'000	RMB'000
Bank borrowings	**1,043,520**	833,620	209,900
Secured	**132,020**	229,620	(97,600)
Unsecured	**911,500**	604,000	307,500
	1,043,520	833,620	209,900
Fixed-rate borrowings	**559,000**	450,000	109,000
Floating-rate borrowings	**484,520**	383,620	100,900
	1,043,520	833,620	209,900
Carrying amount repayable (based on scheduled payment terms)			
Within one year	**677,600**	596,600	81,000
More than one year, but not more than two years	**90,100**	152,600	(62,500)
More than two years, but not more than five years	**275,820**	84,420	191,400
	1,043,520	833,620	209,900
Less: Amount due shown under current liabilities	**(677,600)**	(596,600)	(81,000)
	365,920	237,020	128,900

The Group's bank borrowings in 2019 and 2018 were all borrowings denominated in Renminbi. As at 31 December 2019, RMB132.0 million of the Group's borrowings were secured by the Group's land use rights. All remaining secured borrowings were credit borrowings. As at 31 December 2018, RMB229.6 million of the Group's borrowings were secured by the Group's land use rights. All remaining secured borrowings were credit borrowings. As at 31 December 2019 and 2018, the Group did not have any bank and other borrowings which were guaranteed by third parties and the Group's related parties.

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

	As at 31 December	
	2019	2018
Effective interest rate:		
– Fixed-rate borrowings	**4.61% - 6.75%**	4.57% - 6.75%
– Floating-rate borrowings	**4.79% - 6.30%**	4.79% - 6.20%

As at 31 December 2019, the Group had obtained banking facilities in an aggregate amount of approximately RMB1,424.0 million (2018: RMB1,159.0 million), of which total amount of approximately RMB380.5 million (2018: RMB160.0 million) is still available for use. As at 31 December 2019, the Group had total outstanding bank borrowings of approximately RMB1,043.5 million (2018: RMB833.6 million). The Group intends to refinance the Group's bank borrowings or repay the Group's bank borrowings as and when they fall due with the Group's internally generated funds (Refinancing has been achieved for bank borrowings of RMB540.0 million falling due in 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 31 December 2019 and up to the date of this annual report. As at 31 December 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 year ended 31 December 2019, the Group was not subject to any material covenant on any of the Group's outstanding debt and, during 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.

FINANCIAL RATIOS

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

	As at 31 December	
	2019	2018
Gearing ratio	**0.31x**	0.35x
Return on equity	**24.0%**	42.5%
Return on assets	**13.0%**	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 decreased in 2019, mainly due to the fact that the Group introduced capital of joint venture partners in addition to bank borrowings for the purpose of in respect of 1.8 million tons per year for coking facilities upgrade projects and also as a reserve for the uncertainty of future economic situation.

Return on Equity

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

The Group's return on equity decreased from 2018 to 2019 was due to a decrease in the Group's profit primarily driven by a the falling prices of coke.

Return on Assets

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

The Group's return on assets decreased from 2018 to 2019 was mainly due to the decrease in profit of the Group.

CONTRACTUAL OBLIGATIONS AND CAPITAL EXPENDITURE

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but without provision in the consolidated financial statements	**462,836**	62,042

The Group's capital commitments for the year ended 31 December 2019 primarily relate to the construction of the Group's construction project to upgrade coke dry quenching and coking facilities of 1.8 million tons per annum. The Group expects to fund such capital commitments principally by the net proceeds from the listing of the Company's shares on the Hong Kong Stock Exchange, bank loans and cash generated from the Group's operations.

Other than the transactions described in the above table, as at 31 December 2019, the Group had no other material contractual commitments.

OFF-BALANCE SHEET ARRANGEMENTS

The Group did not have any material off-balance sheet arrangements as at 31 December 2019. Specifically, the Group has not entered into any derivative contracts that are indexed to the Group's shares and classified as shareholders' equity, or that are not reflected in the Group's consolidated financial statements. Furthermore, the Group does not have any retained or contingent interests in assets transferred to an unconsolidated entity to serve as credit, liquidity or market risk support for such entity. Moreover, the Group does not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to the Group or engages in leasing, hedging or research and development services with the Group.

CONTINGENT LIABILITIES

During 2019, the Group endorsed certain bills receivables for the settlement of the Group's trade and other payables. The Directors are of the opinion that the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practices in the PRC. The Company's Directors consider that the risk of the default in payment of the endorsed and discounted bills receivables is low because all endorsed and discounted bills receivables are issued and guaranteed by reputable PRC banks. As a result, the relevant assets and liabilities were not recognized in the Group's financial statements. The Group's maximum exposure that may result from the default of these endorsed and discounted bills receivables as at the dates indicated are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Endorsed bills for settlement of payables	**2,685,318**	2,665,785
Discounted bills for raising cash	**180,846**	–
Outstanding endorsed and discounted bills receivables with recourse	**2,866,164**	2,665,785

Save as disclosed above and as at 31 December 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 Company's Directors confirmed that there has not been any material changes in the contingent liabilities of the Group since 31 December 2019 up to the date of this annual report.

SUBSEQUENT IMPORTANT EVENTS AND OTHER COMMITMENTS

Details of subsequent important events of the Group are set out in note 49 to the consolidated financial statements.

From the end of reporting period to the date of this annual report, the Group had no other commitments.

MARKET RISKS

Market risk is the risk of loss related to adverse changes in market prices. The Group is exposed to various types of market risks, including commodity price and liquidity risks, in the normal course of the Group's business. The Group aims to minimize risk through discipline operating and financial activities. During 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 (HK$11.4 million and HK$12.8 million as at 31 December 2019 and 2018 respectively) pending remittance back to China, the Group has no exposure to significant exchange risks as all its operations are within China where there are no foreign currencies transactions, assets or liabilities.

Commodity Price Risk

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

Interest Rate Risk

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

As at 31 December 2019, the Group had fixed-rate borrowings in the amount of approximately RMB559.0 million (2018: RMB450.0 million).

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

Credit Risk

In the event that the Group's counterparties fail to perform their obligations, the Group's exposure to credit risk in relation to each class of recognized financial assets as at 31 December 2019 is the carrying amount of those assets stated in the consolidated statements of financial position, and the maximum outstanding amount of contingent liabilities as disclosed in the consolidate financial statement.

The Group mainly conducts transactions with high quality customers that the Group has established long-term relationship with. When transacting with new customers, the Group generally requests advanced payment before the Group's goods are delivered. In order to minimize the credit risk, the Group's management continues to monitor the level of risk exposure to ensure that the Group can recover any overdue debts. In addition, the Group review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are provided for irrecoverable amounts. In this regard, the Directors are of the view that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk in trade receivables and amounts due from Shareholders and trading amounts due from related parties, with over 63% and 70% of exposure concentrated in five largest outstanding balances for the years ended 31 December 2019 and 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 creditors are exposed to heightened default risk when the Group's multiple liabilities mature in rapid succession, which may impose higher-than-normal stress onto the working capital. As a result, it may cause short-term liquidity problems if the Group fails to refinance in time or manage the Group's liquidity effectively. In the management of the Group's liquidity risk, the Group's management monitors and maintains an adequate, but not excessive level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In 2019, both long-term and short-term borrowing facilities of the Group have increased.

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

	As at 31 December 2019						
	Weighted average interest rate	Carrying amount	On demand or within 6 months	6 months to 1 year	1 year to 5 years	>5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.61%-6.75%	1,043,520	475,160	236,456	396,189	–	1,107,805
Lease payables	5.88%-5.96%	5,656	725	990	2,431	3,633	7,779
Trade and other payables	N/A	873,643	873,643	–	–	–	873,643
Amounts due to related parties	N/A	197	197	–	–	–	197
		1,923,016	1,349,725	237,446	398,620	3,633	1,989,424

	As at 31 December 2018					
	Weighted average interest rate	Carrying amount	On demand or within 6 months	6 months to 1 year	1 year to 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.57%-6.75%	833,620	410,058	215,291	251,566	876,915
Trade and other payables	N/A	629,747	629,747	–	–	629,747
Long term payables	4.75%	9,970	–	–	11,200	11,200
Amounts due to related parties	N/A	409	409	–	–	409
		1,473,746	1,040,214	215,291	262,766	1,518,271

NO MATERIAL ADVERSE CHANGE

Although some parts of China have implemented restrictions due to COVID-19 since late 2019, the Board considered that it has no material impact on the operation and sales of the Group based on the available information recently. Therefore, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2019 and up to the date of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company had distributable reserves (i.e. retained profits) of RMB1,288.5 million (2018: RMB1,068.8 million).

For the year ended 31 December 2019, the Company had no immediate plan to distribute the retained profits of the Company accumulated prior to the year 2019.

DIVIDEND AND DIVIDEND POLICY

On 18 October 2019, the Company declared an interim dividend for the six months ended 30 June 2019 of RMB0.10 per share (2018: an interim dividend of RMB0.05 per share) in the total amount of RMB53,542,000, which was fully paid by 19 November 2019. On 25 March 2020, the Company declared a final dividend of RMB0.20 per share and a special dividend of RMB0.10 per share, in a total amount of RMB0.30 per share and in an aggregate amount of RMB160,626,000. A total dividend of RMB0.4 was declared for the year ended 31 December 2019 in the total amount of RMB214,168,000. The final dividend and the special dividend are subject to the approval of shareholders at the forthcoming annual general meeting.

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

MAJOR DEVELOPMENTS

The Group's strength in coking operations has in the past enabled the Group to extend the Group's engagement in the coking chemical value chain of the coal chemical industry through the acquisition of companies engaging in the production of upstream and downstream products in coking operations. As such, the Group actively expanded its business benzene based chemicals, coal tar based chemicals as well as coal gas and LNG. Following the launch of the capacity expansion plan of benzene based and coal tar based chemicals as well as the capacity enhancement plan of environment protection facilities in 2018, the Group will further expand and deepen its involvement in the coking chemical value chain in 2020.

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 31 December 2019. Further details in respect of the formation of the joint venture are set out in the Company's circular dated 25 February 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Production Facilities

- **Coking facilities upgrade projects of 1.8 million tons per year**

  The project is mainly about upgrading the existing two coking furnaces with height of 4.3-meters to an advanced coking furnaces with height of 7.65-meters and at the same time to increase the relevant annual production capacity from 1 million tons to 1.8 million tons. The project has been successfully filed with the local government and is in line with national industrial policies. The new coking furnaces will be located at the same chemical industry park and co-produce with the existing coking facilities. The environmental assessment of the project has commenced and is approved in the second quarter of 2020. The overall construction is expected to be completed towards the end of 2021. Total investment of the project was anticipated to be approximately RMB2.36 billion. Ordering of principal equipment has been started, which initial contribution was approximately RMB21.5 million.

- **Desulfurization Waste Liquid Treatment and Comprehensive Utilization Project**

  The project is about the desulfurization waste liquid generated from desulfurization in the course of coke production and its use as raw material to process into concentrated sulfuric acid. In addition to the saving of handling fee of waste liquid, with an annual production of concentrated sulfuric acid of approximately 29,000 tons, an output value of RMB10 million could be achieved. Currently, the total investment amounted to approximately 80 million. As of the end of December 2019, the investment of the project amounted to RMB 26.5 million. Land construction and equipment installation are now basically completed and trial production is expected to be carried out in the second quarter of 2020.

- **Crude Benzene Hydrogenation Capacity Expansion Project**

  The main objective of the project is expanding the Group's processing capacity of crude benzene, from 120,000 tons to 200,000 tons per annum. With enhancement of the automatic processing procedure, including delivery of raw material and products, the estimated total investment is currently increased to approximately RMB80 million. For the year ended 2019, the investment of the project amounted to RMB45.7 million. Trial production of new facilities is expected to be carried out in the second quarter of 2020.

Environment Protection Facilities

- **Coke Dry Quenching Power Generation Project**

  The project has been commenced in the third quarter of 2018, and the estimated total investment amounted to approximately RMB 150 million. For the year ended December 2019, the Group invested RMB78.4 million and expected to carry out trial production in the second quarter of 2020. With the commencement of the project, quality of coke products will obviously enhance with less emission of pollutants, which better addresses the requirement of the environmental protection authority.

- **180 m^3/h Wastewater Treatment Project**

  Due to the use of coke dry quenching facilities, the Group planned to invest RMB100 million in the new wastewater treatment project. Technology applied and facilities used meet the international standard, including one of the most advanced reverse osmosis technologies of Israel, with which processing capacity reached 180 m3/h. Currently, investment on land construction is approximately RMB5.3 million. Constructions of the project have been commenced by the advanced processing unit and is expected to be ready for operation around the end of 2020.

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

NET PROCEEDS FROM THE LISTING OF THE COMPANY

The net proceeds from the listing of the Company (after deducting underwriting fees and other estimated expenses in connection with the global offering of the Company's shares) was approximately HK$358.7 million (equivalent to approximately RMB321.0 million). The Company has utilized the proceeds raised from the listing in accordance with the intended purposes as stated in the prospectus of the Company issued on 26 September 2017.

Analysis on the comparison between intended use of the net proceeds from the listing as disclosed in the prospectus and the actual use of such net proceeds from the Listing Date to 31 December 2019 and 31 December 2018 is set out below:

Business purpose as disclosed in the prospectus	Intended use of net proceeds		Actual use of net proceeds from the Listing Date to 31 December 2018	Unutilised net proceeds as at 31 December 2018	Actual use of net proceeds from the Listing Date to 31 December 2019	Unutilised net proceeds as at 31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LNG project – coke granules coal gas facilities	128,400	40%	128,400	–	128,400	–
LNG project – LNG production facilities	32,100	10%	32,100	–	32,100	–
Dry quenching facility for coking furnaces 1 and 2	128,400	40%	2,000	126,400	49,716	78,684
Working capital and other corporate purposes	32,100	10%	32,100	–	32,100	–
	321,000	100%	194,600	126,400	242,316	78,684

EMPLOYEES AND REMUNERATION

As at 31 December 2019, the Group had a total of 1,585 employees (2018: 1,508), including 17 senior management (2018: 18), 57 middle management (2018: 50) and 1,511 ordinary employees (2018: 1,440). For the year ended 31 December 2019, the staff cost of the Group amounted to approximately RMB134.6 million as compared to approximately RMB127.5 million for the same period last year.

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

Emoluments were within the following bands:

	Number of senior management	
	2019	2018
Nil to Hong Kong Dollar ("HK$") 1,000,000	**9**	10
HK$1,000,001 to HK$1,500,000	**2**	1

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

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

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

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

Corporate Governance Code and the Articles of Association

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

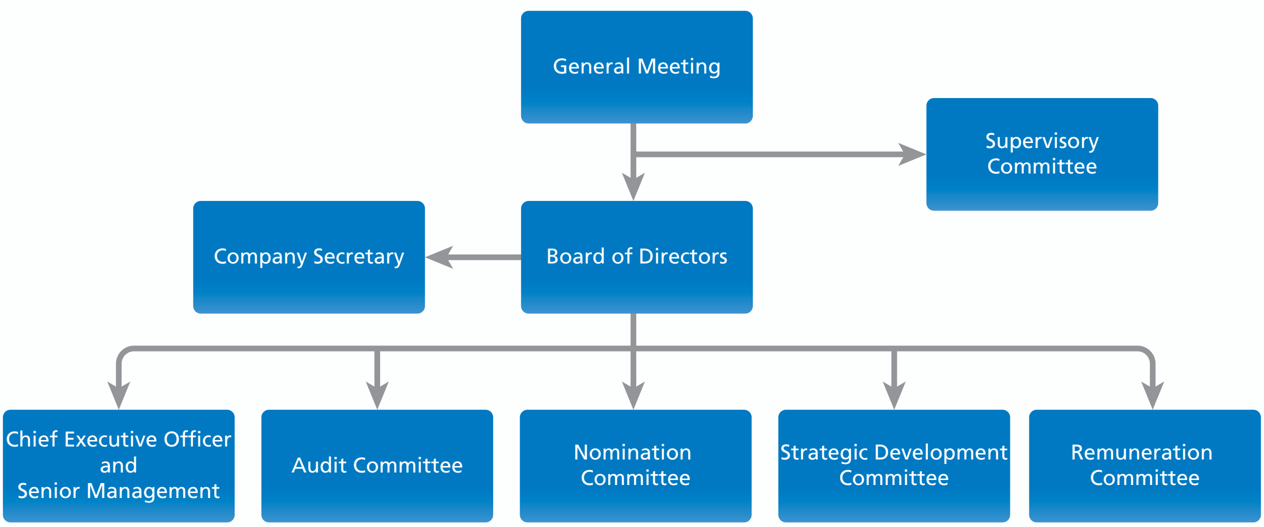
Meanwhile, the Company has also adopted the Corporate Governance Code (the "**Code**") in Appendix 14 of the Listing Rules, and formulated a series of rules (such as Internal Audit Rules, Internal Control Evaluation Rules, Compliance Management Rules, Authorization Management Rules and External Investment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

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

During the year ended 31 December 2019, the Company had complied with all the code provisions under the Corporate Governance Code in Appendix 14 of the Listing Rules.

Corporate Governance Functions

The corporate governance structure of the Company is as follows:



CORPORATE GOVERNANCE REPORT

The Board is responsible for performing corporate governance functions. During 2019, the Board has performed the following responsibilities in relation to corporate governance functions (for details, please refer to the summary of the main work performed by the Board in 2019 in this report (Page 36)):

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

Securities Transactions by Directors

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

Board of Directors

The 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. 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 from 15 May 2019 to the conclusion of the annual general meeting for the year ending 31 December 2021 (both days inclusive). 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. Qiu Quanshan
Ms. Ye Ting (appointed on 18 October 2019)
Mr. Wang Zhiming (resigned on 18 October 2019)

Independent Non-executive Directors
Mr. Zheng Wenhua
Mr. Liu Yuhui
Mr. Wu Tak Lung

In order to fill the vacancy published in the Company's announcement dated 19 July 2019 regarding the resignation of Mr. Wang Zhiming, Ms. Ye Ting has been appointed as a non-executive Director of the Company, for a term from 18 October 2019 to the expiration of the term of the current session of the Board. The remaining two non-executive Directors, namely Mr. Hu Xiayu and Mr. Qiu Quanshan, and three independent non-executive Directors serve a term of three years from 15 May 2019 to the conclusion of the annual general meeting for the year ending 31 December 2021 (both days inclusive). For the biographies of all Directors, please refer to the section headed"Directors, Supervisors and Senior Management"of this annual report (Pages 86 to 92).

CORPORATE GOVERNANCE REPORT

The Board held 6 meetings and passed 5 written resolutions during the year ended 31 December 2019. The attendance of each Director of the Company at board meetings and general meetings for 2019 are as follows:

Directors	Attendance at Board Meetings	Attendance at General Meetings
Executive Directors		
Mr. Yiu Chiu Fai (Chairman)	6/6	3/3
Mr. Wang Mingzhong	6/6	3/3
Mr. Li Tianxi	5/6	2/3
Non-executive Directors		
Mr. Hu Xiayu (Deputy Chairman)	3/6（Note 1）	2/3
Mr. Qiu Quanshan	5/6（Note 1）	2/3
Ms. Ye Ting (appointed on 18 October 2019)	–	–
Mr. Wang Zhiming (resigned on 18 October 2019)	0/6（Note 1）	0/3
Independent non-executive Directors		
Mr. Zheng Wenhua	5/6（Note 1）	2/3
Mr. Liu Yuhui	4/6（Note 2）	0/3
Mr. Wu Tak Lung	4/6（Note 2）	1/3

Notes:

1. The relevant Director appointed an alternate Director to attend one of the relevant Board meetings on his behalf.

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

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

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

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

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

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

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

The Board comprises three independent non-executive Directors, accounting for one-third of the members of the Board. The three independent non-executive Directors are experts in coking, economics and accounting respectively and have appropriate professional qualifications. For the biographical details of each of the Directors, please refer to the section headed "Directors, Supervisors and Senior Management" of this annual report (Pages 86 to 92). Among them, Mr. Wu Tak Lung, chairman of the audit committee, has the appropriate accounting and financial management expertise and experience.

All three independent non-executive Directors have submitted written confirmations to the Company for their independence. For details, please refer to the section headed "Directors' Report" of this annual report (Page 73).

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

Save for entering into service contracts and except as otherwise disclosed in this annual report, none of the Directors, Supervisors and their connected entities had any material transactions, arrangements or contracts with the Company directly or indirectly in 2019.

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

CORPORATE GOVERNANCE REPORT

A summary of the main work performed by the Board in 2019 is as follows:

- approved the working report of the Board and annual results announcement for 2018 of the Company;
- reviewed the auditor's report and annual report for 2018 of the Company;
- approved the interim report and interim results announcement for 2019 of the Company;
- considered and proposed the payment of the final dividend for 2018 and the interim dividend for 2019;
- approved the amendments to the Articles of Association of the Company;
- approved the election of chairman and deputy chairman of the second session of Board of Directors;
- approved the nomination of candidates, for members of the second session of Board of Directors;
- approved the establishment of the second sessions of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategic Development Committee;
- approved the nomination of candidates, for by-election of non-executive Directors;
- approved the re-appointment of secretary of the Board of Directors, chief financial officer, general manager and deputy general manager of the Company;
- approved the application of the conversion of the unlisted shares into overseas listed shares (the "H Shares") to be listed on the Main Board of the Hong Kong Stock Exchange;
- approved the usage of the proceeds raised from listing of the H Shares;
- approved the Company's management procedures on the inside information disclosure;
- considered and proposed the re-appointment of auditor; and
- approved the agenda of the convening of general meetings.

The Company places considerable emphasis on training and the continuous professional development of Directors, and considers that personal development primarily relies on working experiences and requires various supplementary training. In 2019, the Company has encouraged all directors to participate in e-learning programs, and has periodically provided information on the relevant director training programs which had been published on the website of the Hong Kong Stock Exchange. In these training programs, our directors have enhanced their knowledge and skills to ensure they are fully informed and qualified for performing their duties in the Board of Directors. In accordance with the records maintained by the Company, as at 31 December 2019, all Directors have received the training under the code provisions in relation to continuous professional development under the Code.

The participation by each Director in online training programs and continuous professional development for the year ended 31 December 2019 is set out below:

	Topic		
Directors	**ESG governance and reporting**	**Risk management and internal control; ESG Reporting (1) identify and assess risks (2) Managing ESG risks – an investor's perspective**	**Duties of Directors and role and function of Board Committees (1) conflicts of interest (2) Board Committees and Board diversity (3) Complex transactions (4) Practical tips**
Executive Directors			
Mr. Yiu Chiu Fai	√	√	√
Mr. Wang Mingzhong	√	√	√
Mr. Li Tianxi	√	√	√
Non-executive Directors			
Mr. Hu Xiayu	√	√	√
Mr. Qiu Quanshan	√	√	√
Ms. Ye Ting (appointed on 18 October 2019)	√	√	√
Mr. Wang Zhiming (resigned on 18 October 2019)	√	–	–
Independent non-executive Directors			
Mr. Zheng Wenhua	√	√	√
Mr. Liu Yuhui	√	√	√
Mr. Wu Tak Lung	√	√	√

Audit Committee

The Board has established the Audit Committee.

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

The Audit Committee held three meetings during the year ended 31 December 2019. A list of the members and the attendance of each of its members at its meetings during 2019 are as follows:

Directors	Attendance at Audit Committee 's meetings
Mr. Wu Tak Lung (Chairman) (Independent non-executive Director)	3/3
Mr. Hu Xiayu (Non-executive Director)	3/3
Mr. Liu Yuhui (Independent non-executive Director)	2/3 (Note 1)

Note:

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

A summary of the main work performed by the Audit Committee in 2019 is as follows:

- reviewed the audited financial statements for 2018 and the unaudited condensed consolidated interim financial statements for 2019 of the Company;
- reviewed the interim report for 2019 of the Company;
- reviewed the report on the 2019 audit plan;
- reviewed letters from external auditors to the management;
- monitored and reviewed the adequacy and effectiveness, follow-up actions and implementation of the risk management and internal control system of the Group;
- reviewed and monitored the independence and objectivity of external auditors; and
- advised the Board on re-appointment of external auditors.

The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2019.

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

Remuneration Committee

The Board has established the Remuneration Committee.

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

The Remuneration Committee held one meeting and passed one written resolution during the year ended 31 December 2019. A list of the members and the attendance of each of its members at its meeting during 2019 are as follows:

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

During the above meeting held in 2019, the Remuneration Committee discussed and considered the remuneration policy of the Company, as well as the performance bonus of senior management for the year of 2018 and their remuneration for 2019. The Remuneration Committee had resolved the remuneration packages of the members of the second session of Board of Directors, which shall be the same with that of members of the first session of Board of Directors. While the Company has entered into a service contract with Ms. Ye Ting, who was appointed as non-executive Director of the Company on 18 October 2019, she will not receive any remuneration from the Company for her role as non-executive Director.

Nomination Committee

The Board has established the Nomination Committee.

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

The Nomination Committee held 1 meeting and passed 1 written resolution during the year ended 31 December 2019. The list of the Nomination Committee, and the attendance of each of its members at its meeting during 2019 are as follows:

Directors	Attendance at Nomination Committee 's meeting
Mr. Yiu Chiu Fai (Chairman) (Executive Director)	1/1
Mr. Zheng Wenhua (Independent non-executive Director)	1/1
Mr. Liu Yuhui (Independent non-executive Director)	1/1

A summary of main work performed by the Nomination Committee in 2019 is as follows:

- nominated candidates to join the second session of Board;
- assessed the independence of independent non-executive Directors;
- reviewed the size, structure and composition of the Board;
- reviewed and advised on the reappointment of secretary to the Board, general manager, deputy general manager and chief financial officer and the by-election of non-executive Director; and
- approved and adopted the nomination policy of Directors of the Company.

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

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

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

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

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

- the chairman of the Nomination Committee shall convene a Nomination Committee meeting and invite the Board members to nominate candidates (if any) for consideration before the meeting. The Nomination Committee may also nominate candidates from other different sources (such as professional societies, professional headhunting companies, recommendations by the Shareholders or management, internal promotion, etc.);

- the Nomination Committee shall recommend candidates for consideration and approval by the Board, with reasons for consideration and recommendation provided to the Board;

- the Board recommends candidates to stand for election at a general meeting;

- the Company will issue a circular to shareholders to provide information on candidates nominated by the Board for election at a general meeting. The names, resumes (including eligibility and related experience), independence, proposed emoluments and other information of the candidates will be set out in the circular to the shareholders in accordance with the applicable laws, rules and regulations;

- if the Shareholders wish to recommend a person to be elected as a Director of the Company at a general meeting, they may refer to the "Procedures for a Member to Propose a Person for Election as a Director" which has been uploaded to the Company's website for the relevant procedures; and

- the election of Board members shall be proposed as ordinary resolutions at a general meeting, and should be passed by more than one-half of the voting rights held by shareholders (including proxies) attending the general meeting.

Strategic Development Committee

The Board has established the Strategic Development Committee.

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

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

Directors

Mr. Hu Xiayu (Chairman) (Non-executive Director)
Mr. Zheng Wenhua (Independent non-executive Director)
Mr. Li Tianxi (Executive Director)

Auditor's Remuneration

The auditor of the Company is Deloitte Touche Tohmatsu ("Deloitte"). The Directors do not have any opinion to the contrary on the selection and appointment of Deloitte as the auditor. For the year ended 31 December 2019, the remuneration of Deloitte and its related parties for audit and non-audit services was RMB2.5 million.

CORPORATE GOVERNANCE REPORT

Responsibilities of Directors and Auditor for Financial Statements

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

The financial statements of the Company for the year ended 31 December 2019 have been reviewed by the Audit Committee and audited by the external auditor, Deloitte. The Directors confirm their responsibilities of preparing the Company's financial statements and presenting the results of the Company in a truthful and fair manner. The Directors are not aware of any material uncertainties relating to events or conditions which may cast doubt upon the Company's ability to continue as a going concern.

For the statement of the auditor about its reporting responsibilities on the financial statements, please refer to the section headed "Independent Auditor's Report and Consolidated Financial Statements" in this annual report (Pages 93 to 194).

Company Secretary

The company secretary of the Company is Mr. Wong Hok Leung. For his biographical details, please refer to the section headed "Directors, Supervisors and Senior Management" in this annual report (Page 92). The company secretary attended relevant professional training for not less than 15 hours in 2019.

Major Changes in the information of Directors

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

Directors	Changes
Mr. Qiu Quanshan	was appointed as Deputy General Manager of 寶武炭材料科技有限公司 (Baowu Carbon Materials & Technology Co., Ltd.*) in China Baowu from January 2020.
Mr. Wang Zhiming	tendered his resignation as a non-executive Director on 18 July 2019, with effect from the conclusion of the extraordinary general meeting of the Company on 18 October 2019.
Ms. Ye Ting	was appointed as a non-executive Director by obtaining approval at the extraordinary general meeting of the Company on 18 October 2019, for a term commencing from 18 October 2019 to the conclusion of the annual general meeting for the year ending 31 December 2021 (both days inclusive).
Mr. Wu Tak Lung	resigned as the independent director of Olympic Circuit Technology Co., Ltd. (廣東世運電路科技股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 603920) on 23 May 2019.
	was appointed as the independent non-executive Director of Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司) (stock code: 1601, a company listed in Hong Kong) on 29 August 2019.
	resigned as the independent director of Beijing Media Corporation Limited (北青傳媒股份有限公司) (stock code: 1000, a company listed in Hong Kong) on 21 April 2020.

For updated biographical details of all Directors, please refer to the section headed "Directors, Supervisors and Senior Management" in this annual report (Pages 86 to 92).

* For identification purpose only

Shareholders' Rights

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

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

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

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

Amendments to Articles

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

The consolidated version of the Company's Articles of Association is available on the respective websites of the Hong Kong Stock Exchange and the Company.

Risk Management and Internal Control

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

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

Risk management and internal control procedures

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

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

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

- **Risk management procedures**

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

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

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

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

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

- **Internal control measures**

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

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

- **Inside information disclosure**

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

Opinions of the Audit Committee

The Audit Committee reviews the risk management and internal control systems of the Company annually. In 2019, based on the management's assessment, the Audit Committee reviewed and firmly believed that there was no event that led the Audit Committee to believe that the Company's risk management and internal control systems (covering finance, operations, compliance and all other material controls) were inadequate, and there is an ongoing process to identify, assess and manage the significant risks facing the Company. The Audit Committee considered that the Company's risk management and internal control systems are adequate and effective.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope of the Report and the Reporting Period

This is the Group's Environmental, Social and Governance report, covering the Group's overall performance in two main aspects (i.e., environmental and social) during operation of its main businesses (production and sale of coke, and the processing and sale of coking byproducts), from 1 January 2019 to 31 December 2019 (the "Reporting Period").

For the Group's governance strategies, please refer to the section headed "Corporate Governance Report" of this annual report (Pages 31 to 45).

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

Stakeholder Engagement and Contact Information

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

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

Responsibility Management

The Company proactively fulfils its social responsibility and has taken measures such as setting up a Board-based social responsibility management system and responding to and satisfying the requirements of the stakeholders to boost the integration of social responsibility into our business operation in every regard.

■ Responsibility Management System

The Board of the Company highly values the ESG work of the Company, and retains responsibility for the Company's ESG strategies and relevant reporting, including evaluating and determining the Company's ESG-related risks, ensuring that appropriate and effective ESG risk management and internal control systems are in place, formulating the policies and strategies of the Company's environmental, social and governance management, reviewing the Company's performance periodically, and approving disclosures in the Company's ESG report. The Report will be published after reviewed by the Board.

The Group establishes an environmental, social, and governance ("ESG") working group, responsible for daily ESG coordination and implementation, and periodically reports to the board of directors and senior management; departments of the headquarter and the subsidiaries (branches) are responsible for implementation of the ESG work according to their own businesses and functions, report the ESG performance, disclose and report the ESG information of each year when necessary.

Communications with Stakeholders

The Group has established diversified communication channels with stakeholders and maintained normal communication. In 2019, in the process of preparing the sustainable development report, the Company conducted a survey on the stakeholders by issuing questionnaires, collecting the expectations and demands of the stakeholders, including governments, shareholders, customers, partners, employees and communities, using the results of the survey as an important basis for information disclosure strategies. Key points disclosed in the report, and performing a substantive analysis in conjunction with the issues to determine the focus of disclosure in this report.

Stakeholder	Communication Channels	Topics of Concern
Investors/Shareholders	• Regular reports and information disclosure • Shareholders' meeting • Investors' surveys • Presentation on business results • Roadshow on business results • Teleconference	• Continuous yield of value returns • Corporate governance and risk management • Exercise of the rights to know and participation in decision-making
Government and Regulatory Agencies	• Daily communications • Information bulletin • Public-Private-Partnerships • Governmental review	• Complying with laws and disciplines • Paying taxes according to laws • Supporting economic development • Protection of intellectual properties • Safe Production
Customers	• Daily services and communications • Customer's satisfaction surveys • Portal websites • Customer service hotline	• Stable product quality • Response guarantee for services and feedbacks
Supply Chain	• win-win by co-operation • Seeking development together	• Good co-operation • Smooth communication channels • Careful implementation of co-operation agreements
Business Partners	• Project cooperation • Daily business communication • Establishment of industrial leagues • Online service platform	• Growing together • Sharing customer base with business partners
Experts	• Green and low-carbon development • Industrial transformation and upgrading • Quality products	• Promoting the construction of green factories • Application of low-carbon development technology • Product upgrading

Stakeholder	Communication Channels	Topics of Concern
Employees	• Regular meetings • Employee trainings • Employee club • Portal websites	• Safeguarding employees' legitimate rights and interests • Promoting career development and skills upgrading • Balancing work and life • Occupational Health
Environment	• Emission of greenhouse gases • Environmental information disclosure • Waste discharge • Environmental information disclosure • Launching environmental protection promotion activities	• Pollution control • Energy saving and reduction of consumption • Low-carbon environmental protection transformation
Community	• Volunteer services • Charity events	• Community public service • Charity education • Targeted poverty alleviation

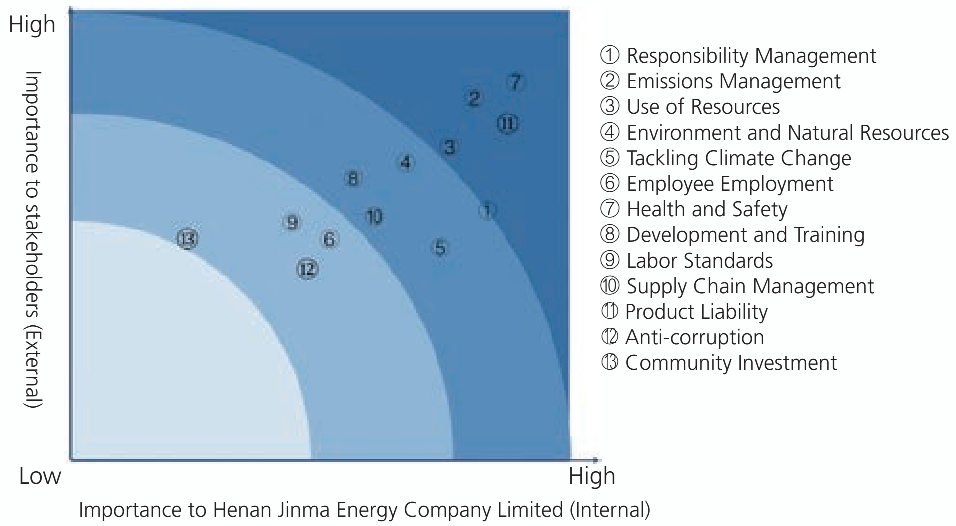
■ Process of Identification of Material Topics

With respect to topics concerning the environment, social, and governance, the Company, in accordance with Appendix 27 "Environmental, Social and Governance Reporting Guide" of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the "GRI Sustainability Reporting Standards" issued by the Global Reporting Initiative, and based on the stakeholder communication and practices of the Company, evaluated and screened important environmental, social, and governance matters concerning business of the Company from the perspective of importance of the topics to the stakeholders and to the environment and society to form a matrix of material topics, as the focus of ESG of the Company and the basis of disclosure.

Topic Defining and Selecting	Questionnaire	Questionnaire Analysis and Comprehensive Evaluation
In accordance with domestic and overseas industry policies and standards, benchmarking peers' reports and based on stakeholders' focus, screened 17 topics for survey of stakeholders by the analysis of experts.	Conducted a survey on the stakeholders and collected 113 valid questionnaires	Prioritized material topics for each type of stakeholders based on feedback from the questionnaires Conducted material analysis according to opinions of experts and stakeholders to form a matrix of material topics.

Results of Identification of Material Topics

Material topics include: health and safety, emissions management, product liability, use of resources and responsibility management, environment and natural resources, tackling climate change, supply chain management, and development and training.



Strengthening Environmental Management

The environmental protection laws and regulations of the PRC tend to be stricter, which further promotes the Group's continuous strengthening of environmental management. During the Reporting Period, the Group stringently complied with laws, regulations and standards, including the Environmental Protection Law of the PRC《中華人民共和國環境保護法》, the Atmospheric Pollution Prevention and Control Law of the PRC《中華人民共和國大氣污染防治法》, the Water Pollution Prevention and Control Law of the PRC《中華人民共和國水污染防治法》, the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes《中華人民共和國固體廢物污染環境防治法》, the Emission Standard of Pollutants for Coking Chemical Industry《煉焦化學工業污染物排放標準》(GB16171-2012), the Emission Standard of Air Pollutants for Boilers《鍋爐大氣污染物排放標準》(GB13271-2014), actively implemented the state's principles of construction of ecological civilization and concept of green development, took the environmental system as a guarantee, and used technological innovation as a driving force, in order to gradually change its enterprise development model, reduce pollutant emissions and develop new green coal chemical enterprise.

During the Reporting Period, the Group had not been subject to any major environmental lawsuit or corresponding penalty.

Emissions Management

The Group continues to promote shifting its development mode from uniflow of "resources – products – pollutant emissions" to recycling of "resources – products – renewable resources" and ultimately achieves the goal of "production with high efficiency, products being cleansed and doing no harm to the environment". During the Reporting Period, the Group continued to adhere to the principle of "control increment and reduce inventory", and constantly improved environmental management rules and systems, in order to fulfil the allowable pollution loads set by environmental protection departments, i.e., 210 tons per year for SO2, 1,700 tons per year for nitrogen oxides, 237 tons per year for particulates, fully achieving up-to-standard discharge. Meanwhile, through effective management, the Group will achieve ultra-low emission of air pollutants, recycling and zero discharge of all of the wastewater, co-processing of hazardous wastes during the process and coal blending and coking, to achieve "zero" discharge of wastewater and hazardous wastes, to minimum the effects of operating processes on the environment.

Emissions Management Goals

- **Establish the Environmental Management Committee**: to form an environmental management organization structure with the Environmental Management Committee acting as the top management body, routine management provided by the Environmental Protection Department, technical support provided by the Technical Department, and each workstation assigned with a full-time or part-time environmental officer. The responsibilities of all level of positions are specific while the objectives are clear, and ensure the operation of system continues to improve by establishment of an appraisal and incentive system;

- **Deepen environmental management rules**: The Company formulates rules such as Environmental Protection Management Rules, Regulations on Environmental Test Management, Regulations on Air and Dust Emissions Management, Regulations on Key Sewage Outfalls Management, Regulations on Solid Waste Management;

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

- **Implement technological process innovations**: to realize the utilization of "Three Wastes" as resources, and reduce pollutant emissions from the source through technological process innovations and cooperation between industries, universities and research institutes. In 2019, The Company invested RMB37.97 million in total and completed 10 environmental protection technological process innovations.

Exhaust Gas Management

- Complete full enclosure renovation of the coal storage facilities, and install the vehicle wash station equipment at the coal storage yards so as to reduce the dust pollution of coal transportation roads;

- Install dust removal facilities at the dust production nodes of the production units to reduce particulates emissions during the production processes;

- Make full use of the railway transportation capacity of the industrial parks, in order to minimize the atmospheric pollution caused by long-distance transportation of diesel vehicles;

- Implement ultra-low emission upgrades, and reduce pollutant emissions from the source;

- Operate dust removal, desulfurization and denitrification facilities in stable condition and carry out regular inspections and maintenances, to ensure emissions up-to-standard.

Wastewater Management

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

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

Solid Waste Management

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

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

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

Emissions performance for 2018 & 2019

Type of Emissions	Unit	2019	2018
Total emissions volume of SO_2	Ton	56.90	105.85
Intensity of SO_2 emissions	Kg/RMB10,000	0.08	0.14
Total emission volume of nitrogen oxides	Ton	358.16	949.48
Intensity of nitrogen oxides emissions	Kg/RMB10,000	0.51	1.27
Total emission volume of particulates	Ton	46.11	94.36
Intensity of particulate emissions	Kg/RMB10,000	0.07	0.13
Total emission volume of greenhouse gases	tCO_2e	509,428.55	657,558.18
Total emission volume of direct greenhouse gases	tCO_2e	360,772.71	529,921.72
Total emission volume of indirect greenhouse gases	tCO_2e	148,655.83	127,636.46
Intensity of greenhouse gases emissions	$TonCo_2e$/RMB10,000	0.72	0.88
Total discharge volume of sewage	Ton	-	-
Intensity of sewage discharge	Ton/RMB10,000	-	-
Production volume of hazardous wastes	Ton	103,822.31	96,072.50
Intensity of hazardous waste production	Ton/RMB10,000	0.15	0.13
Hazardous waste handling rate	%	100	100
Production volume of non-hazardous wastes	Ton	293.41	148.90
Intensity of non-hazardous waste production	Ton/RMB10,000	4×10^{-4}	2×10^{-4}
Non-hazardous waste handling rate	%	100	100

Note: 1. Emission data of SO2, NOx and particulates in exhaust gas are calculated according to the Group's online monitoring system and self-monitoring statistics; 2. Emission volume of greenhouse gases is calculated based on the Greenhouse Gas Accounting System-Corporate Accounting and Reporting Standards issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the Fifth Assessment Report 2013 issued by the Intergovernmental Panel on Climate Change (IPCC) and the Accounting Method and Reporting Guide for Greenhouse Gas Emissions by Independent Coking Enterprise of the PRC (Trial), among which the greenhouse gas emission factors of the power part are selected according to the Baseline Emission Factors for Emission Reduction Projects in the Regional Grid of the PRC in 2017 issued by the Ministry of Ecology and Environment; 3. Production volume of hazardous wastes is calculated according to the statistical ledger of the production system of the Group; 4. Non-hazardous wastes are mainly domestic wastes, the total emission volume of which is calculated at 0.5kg/person/day; 5. Intensity data are calculated by dividing emission/discharge/production volume by revenue.

Case: Upgrading of environmental protection facilities to reduce pollutant emission

We have been adhering to the concept of green development. Since 2016, the Company has made successive investment in total amount of RMB 450 million for construction of coal yard, airtight field of coke and fully-enclosed coal and coke belt, strictly monitoring disorganized dust during the storage and transportation process. Meanwhile, in order to reduce the sources of pollutant emission, we have constructed detarring, desulfurization, deamination, debenzolization and other gas purification facilities in our production process. In respect of end treatment, we have constructed dust removal, desulfurization and denitrification facilities, VOCs waste gas recovery system and other waste gas purification facilities; in order to reduce the volume and recycling of waste water, we have constructed wastewater treatment facilities such as phenol cyanide sewage treatment station, deep wastewater treatment plant and reclaimed water reuse plant, achieving zero discharge of wastewater from production and domestic and improving the utilization of water resource; for wastes generated during the production process that can be recycled such as dust generated during the coke pushing and coal loading process, coke breeze generated in coke quenching and sedimentation tank, tar residue generated during the coal gas purification process and sludge generated from sewage treatment, we achieved full recycling with a utilization rate of 100%. In 2019, in order to further promote the ultra-low pollutant emission and win the defense war for "Blue Sky" and "Green Water", the Group carried out various environmental upgrading projects such as reformation of dust removal and deep treatment and renovation of VOCs to facilitate the improvement of regional environmental pollution.

Resource utilization

The Group actively complies with the Energy Saving Law of the People's Republic of China《中華人民共和國節約能源法》and the Clean Production Promotion Law of the People's Republic of China《中華人民共和國清潔生產促進法》. With the aim of "saving energy and reducing emission, protecting the environment and realizing sustainable development" for its resource management, the Group treated low carbon development as an important driver for enhancing economic quality and efficiency under the new norm. In 2019, the Group deeply explored the potential of energy-saving during the process, which achieving energy cascade use by transformation of energy-saving and leveraging the energy management center to allocate smartly for achieving effective flow of energy, in order to further enhance energy management standard and reduce emission of greenhouse gas. The Company consistently attached equal weightings to saving resources and improving the efficiency of resource utilization. By implementing and improving resource management, the Group effectively lowered energy and water consumption per unit output value.

- **Green production**

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

– Establish sound energy management rules such as the Energy Management Rules, the Energy Measurement Management Rules, the Energy Utilization and Energy-saving Management Rules and the Management Rules for Energy Assessment, Award and Punishment in order to promote the implementation of energy saving and consumption reducing measures;

– Construct intelligent factory production control management center to unitedly control the production resources (such as water, electricity, gas, steam, wind and sewage) of each subsidiary, reduce materials consumption and improve resource utilization efficiency;

– Promote clean production, eliminate outdated energy-intensive equipment and select energy-efficient and environmentally friendly product to reduce energy consumption of process and equipment;

– Optimize energy consumption network to improve the utilization rate of residual heat and pressure and reduce energy consumption;

– Construct deep water treatment facilities to achieve the escalate utilization of water resource and reduce consumption of fresh water.

- **Green office**

– Advocate green office and establish an OA paperless office system to reduce paper usage;

– Adopt energy-saving lighting fixtures;

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

Performance in use of resources for 2018 & 2019

Type of resources	Unit	2019	2018
Coal	Ton	2,614,686	2,640,726
Diesel	Ton	1,054.51	685.50
Gasoline	Ton	73.11	81.20
Net purchase of electricity	1,000 kwh	222,916.73	162,056.34
Net purchase of thermal power	GJ	122,740.20	267,106.40
Integrated energy consumption	Ton of standard coal	2,685,329.53	2,709,362.30
Intensity of integrated energy consumption	Ton of standard coal/ RMB10,000	3.80	3.64
Total volume of freshwater consumption	Million Ton	2.58	2.20
Intensity of freshwater consumption	Ton/RMB10,000	3.64	2.95
Recycling rate of water for industrial use	%	98	98
Packaging	Ton	N/A	N/A

Notes: 1. The integrated energy consumption data above is calculated according to the General Rules for Calculation of Integrated Energy Consumption; 2. The intensity data above is calculated by dividing consumption volume by revenue.

Case: Leveraging on the supplemental strength of industry integration to achieve efficient utilization of resources

The Group adheres to the development concept of clean development by taking full advantage of the supplemental strength of resources among difference industries such as coal chemical industry, energy chemical industry and petrochemical industry, thereby reducing the consumption of resources and energies, achieving integrated and sustainable development and exploring a new pathway for green, low carbon, intelligent, efficient and circular development. Currently, through various equipment upgrading and water-saving measures, the Company's annual recycling rate of water for industrial use is 98.9% and water consumption per ton of coke is 1.0m^3, 60% lower than the required water consumption in the coking industry. The Company has also upgraded the coking process from wet quenching to dry quenching, which has significantly reduced the consumption of fresh water. Meanwhile, the Company uses residual gas to generate electricity, which can save gas of 3.6 million m3 (equivalent to standard coal of 2,160 ton).

Protection of Environment and Natural Resources

The Group has fully considered the potential environment impact during the project construction and operation by keeping away from the environmental sensitive areas and important water resources and reducing the occupation of agricultural and forest land. The Groups has also taken effective control measures to conduct ecological monitoring of the changes in environmental sensitive areas in industrial park and has formulated effective emergency plan for environmental risks to protect natural resources with responsible attitude and behavior.

- Strictly implement "Three Simultaneity" rules and environmental impact assessment rules. All new, rebuilding or expansion projects have to prepare environmental impact assessment reports as required, and obtain the approval of competent departments;

- To avoid the adverse impact of noise and exhaust gas emission generated during project construction and operation on surrounding residential areas, the Group sets air protection distance in strict accordance with the requirements of the environmental impact assessment approvals, operates environmental protection facilities and devices in safe and stable condition to ensure up-to-standard discharge and reduce impact on natural environment. Meanwhile, the site selection and land used for new, rebuilding or expansion projects should avoid occupying agricultural and forest land, and soil control measures should be strictly implemented to prevent soil environmental pollution;

- Ensure that the environmental protection measures are in place during project construction and operation, reducing impact on natural environment;

- Invest to construct and expand reservoirs, and collect surface water such as rainwater for production use, so as to reduce groundwater usage during project operation;

- Hold activities like voluntary tree planting etc., and greening at the Group's factory areas and surrounding wastelands, and carry out public welfare activities such as donations for environmental protection purposes.

Building Happy Home

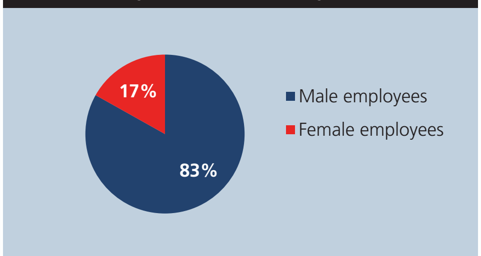
The Group considers that its employees are its valuable wealth and the growth and development of its employees is an important support of its continuous development. Over years, we have consistently protected the rights and interests of its employees, maintained employees' occupational health, established sound career development system and training mechanism, helped employees in need, held diversified cultural and sports activities, integrated the growth needs of employees into the whole development process, respected talents, cared talents and helped talents and endeavored to build harmonious and win-win labour relations and happy home.

Equal employment

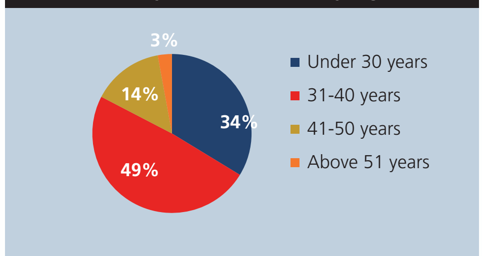
The Group stringently complies with relevant laws and regulations, including the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》), forbids behaviour of employing child labour and enforcing forced labour in all forms. The Group strictly reviews and verifies the information of job applicants during the employee recruitment process every year, to prevent employment of child labour at source. In addition, the Company increase management of the employees' working time to prevent forced labour from happening. The Company complies with labour standards and meets the requirements under laws and regulations.

During the Reporting Period, the Group had 1,585 employees in total and the staff turnover rate remained at normal level with turnover rate of male employees of 5.0% and female employees of 2.3%. In 2019, the Group was not involved in any litigation relating to employment of child labour, forced labour and material breach of labour laws.

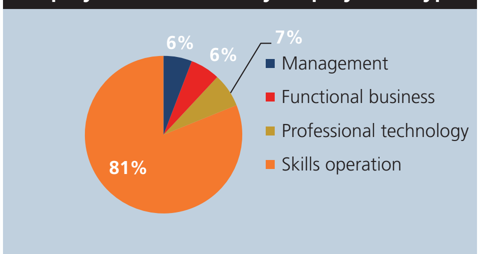
Employee Distribution by Gender



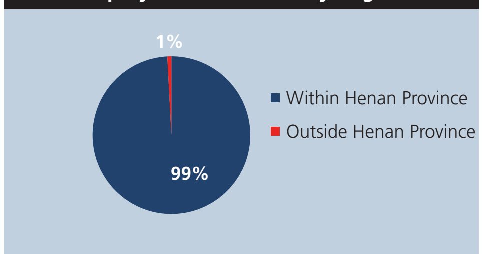
Employee Distribution by Age



Employee Distribution by Employment Type



Employee Distribution by Region



Protecting rights and interests of employees

Employees are the foundation of enterprise and closely tied to the enterprise development. The Group earnestly protects the legitimate rights and interests of employees through constantly establishing, improving and implementing relevant recruitment and remuneration rules and systems. The Company also establishes democratic communication system and encourages its employees to take active part in the Company's decision-making process.

- **Fair and standard recruitment and dismissal system**

  – The Company formulates and implements the Regulations on Management of Recruitment of Employees and the Regulations on Management of Resignation of Employees, which clearly define recruitment and dismissal conditions to form fair and standard employment conditions；

  – Focusing on recruiting highly-educated, high-caliber and highly-skilled talents and staff for special posts.

- **Scientific and reasonable remuneration system**

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

- **Open and transparent assessment and promotion mechanism**

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

- **Clear and concise rules on attendance and vacation**

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

- **Equal opportunity, diversity and anti-discrimination**

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

- **Democratic communication**

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

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

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

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

Development and Training

Adhering to the talent concept of "respecting people, relying on people, developing people, and satisfying people", the Group implements the strategic project of "strengthening enterprises with talents". We pay attention to the development of employees, focus on cultivating high-level and compound talents, improve the mechanism for selecting, cultivating, using, and gathering talents, vigorously cultivate high-quality talents, and form a perfect talent growth channel. At the same time, we will create a comprehensive and multi-disciplinary learning and development platform for employees to cultivate talents at all levels with high comprehensive quality, excellent expertise and strong management capabilities, enrich the Group's talent team, and help the Group achieve the transformation and upgrading of clean energy upgrade, to laid a solid foundation for the century-old golden horse.

- **Enhance the establishment of management system for nurturing talents**

  – Establish and form a four-in-one training system for new employee induction training, employee vocational training, backup management training, and management training;

— Strengthen the training mechanism for outstanding talents, and formulate the Outstanding Talent Selection and Cultivation Management Plan《優秀人才選拔培養管理方案》 to promote talent cultivation through internal training, external training, and post rotation, for example, we cooperate with various institutions such as Tsinghua University, Xiamen University, Zhejiang University, Zhengzhou University, Anhui University of Technology, to further improve the management level and business capabilities of existing middle and senior management personnel and technical backbones.

- **Establish a scientific and effective assessment and evaluation mechanism**

— Formulate scientific and feasible talent assessment methods, take training performance as an important indicator of talent pool assessment, select outstanding talents who "want to do, can do, can be successful, and be no accident", and form a dynamic management mechanism which can facilitate mobility of personnel within the organization and maintain vitality of the organization.

- **Enhance talent exchange, expand development channel**

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

- **Focus on nurturing young reserve cadre talents**

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

Training performance in 2018 & 2019

Name of indicator	Unit	2019	2018
Total number of trainings	Times	12	12
Total number of participants	Persons	3,000	2,800
Expenditure on training	RMB ten thousand	35	28

The percentage of employees trained / the average hours of training for employees completed by gender and employment type in 2018 & 2019 are as follows:

Type	2019 person-time (%)	2018 person-time (%)	2019 Average hours (hour/person)	2018 Average hours (hour/person)
Gender				
Male	2,400 (80.0%)	2,268 (81.0%)	40	21.2
Female	600 (20.0%)	532 (19.0%)	40	21.1
Employment type				
Ordinary employees	2,775 (92.5%)	2,710 (96.8%)	40	21.5
Middle management	180 (6%)	70 (2.5%)	24	21.7
Senior management	45 (1.5%)	20 (0.7%)	16	20.0

Employee care

We attach great importance to the work and life of employees, proactively solve practical difficulties for employees, such as condolences to employees and their families, help children of families with difficulties to complete their studies, show the Company's sincere care for employees, help families out of the haze to bravely face life with an active and optimistic mental outlook, and improve employee happiness and belonging. At the same time, the Company organized a variety of cultural and sports activities for employees, giving employees the opportunity to show different talents, reduce stress in happiness, and continue to contribute more in working and living, work and live better.

- Developed the Assistance Measures for the Mutual Aid Funds of Henan Jinma Energy Company Limited 《河南金馬能源股份有限公司互助基金管理辦法》 and the Administrative Measures for the Scholarships of Henan Jinma Energy Company Limited 《河南金馬能源股份有限公司獎學金實施辦法》 and other assistance systems to solve special difficulties for employees or families suffering major diseases, natural disasters, accidents, etc. Provide warm-up activities for important festivals such as the Spring Festival and Height Ascending Festival to help the children of families with difficulties to complete their studies;

- Establish a female working committee to organize regular health checkups for female employees every year;

- Conduct cultural and sports activities such as hiking and walking, and employee sports games, to enrich the amateur cultural life of employees.

Focus on Health and Safety

Adhering to the safety concept of "safety is the soul of corporate life", the Group attaches great importance to the Group's safety and occupational health management, and effectively fulfills the responsibility of the main body of production safety. We strictly abide by the Work Safety Law of the PRC 《中華人民共和國安全生產法》, the Law of the PRC on the Prevention and Control of Occupational Diseases 《中華人民共和國職業病防治法》, the Regulations on Safety Management of Dangerous Chemicals 《危險化學品安全管理條例》 and the Regulations on Safety Production in Henan Province 《河南省安全生產條例》 and other safety-related laws and regulations, to improve the safety production responsibility system, and sign the target responsibility letters of safety production in accordance with the safety production responsibility system, upgrade safety management systems, and standardized safety management requirements. At the same time, employee health and life safety are given top priority, employees 'occupational health is concerned, and safety awareness is increased through various methods such as regular safety training to ensure employees' physical and mental health.

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

Management on Safety Operation

Adhering to the work policy of safety first, prevention-oriented and comprehensive management (安全第一、預防為主、綜合治理), with "safety production standardization" as the focal point and "dual prevention mechanism" as the means of implementation, we have established a sound safety production management system, standardized safety management requirements, consolidated safety production responsibilities, to ensure the stable production and stable operation of the Group.

- **Establish a sound safety responsibility management system**: The Group has established a safety production committee composed of company leaders and responsible persons of various functions, clarified the specific duties of the safety production committee, and regularly conducted safety-related special meetings to study and deploy safety management work to resolve difficult problems in safety management. At the same time, we implement safety objective management and promote the implementation of safety management by signing safety responsibility letters;

- **Continuously improve the safety management system**: The Company has formulated various management system and manuals such as the Safety Production Responsibility System 《安全生產責任制度》, the Safety Operation Management System 《安全作業管理制度》, the Safety Standardization Management Manual 《安全標準化管理手冊》, the Special Equipment Safety Management Regulations 《特種設備安全管理規定》, the Safety Inspection Management System 《安全檢查管理制度》, the Safety Mutual Inspection Management System 《安全互查管理制度》, to achieve standardized operations and management;

- **Promote safety production standardization work**: The Group comprehensively promotes safety production standardization work to further standardize practices of safety production, improve conditions of safety production, and strengthen basic safety management. During the reporting period, the three subsidiaries of the Group reached the level 2 safety standardization;

- **Establish risk hierarchical management and control and potential hazards investigation and management system**: The Group has established a comprehensive risk hierarchical management and control and potential hazards investigation and management system, which dynamically identifies and evaluates the risk of operating areas, facilities, equipment, and personnel operations that have a greater impact on safety, and established corresponding management and control measures to achieve hierarchical management and control, and build a firewall to prevent security incidents;

- **Implementation of flexible and diverse forms of safety inspections**: The Group has established a three-in-one safety supervision and inspection mechanism of "professional safety inspections, daily inspections, and seasonal comprehensive inspections." By carrying out internal self-examination and mutual investigation activities, starting from various links such as equipment and facilities, instrumentation, and emergency disposal, timely track and rectify problems found to achieve closed-loop management;

- **Establish an emergency management system**: The Group has established a comprehensive emergency management system and response mechanism, compiling the Comprehensive Emergency Plan (《綜合應急預案》), the Special Emergency Plan (《專項應急預案》) and the On-site Disposal Plan (《現場處置方案》), and regularly conducting emergency drills to improve emergency prevention capabilities.

Safety education and training

Safety training is the cornerstone of enterprise production. The Group attaches great importance to safety education and training. In response to safety risks and potential hazards during production and operation, we adopts the "online + offline" approach to conduct safety education and training to further improve employees' safety awareness and skills.

During the reporting period, the Group carried out 3,337 safety education trainings, the total number of safety education participants reached 53,438, and the percentage of special job licenses reached 100%.

- **Development of online learning platform**: The Company has developed an online platform for safety learning, which facilitates employees to obtain the latest safety information, regulations and case interpretation in a timely manner, and incorporates online training and learning into safety assessment;

- **Strict implementation of three-level safety education**: The Group strictly complies with the national safety production management law, and implements plant-level, workshop-level, and team-level three-level safety education for new employees, transfers, and returning employees in accordance with the Company's production technology and safety management status, and conducts assessment on our employees, to ensure training effectiveness;

- **Carry out special job training**: For positions involving special job types, the Group strictly implements relevant national and local government regulations and regularly organizes professional safety education and training in operating skills, and can only work after obtaining a special operation permit after passing the assessment;

- **Carry out safety culture education**: Make full use of the theme promotion month and activity day such as "Safety Production Month" and "119 Fire Services Day", carry out safety education contests, knowledge contests and other publicity and education activities, and establish small topics of safety knowledge, disseminate knowledge of safety regulations and case warnings through multiple medias such as safety bulletin boards, newspapers, and Ding Talk.

Case: Conduct production safety month activity with the theme of "prevention of risks, mitigation of potential hazards and avoidance of accidents"

In June 2019, the Company organized a production safety month with the theme of "prevention risks, mitigation of potential hazards and avoidance of accidents". During the period, the Company conducted a comprehensive safety potential hazards investigation in accordance with the compiled inspection checklist of potential hazards. There are 378 potential safety hazards, of which 20 are basic safety hazards, and 358 are on-site safety hazards. Through this potential hazards investigation, employees' consciousness on potential hazards have been further enhanced, and their awareness of safe production has been further improved. At the same time, the Company carried out 25 emergency drills including electric shock first aid, crude benzene leakage treatment, basement gas leakage treatment and personnel heat stroke according to the formulated emergency drill plan. The number of person who participated in drills is 693 and further enhanced the employees' emergency response capability through emergency drills. In order to enrich the form of activities, the Company also organized safety riddle quiz activities, safety knowledge contests and safety knowledge lectures, which greatly improved the effect of the event and created a good atmosphere where everyone talks about safety and everyone pays attention to safety

Occupational Health Management

The Group always follows the policy of the "putting prevention first, combining of prevention and control", always adheres to the philosophy of "health and safety first" and strictly complies with the relevant laws and regulations including the Occupational Disease Prevention and Control Law of the PRC《中華人民共和國職業病防治法》and Workplace Occupational Health Supervision and Management Regulations《工作場所職業衛生監督管理規定》. In 2019, the Group further improved the occupational health and safety management system, strengthened prevention and control measures for occupational disease hazards, and organized physical examination for employees on a regular basis. The physical examination rate reached 100% with aims to ensure the occupational health of employees.

During the Reporting Period, the Group did not report any occupational disease cases.

- **Improving occupational health management system**: The Company has developed a sound occupational health management rules, such as the Occupational Disease Hazard Prevention and Control Accountability Rules《職業病危害防治責任制度》, the Occupational Disease Hazard Protective Supplies Management Rules《職業病危害防護用品管理制度》and Workplace Occupational Hazard Factor Identification and Management Rules《作業場所職業危害因素檢測管理制度》;

- **Identifying the occupational hazard influence factors in the workplace**: The Company identifies the occupational disease hazards factors that may arise from the production process, and conducts testing on a regular basis to truthfully inform them to its workers;

- **Distributing occupational health protective gears in compliance with regulations**:The Company distributes qualified protective gears to its workers, such as protective clothing, protective goggles, dust protecting mask, protective gloves, insulating shoes, gas masks, earplugs, etc., and urges them to use them properly;

- **Conducting occupational health training**: The Company regularly organizes the pre-job and in-job training of workers on occupational health related knowledge to ensure that they have the necessary occupational health knowledge to properly use occupational disease protective facilities and personal protective gears, and those who fail to pass the training assessment can not commence their services;

- **Organizing occupational health examinations and setting up occupational health surveillance records**: The Company organizes occupational health inspections before, during and after the service, and informs employees of the results in writing.

Supply Chain Responsibility Management

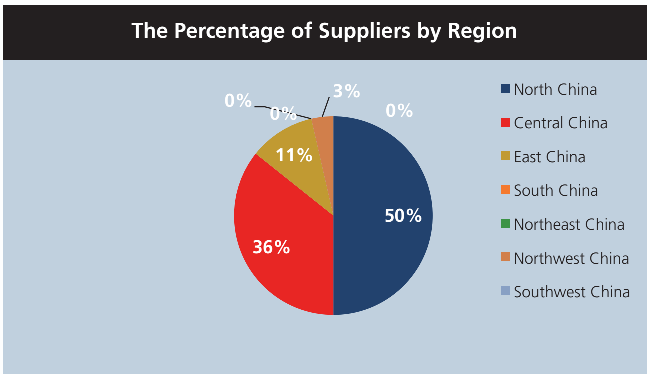
The Group adheres to our business concept of "creating a win-win situation with integrity and cooperation", continuously enhances supply chain management, constantly optimizes the supply chain management system, gradually incorporates environmental and safety risk factors into the supplier's assessment and evaluation, and reinforces the suppliers' awareness and capability to fulfill their environment and social responsibility to ensure the stability and efficiency of its supply chain management and promote the building up of an open, transparent and green supply chain.

- **Improving supplier management rules**: The Group has formulated related rules such as the Material Procurement Management Rules(《物資採購管理制度》), Raw Material Coal Procurement Management Rules(《原料煤採購管理制度》), Credit Evaluation of Qualified Suppliers Rules (《合格供方信用評價制度》)and Supplier Evaluation Management Rules (《供方評價管理制度》) to regulate the procurement process of materials and promote suppliers' execution of responsibility;

- **Implementing supplier rating management**: The Group divides raw and auxiliary materials and equipment into key materials, important materials and general materials based on the importance of them to the production and operation of the Company, and establishes a corresponding list of qualified suppliers. The Group implements a four-grade credit rating management, and qualified suppliers shall reach the rating of BBB or above;

- **Carrying out social risk assessment of suppliers**: We have established a supplier evaluation team comprised of relevant functional departments to implement dynamic evaluation management of suppliers. In the evaluation system, we take the ability of suppliers to perform environmental and social responsibilities and the degree of impact of their products to the environmental safety of the Company as an important evaluation indicator;

- **Conducting supplier training**: The Group conducts training on safety and other aspects for the entrusted construction company based on the production and operation status of the Company to ensure that their construction operations are in compliance with laws and regulations.



Quality Products

In accordance with the overall idea of "achieving green and low-carbon recycling development, and promoting transformation and upgrading to enhance quality and efficiency", the Company continuously adjusts and optimizes the product mix, extends the industrial chain, enhances the added value of products, expands for further development, cultivates new economic growth points, to enhance its overall competitiveness. In 2019, the Group was ranked the 22nd of Henan Top 100 Private Enterprises in the Manufacturing Industry (河南民營企業製造業100強) and the 36th of Henan Top 100 Private Enterprises (河南民營企業100 強).

Innovation in science and technology and intellectual property protection

The Group has all along been insisting on being science and technology-oriented and innovation-driven by putting greater efforts in an innovative model combining with "production, education, research and practice" to introduce and absorb domestic and foreign advanced technologies and actively innovating in technologies, optimizing process and improving equipment. To stimulate the creativity of employees, the Company formulated the QC Group Activity Steps and Administrative Measures《QC小組活動步驟及管理辦法》for deployment of human resources flexibly as well as solving key issues such as process, technologies and quality with the principle of "small, practical, flexible, new". The Company stabilizes quality of process, improves quality of products, reduces materials consumption and improves production environment, as well as grant awards with different amounts to company-level, municipality-level and provincial-level technology achievements. Through the cooperation of university and enterprise, the Company established a R&D platform to promote production, education, research and practice, which is the important internal driving force of our industry upgrade. The Company leverages coal-based ecology refined chemical laboratory so as to continue to enhance industrial application of new products, new technologies and new materials.In 2019, the Company and the National Flue Gas Desulfurization Engineering Technology Research Center of Sichuan University (四川大學國家煙氣脱硫工程技術研究中心)researched and developed a new flue gas desulfurization technology by using new catalytic method (新型催化法煙氣脱硫新技術)based on the activated carbon method,which was granted the first prize of the Science and Technology Progress Award of Jiyuan City,and the Company and Zhengzhou Heyi Environmental Protection Technology Co., Ltd.(鄭州和易環保科技有限公司) jointly developed the coking residual ammonia water negative pressure steam ammonia engineering technology(焦化剩餘氨水負壓蒸氨工程技術),which was granted the second prize of the Science and Technology Progress Award of Jiyuan City.

In addition, in respect of intellectual property protection, the Group strictly complies with the Patent Law of the PRC《中華人民共和國專利法》to protect the proprietary technology of the Company and ensure that its intellectual properties are free from infringement.

Quality Products

The Group stringently complies with relevant laws and regulations, including the Product Quality Law of the PRC《中華人民共和國產品質量法》, firmly follows the quality concept of "creating value for customers with high-quality products", continuously improves the product quality management systems, strengthens the process management of coal blending, coking, chemical production, processing of coal tar and benzene, so as to control product quality in an all-rounded way and to ensure that coke, coal tar and other products meet the standards such as the Coke for Metallurgy (GB/T1996-2003) and Coal Tar (YB/T5075-2010), providing customers with qualified and satisfactory products.

The Company adopted various management measures to promote quality and efficiency. During the Reporting Period, there was no complaints related to products, and the customer satisfaction reached 100%.

- **Establishing a comprehensive quality management system**: The Group has established a comprehensive quality control management system and formed a multi-dimensional quality control system by formulating the Quality Management Manual《質量管理手冊》comprising of the Quality Management Regulations《質量管理規定》, the Quality Control Point Management Measures《質量控制點管理辦法》, Standards for Washing Clean Coal and Reward and Punishment Measures《進場洗精煤標準及獎懲辦法》;

- **Strengthening the quality control of production processes**: We have formulated the Production and Operation Outline《生產運行大綱》and kept updated on a regular basis to ensure that various factors affecting product quality are effectively controlled during the production process, such as monitoring important process indicators and regularly maintaining and repairing production facilities;

- **Implementing inspection procedures for raw and auxiliary materials and products**: We analyze and test raw and auxiliary materials, intermediate products, and coke, tar, crude benzene and other outgoing products in accordance with the Testing Frequency Rules《化驗檢測頻次規定》to ensure that raw and auxiliary materials meet production process requirements and outgoing products meet product quality standards;

- **Regulating the management of defective products**: The Group has formulated the Defective Products Management Rules《不合格品管理規定》to ensure that products and raw materials that do not meet standards are controlled, and we take graded measures to deal with the defective products, such as reworking, concession acceptance, scrapping or downgraded use;

- **Providing product after-sales service**: We offer attentive after-sales service and pay a return visit to customers, and conduct customer satisfaction survey on a regular basis to improve and enhance product quality in a timely manner.

Anti-corruption

The Group stringently complies with relevant laws and regulations, including the Criminal Law of the PRC《中華人民共和國刑法》, the Company Law of the PRC《中華人民共和國公司法》and the Interim Provisions on Banning Commercial Bribery《關於禁止商業賄賂行為的暫定規定》. In 2019, we strictly controlled corruption-sensitive links such as procurement and enhanced the processes for public bidding, conducted internal and external audits, and added anti-corruption relevant clauses to all contracts to prevent corruption. At the same time, the Group actively conducted probity education for middle and senior management and employees to improve its employees' anti-corruption awareness.

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

- **Establishing a probity supervision mechanism**: The Company established a disciplinary inspection committee as a permanent agency for anti-corruption work. Meanwhile, we have formulated the Administrative Rules on Anti-Corruption and Whistle-blowing Mechanisms《反舞弊與舉報機制管理規定》, Whistleblower Protection and Awards Rules《舉報人保護及獎勵規定》, Notice of Certain Provisions on Enhancing the Construction of Corruption-free Conducts and Strengthening Work Style of Senior Management《關於加強黨風廉政建設和強化幹部作風若干規定的通知》and adopted punishment measures such as dismissal and liquidation of equity for violations of the provisions;

- **Conducting probity audit and supervision**: We conduct audit and supervision on key departments, key funds and major projects, focusing on corruption-sensitive links such as bidding and procurement to ensure the probity of engineering projects. We also conduct post-employment auditing to review, verify and evaluate the performance of the economic responsibilities performed by the resigned employees during their entire tenure;

- **Keeping whistle-blowing channels open**: The Company has informed employees the whistle-blowing channels such as letter boxes, mailboxes and telephones, and has formulated the Whistleblower Protection and Awards Rules《舉報人保護及獎勵規定》to ensure that employees can exercise their whistle-blowing rights in accordance with the law and safeguard their legitimate rights and interests;

- **Carrying out anti-corruption education**: The Group actively conducts probity education and training activities for all employees. In 2019, we held special lectures on anti-corruption, and organized and conducted educational activities on the theme of "Staying True to the Mission" to further improve the anti-corruption awareness of our employees.

Social Responsibility

The Group always takes "fulfilling social responsibility" as the corporate mission, and remembers to practice the cultural concept of "stressing loyalty inside, stressing honesty outside, and stressing responsibility to the society". While achieving leapfrog development, the Group actively fulfills its social responsibilities, lay emphasis on communicating and exchanging views with people in the places where it operates, pays attention to and understands social needs, and continues to invest and organize public welfare activities in poverty alleviation, education donations and community development, making due contributions to build a socialist harmonious society. During the Reporting Period, the Group donated RMB1.731 million.

In recognition of its outstanding performance in social responsibility, the Company was granted the "Top 100 Private Corporate in Social Responsibility of Henan Province(河南民營企業社會責任100強)" and "Top Ten Excellent Cases of Private Corporate in Social Responsibility of Henan Province(河南民營企業社會責任十大優秀案例)" in 2019.

- **Community Investment**
  We deeply recognises that the development of the Company is inseparable from the strong support of the surrounding communities. Over years, the Group has continuously supported the surrounding communities and shared the results of corporate development, through various forms such as carrying out respect the elderly activities, assisting villagers of surrounding areas to find jobs etc., thus achieving harmonious relations between village and enterprise.In 2009, the Company assisted the construction of resettlement communities in Wanghu Village to improve the living environment of the villagers. In 2010, the Company constructed the Zenan Reservoir to solve the irrigation and production water supply in surrounding area. At the same time, we actively recruit community labors to solve their job issues and facilitate development of communities.

- **Poverty alleviation through industrial development**
  The Group actively responded to the national call to implement the national targeted poverty alleviation policy. Based the actual conditions of poverty alleviation targets, The Group gave full play to its own advantages to vigorously develop the "Golden Farming" poverty alleviation and poverty alleviation through photovoltaic industry projects, helping the targeted regions to form a sustainable economic source and share economic development results. In 2019, the Company's poverty alleviation through industrial development project achieved remarkable results. The photovoltaic power station constructed in Guquan Village has generated approximately 410,000 kWh of electricity. Through the "Golden Farming" poverty alleviation project launched in Wangwu Town, the Group repurchased approximately 26,000 kg of eggs and 42,500 kg selenium-enriched flour, which made a positive contribution to boosting local community income.

- **Charity education**
  We attach great importance to regional education, and actively donate to various schools, such as Jiyuan No.1 Middle School, Wangwu No.1 Middle School, Wangwu No.2 Middle School and Potou Middle School, so as to help improve education and teaching facilities and office conditions, strengthen the construction of teaching staff, and help students with difficulties complete their studies. Through the support education activities, it not only helped the development of the regional education industry, but also attracted some assisted students to join the Company after they finished their studies, which has strengthened the talent team of the Group. In 2019, the labor union of the Company and the City Charity Federation held the "Eighth Charity Education Donation Ceremony", in which 200 rural students with financial difficulties received donations totaled RMB1.065 million.

DIRECTORS' REPORT

The Board of Henan Jinma Energy Co., Ltd. hereby presents its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Principal activities

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

Discussion and analysis of the business of the Group, significant factors affecting the results and financial position of the Group and financial ratios of the Group are provided in the section headed "Management Discussion and Analysis" of this annual report (pages 18 to 20, pages 27 to 28, pages 11 to 14 and pages 22 to 23). The Group's environmental policies and performance are provided in the in the section headed "Environmental, Social and Governance Report" of this annual report (pages 46 to 65). In addition, description of the principal risks and uncertainties faced by the Group and details regarding the Group's relationships with its key stakeholders are provided in the section headed "Management Discussion and Analysis" (pages 24 to 26 and page 30), "Corporate Governance Report" (pages 31 to 45), "Environmental, Social and Governance Report" (pages 46 to 65) and this section (pages 66 to 81) of this annual report. The particulars of important events that have occurred since the end of reporting period are provided in the section headed "Management Discussion and Analysis" of this annual report (pages 27 to 30).

Five-year Financial Summary

Summaries of the results, assets and liabilities of the Group for the past five financial years (extracted from the audited financial statements published by the Group for 2017 to 2019, and extracted from the Prospectus published by the Group for 2015 and 2016) are set out as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,571,945**	7,451,793	5,137,652	3,298,634	2,244,731
Cost of sales	**(6,490,863)**	(6,090,402)	(4,232,808)	(2,863,413)	(2,119,342)
Gross profit	**1,081,082**	1,361,391	904,844	435,221	125,389
Other income	**45,784**	8,883	6,885	4,379	8,953
Other gains and losses	**(7,748)**	(898)	(8,964)	29,038	8,790
Impairment losses, net of reversal	**2,737**	(12,513)	–	–	–
Selling and distribution expenses	**(143,250)**	(83,008)	(35,111)	(30,795)	(18,222)
Administrative expenses	**(100,449)**	(93,465)	(65,419)	(43,912)	(36,912)
Finance costs	**(54,265)**	(48,300)	(50,799)	(47,729)	(53,006)
Listing expenses	**–**	–	(15,930)	(5,540)	–
Share of result in a joint venture	**3,949**	4,614	3,418	4,001	(1,208)
Share of result in associates	**(240)**	(192)	(77)	1,374	(888)
Profit before tax	**827,600**	1,136,512	738,847	346,037	32,896
Income tax expense	**(208,353)**	(284,280)	(191,011)	(79,205)	(8,739)
Profit for the year	**619,247**	852,232	547,836	266,832	24,157
Other comprehensive expenses for the year	**914**	(1,884)	–	–	–
Total comprehensive income for the year	**620,161**	850,348	547,836	266,832	24,157
Total comprehensive income attributable to:					
—Owners of the Company	**588,116**	830,524	532,330	265,939	23,631
—Non-controlling interests	**32,045**	19,824	15,506	893	526
	620,161	850,348	547,836	266,832	24,157
Earnings per share (RMB)					
—Basic	**1.10**	1.55	1.24	0.66	0.07

Selected historical consolidated assets and liabilities data

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,099,797**	1,683,316	1,405,050	1,195,138	1,020,829
Current assets	**3,387,264**	2,391,446	1,557,276	1,167,178	744,926
Current liabilities	**1,681,226**	1,421,017	894,491	976,495	1,045,010
Net current assets/(liabilities)	**1,706,038**	970,429	662,785	190,683	(300,084)
Total assets less current liabilities	**3,805,835**	2,653,745	2,067,835	1,385,821	720,745
Equity attributable to owners of the Company	**2,627,001**	2,279,625	1,634,116	880,834	614,895
Total equity	**3,392,225**	2,377,459	1,728,326	945,934	620,141
Non-current liabilities	**413,610**	276,286	339,509	439,887	100,604
	3,805,835	2,653,745	2,067,835	1,385,821	720,745

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

Payment of Dividends

The Board of Directors of the Company has resolved to recommend the payment of a final dividend in respect of the year ended 31 December 2019 of RMB0.20 per share and a special dividend of RMB0.10 per share, in a total amount of RMB0.30 per share for the year ended 31 December 2019 in cash to shareholders whose names appear on the register of members of the Company on 28 May 2020.

The relevant resolutions are subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be convened on 25 May 2020. The final dividend and special dividend is expected to be distributed on or before 30 June 2020.

Tax on Dividends for H Shareholders

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

Pursuant to the applicable provisions and the implementing regulations of the Enterprise Income Tax Law of the PRC《中華人民共和國企業所得税法》and relevant requirements, the Company will withhold and pay enterprise income tax at the tax rate of 10% when distributing final dividend and special 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税法》and the State Administration of Taxation on the Administrative Measures on Enjoying Tax Treaty Treatment by Non-resident Taxpayers (State Administration of Taxation Announcement 2015 No. 60) ("**Tax Treaty Announcement**"), the Company will withhold and pay individual income tax for the H Shareholders according to the following arrangement:

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

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

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

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

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

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

Key customers and suppliers

For the year ended 31 December 2019, the total revenue from top 5 customers of the Group and the revenue from the largest customer of the Group accounted for 55.2% and 15.4% (2018: 56.6% and 19.1%), respectively, of the total revenue of the Group. The largest and the second largest customers are the Company's substantial shareholders or their subsidiaries, and such revenue was generated from the sales of coke of the Group.

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

During the year ended 31 December 2019, the aggregate amount of purchase attributable to the Group's top five suppliers and the purchase amount attributable to the largest supplier of the Group accounted for 28.4% and 9.3% (2018: 33.7% and 9.8%), respectively, of the total purchase amount of the Group.

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

Subsidiaries, associates and joint ventures

Details of key subsidiaries, associates and joint ventures of the Group are provided in Note 20, Note 23 and Note 22 to the consolidated financial statements.

Reserves and distributable reserves

Details of movements in the reserves of the Company during the year are provided in Note 50 to the consolidated financial statements. On 31 December 2019, distributable reserves (i.e. retained profits) of the Company amounted to RMB1,288.5 million (2018: RMB1,068.8 million).

Donations

During 2019, the Group made a total of RMB1.7 million (2018: RMB3.0 million) of charitable donations, details of which are provided in the section headed "Environmental, Social and Governance Report" of this annual report (page 65).

Purchase, sale or redemption of securities of the Company

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of of the Company.

Pre-emptive rights

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

Compliance with relevant laws and regulations

The Group has compliance procedures in place to ensure its compliance with relevant laws, rules and regulations. During the Reporting Period, the Group has complied with relevant laws and regulations which have material influence on its operation.

Directors and Supervisors

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

Executive Directors:

Mr. Yiu Chiu Fai (饒朝暉) *(Chairman)*
Mr. Wang Mingzhong (王明忠) *(Chief Executive Officer)*
Mr. Li Tianxi (李天喜) *(Executive Deputy General Manager)*

Non-executive Directors:

Mr. Hu Xiayu (胡夏雨)
Mr. Qiu Quanshan (邱全山)
Mr. Wang Zhiming (王志明) *(resigned on 18 October 2019)*
Ms. Ye Ting (葉婷) *(appointed on 18 October 2019)*

Independent Non-executive Directors:

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

Supervisors:

Mr. Wong Tsz Leung (黃梓良)
Ms. Li Lijuan (李麗娟) *(appointed on 15 May 2019)*
Mr. Zhang Qiangxian (張強弦) *(retired on 15 May 2019)*
Mr. Zhou Tao, David (周韜)
Ms. Tian Fangyuan (田方遠)
Ms. Hao Yali (郝亞莉)
Mr. Zhang Wujun (張武軍)

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

For the biographical details of the Directors, Supervisors and the senior management of the Company, please refer to the section headed "Directors, Supervisors and Senior Management" of this annual report (pages 86 to 92).

Interests of Directors, Supervisors and Chief Executive in Securities

As at 31 December 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 for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Nature of Interest	Class of securities	Number of Shares held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares of the Company (Note 2)	Approximate percentage of shareholding in the total share capital of the Company (Note 3)
Mr. Yiu Chiu Fai	Interest 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:

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

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

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

4. Mr. Yiu Chiu Fai (an executive Director) is the legal and beneficial owner of the entire issued share capital of Golden Star. Golden Star, in turn, holds 96.3% of the issued share capital of Jinma Coking, and Jinma HK is wholly owned by Jinma Coking. Accordingly, Mr. Yiu is deemed to be interested in Jinma HK's interest held by Jinma Coking by virtue of the SFO.

Save as disclosed above, as at 31 December 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.

Interests of Directors and Supervisors in Transactions, Arrangements or Contracts

During the year or as at the end of the year, none of the Directors or Supervisors of the Company, or the entities connected with the Directors or Supervisors, has participated or is or was materially interested, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries was a party.

Non-competition undertaking

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

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

Arrangement to Purchase Shares or Debentures

At no time during the year 2019 was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Management Contracts

No other contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during 2019 and until the date of this annual report.

Permitted Indemnity Provision

The Company has taken out appropriate insurance coverage for Directors', Supervisors' and chief executive's liabilities in respect of legal actions against its Directors, Supervisors and chief executive arising out of corporate activities. The level of the coverage is reviewed annually. In 2019, no permitted indemnity provision was in force for the benefit of the Company's Directors, Supervisors and the chief executive.

Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout the year ended 31 December 2019 and remain so as at the date of this annual report.

Connected Transaction

On 23 August 2019, the Company entered into the equity transfer agreement (the "**Agreement**") with Nanjing Jiabairun Trading Co., Ltd.* ("**Nanjing Jiabairun**", 南京嘉佰潤貿易有限公司), pursuant to which the Company has agreed to purchase, and the Nanjing Jiabairun has agreed to sell, 25% of the equity interest in Shanghai Jinma at the consideration of RMB9,755,021 (the "**Acquisition**"). The Acquisition was completed on 25 August 2019.

Prior to the completion of the Acquisition, Shanghai Jinma was a non-wholly owned subsidiary of the Company, of which, 75% of its equity interest is held by the Company and the remaining 25% was held by Nanjing Jiabairun. As such, Nanjing Jiabairun was a substantial shareholder of Shanghai Jinma and hence a subsidiary-level connected person of the Company pursuant to the Listing Rules. Accordingly, the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

For the year ended 31 December 2019, the Group conducted the following continuing connected transactions in respect of its business, details of which are disclosed in compliance with the requirements under Chapter 14A of the Listing Rules:

Name of Connected Person	Relationship with the Group	Nature of Transaction	Annual Cap for 2019 RMB'000	Actual Transaction Amount for 2019 RMB'000
Maanshan Steel	Masnshan Steel is interested in 26.89% of the total number of shares in issue of the Company and is one of the substantial shareholders of the Company.	Sale of coke	1,491,500	791,300
Jiangxi PXSteel	Jiangxi PXSteel is interested in 10.09% of the total number of shares in issue of the Company and is one of the substantial shareholders of the Company.	Sale of coke	1,890,000	1,168,145
Yugang Coking	Yugang Coking was held as to 88.03% by Golden Fair Chemicals (Holding) Limited which was in turn held as to 65.92% by a substantial shareholder of Jinning Energy, a member of the Group.	Purchase of coal tar	48,720	48,109
		Purchase of crude benzene	36,330	24,163
		Purchase of coal gas	21,200	20,926
		Sale of coal	120,000	54,950

Name of Connected Person	Relationship with the Group	Nature of Transaction	Cap for the period from 21 May 2019 to 31 December 2019 RMB'000	Actual Transaction Amount for the period from 21 May 2019 to 31 December 2019 RMB'000
Zenith Steel	Holder of approximately 22.27% of the equity interest in Shenzhen Jinma (a subsidiary of the Company)	Sale of coke	881,500	-
Xuzhou Oriental	Held as to approximately 30.66% by Mr. Wei Dechao (魏德朝), one of the directors of the Shenzhen Jinma (a subsidiary of the Company)	Sale of coke and coal	936,000	483,518
Shanghai Luxiang	Holder of approximately 93.33% of the equity interest in ZT Logistics, which is in turn a holder of approximately 22.27% of the equity interest in Shenzhen Jinma (a subsidiary of the Company)	Purchase of coal	246,000	236,016

Sale of Coke to Maanshan Steel Group

Pursuant to the framework agreement dated 18 September 2017 and the framework agreement dated 23 August 2019, both entered into between the Company and Maanshan Steel (collectively, the "**Maanshan Steel Framework Agreements**"), it was agreed that sales of coke to Maanshan Steel shall continue for a term commencing from 1 January 2017 to 31 December 2019 and a term commencing on 1 January 2020 to 31 December 2022, respectively.

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

Through the transactions contemplated under the Maanshan Steel Framework Agreements, the Group will continue to sell coke to Maanshan Steel and record stable and predictable revenue. Accordingly, the Directors (including the independent non-executive Directors) considered that it would be beneficial for the Company to continue the transactions under the Maanshan Steel Framework Agreements after the Group's listing in 2017. With respect to the sales amount, the 2019 annual cap for such continuing connected transactions was RMB1,491.5 million, and the actual annual transaction amount for the year ended 31 December 2019 was RMB791.3 million.

Sale of Coke to Jiangxi PXSteel Group

Pursuant to the framework agreement entered into between the Company and Jiangxi PXSteel on 18 September 2017 (as supplemented by a supplemental agreements dated 21 March 2018) and the framework agreement entered into between the Company and Jiangxi PXSteel on 23 August 2019 (collectively, the "**Jiangxi PXSteel Framework Agreements**"), it was agreed that the Group shall sell coke to Jiangxi PXSteel for a term commencing from 1 January 2017 to 31 December 2019 and a term commencing on 1 January 2020 to 31 December 2022, respectively.

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

Through the transactions contemplated under the Jiangxi PXSteel Framework Agreements, the Group will continue to sell coke to Jiangxi PXSteel and record stable and predictable revenue. Accordingly, the Directors (including the independent non-executive Directors) considered that it would be beneficial for the Company to continue the transactions under the Jiangxi PXSteel Framework Agreements after the Group's listing in 2017. With respect to the sales amount, the 2019 annual cap for such continuing connected transactions was RMB1,890.0 million, and the actual annual transaction amount for the year ended 31 December 2019 was RMB1,168.1 million.

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

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

  Pursuant to the framework agreement entered into between Bohigh Chemical, the Company and Yugang Coking on 18 September 2017 (as supplemented by the supplemental agreement dated 23 August 2019) (the "**Coal Tar Purchase Framework Agreement**"), it was agreed that Bohigh Chemical (and/or other Group Companies) shall purchase coal tar from Yugang Coking for a term commencing from 1 January 2017 until 31 December 2022.

  Under the Coal Tar Purchase Framework Agreement, Bohigh Chemical (and/or other Group Companies) will place purchase orders with Yugang Coking from time to time, specifying the amount of coal tar required by the Group, the requisite product specifications, as well as the expected delivery schedule. Yugang Coking will sell the coal tar at the prevailing market price and complete delivery of the products according to the agreed delivery schedule, and payment will be settled on monthly basis according to the terms of payment.

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

  Pursuant to the framework agreement entered into between Jinyuan Chemicals, the Company and Yugang Coking on 18 September 2017 (as supplemented by the supplemental agreement dated 23 August 2019) (the "**Crude Benzene Purchase Framework Agreement**"), it was agreed that Jinyuan Chemicals (and/or other Group Companies) shall purchase the crude benzene from Yugang Coking for a term commencing from 1 January 2017 until 31 December 2022.

  Under the Crude Benzene Purchase Framework Agreement, Jinyuan Chemicals (and/or other Group Companies) will place purchase orders with Yugang Coking from time to time, specifying the amount of crude benzene required by the Group, the requisite product specifications, as well as the expected delivery schedule. Yugang Coking will sell the crude benzene at the prevailing market price and complete delivery of the products according to the agreed delivery schedule, and payment will be settled on monthly basis according to the terms of payment.

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

  Pursuant to the framework agreement entered into between Jinning Energy, the Company and Yugang Coking on 18 September 2017 (as supplemented by the supplemental agreement dated 23 August 2019) (the "**Coal Gas Purchase Framework Agreement**"), it was agreed that Jinning Energy (and/or other Group Companies) shall purchase the coal gas from Yugang Coking for a term commencing from 1 January 2017 until 31 December 2022.

  Under the Coal Gas Purchase Framework Agreement, Jinning Energy (and/or other Group Companies) will place purchase orders with Yugang Coking from time to time, specifying the amount of coal gas required by the Group, the requisite product specifications, as well as the expected delivery schedule. Yugang Coking will sell the coal gas at the prevailing market price and complete delivery of the products according to the agreed delivery schedule, and payment will be settled on monthly basis according to the terms of payment.

  Through the transactions contemplated under the Coal Tar Purchase Framework Agreement, the Crude Benzene Purchase Framework Agreement and the Coal Gas Purchase Framework Agreement (collectively, the "Yugang Purchase Framework Agreements"), the Group considered that the Group will continue to acquire such raw materials for the Group's processing business from sources that facilitate transportation and have been able to produce products of stable quality at prevailing market price. Accordingly, the Directors (including the independent non-executive Directors) considered that it would be beneficial for the Company to continue the transactions under the Yugang Purchase Framework Agreements after the Company's listing. With respect to the purchase amount, the 2019 annual caps for such continuing connected transactions in relation to coal tar, crude benzene and coal gas were RMB48.72 million, RMB36.33 million and RMB21.20 million, respectively, and the actual annual transaction amounts for the year ended 31 December 2019 were RMB48.1 million, RMB24.2 million and RMB20.9 million, respectively.

- **Sale of Coal to Yugang Coking**

  Pursuant to the framework agreement entered into between Shanghai JInma and Yugang Coking on 18 September 2017 (as supplemented by the supplemental agreement dated 23 August 2019) (the "**Yugang Sale Framework Agreement**"), it was agreed that Shanghai Jinma shall sell coal to Yugang Coking for a term commencing from 1 January 2017 until 31 December 2022.

  Under the Yugang Sale Framework Agreement, Yugang Coking will place purchase orders with Shanghai Jinma from time to time, specifying the amount of coal required by Yugang Coking, the requisite product specifications, as well as the expected delivery schedule. Following the acceptance of the orders by Shanghai Jinma, Shanghai Jinma will sell the coal at market price and complete delivery of the products according to the agreed delivery schedule, and payment will be settled on monthly basis according to the terms of payment.

Shanghai Jinma is principally engaged in the trading of coal and coal equipment and has been in cooperation with a number of customers in its coal trading business, and Yugang Coking has been one of its major customers since 2013. Other than generating revenue, trading of coal also allows the Group to enhance its cost advantage from bulk purchase of coal. Furthermore, the Company's Directors considered that through the transactions contemplated under the Yugang Sale Framework Agreement, the Group will continue to sell coal to Yugang Coking, a coke production enterprise with stable operation and demand for coal, and generate stable and predictable revenue. Hence, the Company's Directors (including the independent non-executive Directors) considered that it would be beneficial for the Company to continue performing the transactions under the Yugang Sale Framework Agreement after its listing in 2017. With respect to the sales amount, the 2019 annual cap for such continuing connected transactions was RMB120.0 million, and the actual annual transaction amount for the year ended 31 December 2019 was RMB55.0 million.

Sale of coke to Zenith Steel Group

Pursuant to the framework agreement (the "**Agreement**") entered into between the Company and Zenith Steel dated 17 June 2019, it was agreed that the Group could sell coke to Zenith Steel and its associates (the "**Zenith Steel Group**") during the term from 21 May 2019 to 31 December 2021.

Under the Agreement, the Zenith Steel Group shall from time to time place purchase orders with the Group, specifying the amount of coke required by the Zenith Steel Group, the requisite product specifications, as well as the expected delivery schedule; and the Group shall sell the coke at a prevailing market price and complete the delivery of the products according to the agreed delivery schedule, and payment will be settled on monthly basis.

Through the transactions under the Agreement, the Group considered that the Group will sell coke to Zenith Steel Group and record predictable revenue. Accordingly, the Directors (including the independent non-executive Directors) considered that it would be beneficial for the Company from the transactions. With respect to the sales amount, the cap for such continuing connected transactions for the period from 21 May 2019 to 31 December 2019 was RMB881.5 million, and the actual annual transaction amount for the period from 21 May 2019 to 31 December 2019 was nil.

Sale of coke and coal to Xuzhou Oriental Group

Pursuant to the framework agreement (the "**Agreement**") entered into between the Company and Xuzhou Oriental dated 17 June 2019, it was agreed that the Group could sell coke and coal to Xuzhou Oriental and its associates (the "**Xuzhou Oriental Group**") during the term from 21 May 2019 to 31 December 2021.

Under the Agreement, the Xuzhou Oriental Group shall from time to time place purchase orders with the Group, specifying the amount of coke and/or coal required by the Xuzhou Oriental Group, the requisite product specifications, as well as the expected delivery schedule; and the Group shall sell the coke and coal at a prevailing market price and complete the delivery of the products according to the agreed delivery schedule, and payment will be settled on monthly basis.

Through the transactions contemplated under the Agreement, the Group considered that the Group will continue to sell coke and/or coal to Xuzhou Oriental Group and record stable and predictable revenue. Accordingly, the Directors (including the independent non-executive Directors) considered that it would be beneficial for the Company to continue the transactions. With respect to the sales amount, the cap for such continuing connected transactions for the period from 21 May 2019 to 31 December 2019 was RMB936.0 million, and the actual annual transaction amount for the period from 21 May 2019 to 31 December 2019 was RMB483.5 million.

Purchase of coal from Shanghai Luxiang Group

Pursuant to the framework agreement (the "**Agreement**") entered into between the Company and Shanghai Luxiang dated 17 June 2019, it was agreed that the Group could purchase coal from the Shanghai Luxiang and its associates (the "**Shanghai Luxiang Group**") during the term from 21 May 2019 to 31 December 2021.

Under the Agreement, the Group shall from time to time place purchase orders with the Shanghai Luxiang Group, specifying the amount of coal required by the Group, the requisite product specifications, as well as the expected delivery schedule; and the Shanghai Luxiang Group shall sell the coal at a prevailing market price and complete the delivery of the products according to the agreed delivery schedule, and payment will be settled on monthly basis.

Through the transactions contemplated under the Agreement, the Group considered that the Group will continue acquire such raw materials for the Group's processing business from sources that facilitate transportation and have been able to produce products of stable quality at prevailing market price. Accordingly, the Directors (including the independent non-executive Directors) considered that it would be beneficial for the Company to continue the transactions. With respect to the sales amount, the cap for such continuing connected transactions for the period from 21 May 2019 to 31 December 2019 was RMB246.0 million, and the actual annual transaction amount for the period from 21 May 2019 to 31 December 2019 was RMB236.0 million.

Opinions of Independent Non-executive Directors and Auditor

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above at the meeting of the Board held on 23 April 2020 and confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or on terms no less favourable than those entered into by independent third parties with the Group; and (iii) pursuant to the relevant agreements governing these transactions, and the terms of the agreements were fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

- They have not noticed anything that causes them to believe that the continuing connected transactions disclosed have not been approved by the Board of Directors of the Company.

- For transactions involving the provision of goods or services by the Group, they have not noticed anything that causes them to believe that the transactions were not conducted in accordance with the Group's pricing policy in all material aspects.

- They have not noticed anything that causes them to believe that the transactions were not conducted in accordance with the relevant agreements governing the transactions in all material aspects.

- In respect of the aggregate transaction amount of the above continuing connected transactions, they have not noticed anything that causes them to believe that the continuing connected transactions disclosed exceeded the relevant annual caps as approved by the Company.

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

Except for the connected transactions (including continuing connected transactions) disclosed above, all the related parties' transactions set out in Note 45 to the consolidated financial statements of the Group do not constitute continuing connected transactions or connected transactions of the Company that are required to comply with the relevant annual review, disclosure or shareholder's approval requirements under Chapter 14A of the Listing Rules.

Interests of Substantial Shareholders in Securities

As at 31 December 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 Securities	Number of Shares Held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares of the Company (Note 2)	Approximate percentage of shareholding in the total Share Capital of the Company (Note 3)
Jinma HK	Beneficial owner	Unlisted foreign shares	162,000,000(L)	40.5%	30.26%
Jinma Coking	Interests in controlled corporation (Note 4)	Unlisted foreign shares	162,000,000(L)	40.5%	30.26%
Golden Star	Interests in controlled corporation (Note 5)	Unlisted foreign shares	162,000,000(L)	40.5%	30.26%
Ms. Lam Yuk Wai	Interest of spouse (Note 6)	Unlisted foreign shares	162,000,000(L)	40.5%	30.26%
		H shares	1,453,000(L)	1.07%	0.27%
Maanshan Steel	Beneficial owner (Note 7)	Domestic shares	144,000,000(L)	36.00%	26.89%
Magang (Group) Holdings Co., Ltd.	Interests in controlled corporation (Note 7)	Domestic shares	144,000,000(L)	36.00%	26.89%
Jiangxi PXSteel	Beneficial owner	Domestic shares	54,000,000(L)	13.50%	10.09%
Liaoning Fangda Group Industrial Co., Ltd.	Interests in controlled corporation (Note 8)	Domestic shares	54,000,000(L)	13.50%	10.09%
Beijing Fangda International Enterprise Investment Co., Ltd.	Interests in controlled corporation (Note 9)	Domestic shares	54,000,000(L)	13.50%	10.09%
Mr. Fang Wei	Interests in controlled corporation (Note 10)	Domestic shares	54,000,000(L)	13.50%	10.09%
Jinma Xingye	Beneficial owner	Domestic shares	40,000,000(L)	10.00%	7.47%
Mr. Wang Lijie	Interests in controlled corporation (Note 11)	Domestic shares	40,000,000(L)	10.00%	7.47%
Ms. Zheng Jing	Interest of spouse (Note 12)	Domestic shares	40,000,000(L)	10.00%	7.47%
RAYS Capital Partners Limited	Investment manager	H shares	18,769,000(L)	13.86%	3.51%
Ruan David Ching Chi	Interests in controlled corporation (Note 13)	H shares	18,769,000(L)	13.86%	3.51%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	H shares	18,091,000(L)	13.36%	3.38%
China Risun Group (Hong Kong) Limited	Beneficial owner (Note 14)	H shares	13,000,000(L)	9.60%	2.43%

Notes:

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

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

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

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

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

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

7. Magang (Group) Holdings Co., Ltd., whose actual controller was the State-owned Assets Supervision and Administration Commission of the State Council (being the holder of 51% of the interest in Magang (Group) Holdings Co., Ltd. through its 100% controlled China Baowu Steel Group Corporation Limited), is the holding company of Maanshan Steel and holds approximately 45.54% 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 in 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 to be interested in the same amount of Shares as Mr. Wang.

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

14. China Risun Group (Hong Kong) Limited (formerly known as Risun Coal Chemicals Group Limited), is a company incorporated in Hong Kong with limited liability on 5 March, 2007 and an indirect wholly-owned subsidiary of China Risun Group Limited. Accordingly, China Risun Group Limited is deemed to be interested in China Risun Group (Hong Kong) Limited's interest 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 31 December 2019.

Sufficiency of Public Float

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

Provision of Financial Subsidiaries and Guarantees for Associates or Subsidiaries

For the year ended 31 December 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 31 December 2019, the Group employed about 1,585 employees, with an average turnover of less than 4.6% over the past three years, reflecting the competitive remuneration and benefits provided by the Group to its employees.

The Group has established a remuneration committee to review the remuneration policy for all Directors and the management of the Group based on the Group's overall operating results, individual performance and comparison of market practices. The Group has made full contributions to social insurance (including pension scheme, medical insurance, work injury insurance, unemployment insurance and maternity insurance) and housing provident funds for its employees in accordance with the relevant PRC labour laws and regulations. Other relevant information is provided in Note 37 Employee Benefits to the "Consolidated Financial Statements".

Details of Directors' remuneration for 2019 are provided in Note 14 to the consolidated financial statements in this annual report.

Auditor

The consolidated financial statements for the year ended 31 December 2019 have been audited by Deloitte Touche Tohmatsu ("**Deloitte**") who will retire from the office of auditor at the forthcoming annual general meeting of the Company and, being eligible, will offer itself for re-election. The shares of the Group were listed on the Hong Kong Stock Exchange on 10 October 2017. Since the Listing Date and up to the date of this annual report, the Company has not changed its auditor.

On behalf of the Board of Directors

Yiu Chiu Fai
Chairman

Hong Kong
29 April 2020

SUPERVISORS' REPORT

In 2019, all members of the Supervisory Committee of Henan Jinma Energy Company Limited (the "**Company**") had duly performed their supervision duties, strengthened supervision of the operation and management of the Company, strictly reviewed the financial reports of the Company, supervised legality and compliance of performance of duties by the Board of Directors and management of the Company, and gave full play to the supervisory role of the Supervisory Committee, which played an active role in promoting the standardized operation and healthy development of the Company, and effectively safeguarded the legitimate rights of the shareholders, employees and the Company, in accordance with the provisions and requirements of, inter alia, the Company Law of the People's Republic of China (the "**Company Law**"), the Articles of Association of Henan Jinma Energy Company Limited (the "**Article of Association**") and the Rules of Procedures for Supervisory Committee Meetings.

Basic assessment on the operation, management behavior and results of the Company in 2019

In 2019, the Supervisory Committee of the Company had performed its supervisory functions conscientiously and practically safeguarded the interests of the Company and the shareholders in accordance with the requirements of the Company Law, the Articles of Association, the Rules of Procedures for Supervisory Committee Meetings and the relevant laws and regulations.

The Supervisory Committee had attended the meetings of the Board of Directors (the "**Board**") and the general meetings in 2019 as an observer, and in its opinion: the Board had implemented the resolutions of the general meeting conscientiously and performed the obligations of honesty faithfully without any actions which were detrimental to the interests of the Company and the shareholders, all resolutions of the Board had complied with the laws and regulations, such as the Company Law, and the requirements of the Articles of Association. The Supervisory Committee also exercised supervision over the production and operating activities of the Company during its term of office, and in its opinion, the operation team of the Company functioned diligently and responsibly to implement all resolutions of the Board conscientiously, and no non-compliance acts were conducted in the operations.

The Supervisory Committee of the Company supervised the decision-making process of the Company and duty performance of the Directors, senior management of the Company in accordance with the requirements of the laws and regulations, and the Company Law and rules of procedures of the Supervisory Committee. The Supervisory Committee was of view that the operation governance and decision-making process of the Company had complied with the laws and regulations of the Company Law and the Securities Law, and relevant requirements of the Articles of Association. The Board had conscientiously exercised the resolutions in the general meetings. The Directors and the senior management were loyal and diligent in performing their duties and did not have any non-compliance incidents in violation of the interest of the Company.

Meeting of the Supervisory Committee

During the reporting period, the Supervisory Committee of the Company had convened three meetings:

On 18 March 2019, the fifth meeting of the First Session of the Supervisory Committee was held, out of the six Supervisors who were eligible to attend the meeting, six Supervisors were present at the meeting. The meeting was convened in compliance with the requirements of the Company Law and the Articles of Association. The meeting had considered and approved the following resolutions: 1. Approval for the Resolution on the Working Report of the Supervisory Committee 2018 for Henan Jinma Energy Company Limited 《河南金馬能源股份有限公司2018年度監事會工作報告》; 2. Approval for the Resolution on the Report for the Use of Proceeds from H-Share Listing in Hong Kong for Henan Jinma Energy Company Limited 《河南金馬能源股份有限公司香港H股上市募集資金使用情況的報告》; 3. Approval for the Resolution on the Audit Report 2018 for Henan Jinma Energy Company Limited 《河南金馬能源股份有限公司2018年度審計報告》; 4. Approval for the Resolution on the Annual Report 2018 for Henan Jinma Energy Company Limited 《河南金馬能源股份有限公司2018年度報告》; 5. Approval for the Resolution on the Result Report 2018 for Henan Jinma Energy Company Limited 《河南金馬能源股份有限公司2018年度業績報告》; and 6. Approval for the Resolution on the Payment of Final Cash Dividend for 2018 《派發2018年度末期現金股息》.

On 26 March 2019, the sixth meeting of the First Session of the Supervisory Committee was held, out of the six Supervisors who were eligible to attend the meeting, six Supervisors were present at the meeting. The meeting was convened in compliance with the requirements of the Company Law and the Articles of Association. The meeting had considered and approved the Resolution on the Nomination of Member Candidates of the Second Session of the Supervisory Committee of the Company 《關於提名公司第二屆監事會成員候選人的議案》, pursuant to which, Mr. Wang Tsz Leung and Ms. Li Lijuan were nominated as the Supervisors representing the shareholders while Mr. Zhou Tao, David and Ms. Tian Fangyuan as the independent Supervisors, and jointly formed the second session of the Supervisory Committee of the Company together with the Supervisors representing the employees elected during the annual general meeting and the employee representatives meeting for a term of three years commencing from the date of appointment after the resolution at the annual general meeting.

On 15 May 2019, the first meeting of the Second Session of the Supervisory Committee was held, out of the six Supervisors who were eligible to attend the meeting, six Supervisors were present at the meeting. The meeting was convened in compliance with the requirements of the Company Law and the Articles of Association. The meeting had considered and approved the Resolution on the Electing the Chairman of the Second Session of the Supervisory Committee of the Company 《關於選舉公司第二屆監事會主席的議案》, pursuant to which, Mr. Wang Tsz Leung was elected as the Chairman of the Second Session of the Supervisory Committee of the Company for a term commencing from the date of the resolution of this meeting of the Supervisory Committee and until the expiration of the term of the current session of the Supervisory Committee.

Supervision Opinions of the Supervisory Committee on relevant matters of the Company in 2019

Financial Conditions of the Company

The Supervisory Committee of the Company exercised supervision over the financial conditions of the Company and its subsidiaries through hearing reports from the Finance Department and considering the operating and financial conditions of the Company in a timely manner in acquiring an understanding on the operating and financial conditions of the Company. In the opinions of the Supervisory Committee of the Company, the Company and all of its subsidiaries had established independent financial ledgers and conducted accounting independently, which were in compliance with the Accounting Law 《會計法》 and the relevant financial rules and regulations. In 2019, the financial management of the Company and all of its subsidiaries was in conformity, and the financial statements reflected the true and accurate conditions of the practical circumstances of the Company and all of its subsidiaries.

Investments of the Company

During the reporting period, the Company has successfully completed and commenced the operations of gasifying of coke with oxygen-enriched air project with annual capacity of 500 million m^2 of coal gas per year and a set of air separation units with 20,000 Nm^3/h (O2), and the material investment projects, including coke dry quenching reconstruction, and expansion plan of 200,000 ton Benzene based and coal Tar based chemicals, of the Company have performed the corresponding investment decision-making process scientifically and strictly according to provisions.

Related Party Transactions

During the reporting period, the related party transactions of the Company in 2019 were supervised and reviewed by the Supervisory Committee, and it was of view that the decision-making process of the related party transactions of the Company was in compliance with the relevant laws, regulations and rules under the Company Law and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The ordinary related party transactions between the Company and the related parties had been considered by the Board and the general meeting of the Company. The transactions were beneficial to synergies and accelerating the operation and development of the Company's production. The related party transactions were conducted at arm's length pursuant to contracts or agreements in a fair manner without any breach of the principles of openness, fairness and justness, and were not detrimental to the interests of the Company and other non-related shareholders.

SUPERVISORS' REPORT

Comprehensive Opinions of the Supervisory Committee on the Circumstances of the Company in 2019

During the reporting period, members of the Supervisory Committee supervised the duty performance and the execution of corporate decision-making process in accordance with the Company Law and the Articles of Association through attending the general meetings and Board meetings, and the relevant decision-making processes were in compliance with the Company Law, the Securities Law and the Articles of Association. The Board and the management coordinated under the authorities of duty to ensure the operation of the Company with high efficiency and validity. The Board of the Company had duly executed all of the respective resolutions of the general meetings, made prudent decisions on the matters with significant interests to the Company, and safeguarded the interest of shareholders, in particular the minority shareholders, and the Company. The management has established a reasonable strategic objectives and initiatives plans to be implemented in the daily operation of the Company, which served as a good foundation for the long-term development of the Company.

During the reporting period, the Directors and senior management officers of the Company have performed their duties diligently and responsibly without violating the requirements of the laws, regulations and the Articles of Association, and other behaviors which damage the interests of the Company and shareholders. The members of the Supervisory Committee have good understanding and knowledge of different aspects of the operation of the Company and supervised efficiently on the operational and financial conditions of the Company and behaviors of the senior management officers of the Company, to ensure the commencement of normal operation management of the Company and earnestly safeguard the interests of the Company and all shareholders.

For self-evaluation opinions, the development and operation of the internal control regarding the Board of the Company in 2019, the Supervisory Committee has performed a review, and considered that, the Company had established a sound internal control system covering all segments of the Company according to the practical circumstances and pursuant to the relevant requirements of the Company Law, the China Securities Regulatory Commission and the Hong Kong Stock Exchange to ensure the normal and orderly operation of business activities of the Company. The current internal control of the Company was fundamentally complied with the relevant requirement of the corporate governance structure, established a more proper and effective internal control system regarding the financial reporting and information disclosure which has been implemented efficiently, with better supervision and guidelines on the operation standardization. There has been no obvious and weak components and major defects in the internal control system of the Company. The Company's internal control organization was complete with proper deployment of internal audit department and personnel to ensure the sufficient and effective execution and supervision of key internal control activities of the Company. In 2019, the Company did not have any non-compliance incidents in violation of the Guidelines for Internal Control of Listed Companies《上市公司內部控制指引》and the Internal Control System of Companies《公司內部控制制度》. The Supervisory Committee was of the opinion that the self-evaluation of internal control by the Company was comprehensive and genuinely reflected the actual circumstances of internal control of the Company.

Supervisory Committee's Outlook of Work in 2020

In 2020, the Supervisory Committee will closely cope with the changes in the new era and development of the Company, focus on our core duties and business, loyalty, diligence, specification and efficient duty performance to facilitate the development of contemporary corporate governance system as well as innovative and organized internal control mechanism, while achieving in the enhancement of different aspects, such as the quality in operation of the Supervisory Committee, to provide a stronger support and assurance for the sustainable, stable and healthy development of the Company.

First, to fully implement the functions of supervision and management. The Supervisory Committee would actively safeguard the interest of the Company and the legitimate rights of the shareholders as a whole and strengthen the supervision over capitalizing on the overall risks and key issues of the Company to put effort on the implementation of precise supervision. Meanwhile, it would also continue to deepen the financial supervision with higher level of supervision over the financial reports of the Company, use of proceeds and major related party transactions, while continuously delegating the supervision over the performance of the Board, the management and its officers and enhancing the effectiveness of supervision and assessment. It would continue to strengthen the oversights of the defects in the internal control and review reporting of the effectiveness of risk management, so as to promote the further upgrade of the level of the risk management.

Second, establishing a sound supervisory management mechanism. The Supervisory Committee would strictly supervise the implementation of standardization requirements of the corporate governance and operation of the Supervisory Committee by the regulatory authorities and the substantial shareholders, so as to strengthen the operation foundation of the Supervisory Committee. It would continue to optimize and delegate the operation system and workflow of the Supervisory Committee pursuant to the relevant requirements of the Listing Rules, further enhance the quality and effectiveness of the supervision, strengthen the control and intensity of the Company and formulate a more comprehensive mechanism for supervision of the Supervisory Committee. At the same time, it would enlarge the intensity of supervision training, optimize the filing management of supervisors, strengthen the communication among industry players, in order to provide a strong shield for the effective supervision of the Supervisory Committee.

Third, innovative and optimized internal mechanism. The Supervisory Committee would optimize the internal mechanism of the Company through promoting innovative initiatives in exploring working perspectives in terms of the supervisory functions and business development of the Company. Firstly, it needs to capture material matters and operation condition of the Company, continue to enhance the prospective, timely and sensitive supervision. Secondly, it needs to strengthen the coordination and sharing of information among supervisory authorities for higher supervisory capability. Meanwhile, it needs to actively participate in studies of material issues, such as the development strategies and business transformation and make suggestions and risk warnings, which contributes as a constructive tool for the quality development of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of nine Directors, of whom three are executive Directors, three are non-executive Directors and three are independent non-executive Directors. The directors 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 from 15 May 2019 to the conclusion of the annual general meeting for the year ending 31 December 2021 (both days inclusive), and may be appointed for consecutive terms. The Board shall be responsible for and shall have general power to manage and develop the Company's business.

Executive Directors

Mr. Yiu Chiu Fai (饒朝暉), aged 51, was appointed as an executive Director and the chairman of the Board of the Company in July 2016. Mr. Yiu is also a Director of Jinma HK, Jinma Coking and Golden Star, all of which are companies controlled by Mr. Yiu. Mr. Yiu joined the Group in May 2006 as a Director of the Company's predecessor. As chairman of the Board, Mr. Yiu is mainly responsible for leading the Board to formulate corporate and operational strategies and make major corporate and operational decisions of the Group.

Prior to joining the Group, Mr. Yiu was a department manager of Xiamen Commercial Foreign Trade Corporation from around August 1990 to September 1993, a director and deputy general manager of Shangxiang Minmetals Investment Ltd. from December 1993 to June 1997, an executive director of Central China Enterprises Limited, a company listed in Hong Kong (stock code: 351), from June 1998 to September 2000, and the chairman of Yugang Coking from June 2002 to July 2012. Mr. Yiu has over 20 years of experience in corporate management.

Mr. Yiu obtained a bachelor's degree in law from Xiamen University in July 1990. He also obtained a master's degree in business administration from the University of South Australia in April 2003 through long distance learning.

Mr. Wang Mingzhong (王明忠), aged 56, was appointed as the Chief Executive Officer and an executive Director of the Company in July 2016. Mr. Wang is also a director of Jinma Xingye, a substantial Shareholder of the Company. Mr. Wang joined the Group as a Director of the Company's predecessor since its establishment in February 2003 and has served as the general manager of the Company (the Company's predecessor) since April 2003. He is mainly responsible for formulating development and operational strategies and the overall daily business operation and management of the Group.

Prior to joining the Group, Mr. Wang was a manager in 河南省濟源市石油液化氣公司 (Henan Jiyuan Liquefied Petroleum Gas Company*) from December 1993 to December 1995. He also served as the general manager and the deputy secretary of the party committee of Yugang Coking from January 1996 to February 2003. Mr. Wang has over 20 years of experience in the petroleum and coking industry.

Mr. Wang obtained the qualification of senior economist in November 2010.

Mr. Li Tianxi (李天喜), aged 55, was appointed as an executive Director of the Company in December 2016. Mr. Li is currently the Company's executive deputy general manager and also an executive director of Bohigh Chemical, a subsidiary of the Company. Mr. Li is also a director of Jinma Xingye, the Company's substantial Shareholder. Mr. Li joined the Group in April 2003 as the Company's executive deputy general manager, chief engineer and the secretary to the Board. He is mainly responsible for the technological, environmental and construction developments of the Group.

Prior to joining the Group, Mr. Li worked in Yugang Coking from February 1996 to October 2002 and served as a deputy general manager and the chief engineer.

Mr. Li was qualified as a senior engineer since September 2005 and was awarded with a metallurgy science technology second class award by 中國鋼鐵工業協會(China Iron and Steel Association*) and The Chinese Society for Metals in August 2009, recognized as a metallurgy industry expert in Henan province by 河南省鋼鐵工業協會(Henan Iron and Steel Association*) and 河南省金屬學會(Henan Society for Metals*) in December 2006 and recognized as a coking expert by Henan Iron and Steel Association in September 2016. Mr. Li was appointed an expert of the Seventh Session of China Coking Industry Association by China Coking Industry Association in January 2018, and has been serving as the president of 河南省鋼鐵工業協會焦化行業分會 (Coking Industry Branch of Henan Iron and Steel Association*) since April 2019. Mr. Li obtained a bachelor's degree in Chemical Engineering and Technology from Henan University in January 2010.

Non-executive Directors

Mr. Hu Xiayu (胡夏雨), aged 57, was appointed as a non-executive Director of the Company in July 2016, and appointed as the deputy chairman of the Board in June 2018. Mr. Hu joined the Group as a Director of the Company's predecessor in May 2014. Mr. Hu is mainly responsible for participating in the formulation of the Group's corporate and operational strategies.

Mr. Hu joined Maanshan Steel (and its predecessor) since July 1983 and served in various positions, including, the head of the quality control center, head of the product development center and the Director of the iron-making technology division in Maanshan Steel. Since April 2016, Mr. Hu was appointed as the head of the raw fuels center and general manager of procurement center of Maanshan Steel.

Mr. Hu graduated from the metallurgy engineering program from 馬鞍山鋼鐵學院(Maanshan Iron and Steel Institute*) in July 1983 and graduated from the postgraduate business administration program from 中共安徽省委黨校(Party School of Anhui Committee of C.P.C.*) in July 2005.

Mr. Qiu Quanshan (邱全山), aged 48, was appointed as a non-executive Director of the Company in October 2018. Mr. Qiu is mainly responsible for participating in the formulation of the Group's corporate and operational strategies.

Mr. Qiu joined Maanshan Steel since July 1993 and served in various positions, including the head of the production technology center, factory director of the branch coking plant, chief engineer, general manager and secretary of the party committee of 馬鋼煤焦化公司 (Coal-coking company of Maanshan Steel*), as well as the secretary of the party committee and factory director of the main coking plant of Maanshan Steel. Since January 2019, he has been serving as the secretary of the party committee, chairman and general manager of 安徽馬鋼化工能源科技有限公司 (Anhui Magang Chemicals and Energy Technology Company Limited*). Since January 2020, he has also been serving as a deputy general manager of 寶武炭材料科技有限公司(Baowu Carbon Materials & Technology Co., Ltd.*) in China Baowu.

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

Ms. Ye Ting (葉婷), aged 33, was appointed as a non-executive Director of the Company in October 2019. Ms. Ye is mainly responsible for participating in the formulation of the Group's corporate and operational strategies.

Ms. Ye joined the Jiangxi PXSteel Group (being Jiangxi PXSteel Industrial Co. Ltd. ("Jiangxi PXSteel") and its subsidiaries) since July 2009 and served in various positions, including as a chemical analyst of the quality assurance department and the manager of Administrations Office of 九江萍鋼鋼鐵有限公司(Jiujiang Ping Gang Steel Co., Ltd.*, the coal-coking company of Jiangxi PXSteel). Since October 2018, she has been serving as the Deputy Manager in Administrations Office of 萍鄉萍鋼安源鋼鐵有限公司(Ping Xiang Ping Gang Anyuan Steel Co., Ltd.*), a subsidiary of Jiangxi PXSteel.

Ms. Ye graduated from 九江學院(Jiujiang University) in July 2007, majoring in tourism and aviation services.

Independent non-executive Directors

Mr. Zheng Wenhua (鄭文華), aged 78, was appointed as an independent non-executive Director of the Company in September 2017. He is responsible for supervising compliance and corporate governance issues of the Group and providing independent opinion and advice to the Board.

Mr. Zheng has extensive experience in the coking industry and is a member of the expert committee of the Chinese Society for Metals, the honorary committee chairman of China Metal Association Coking Chemical Professional Committee, the advisor of the China Coking Industry Association and a member of the editorial committee of《中國冶金》("China Metallurgy"). Mr. Zheng also published numerous articles relating to coke in various journals, including《鋼鐵》("Iron & Steel*") and《燃料與化工》("Fuel and Chemical Processes"). Mr. Zheng is also one of the editors of《現代焦化生產技術手冊》("The Modern Technology of Coking Production Manual*").

* For identification purpose only

Mr. Zheng graduated from 河北唐山礦冶學院(Hebei Tangshan Institute of Mining and Metallurgy*) in June 1965 specializing in chemical engineering. Mr. Zheng was a professor-grade senior engineer of 冶金工業部鞍山焦化耐火材料設計研究院(Department of Metallurgical Industry Anshan Coking Refractories Design and Research Institute*) from December 1992 to December 2002.

Mr. Liu Yuhui (劉煜輝), aged 49, was appointed as an independent non-executive Director of the Company in September 2017. He is responsible for supervising compliance and corporate governance issues of the Group and providing independent opinion and advice to the Board.

Mr. Liu holds various positions, including a professor of Graduate School of Chinese Academy of Social Sciences and he is one of the participants at the China Chief Economist Forum. He has also been the chief economist of 天風證券股份有限公司(Tianfeng Securities Co., Ltd.) since September 2016.

Mr. Liu currently serves as an independent Director of Bank of Jiangsu Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600919) and Mango Excellent Media Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300413) from January 2019. Mr. Liu has experience in serving as an independent Director for different enterprises for several years, which includes Shenzhen Asia Link Technology Development Co., Ltd. (formerly as Shenzhen Keybridge Communications Co., Ltd, a company listed on the Shenzhen Stock Exchange, stock code: 002316) until February 2019, Central China Land Media Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000719) until April 2018, Bank of Hangzhou Co. Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600926) until February 2017 and Xiangtan Electric Manufacturing Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600416) until May 2015.

Mr. Liu obtained a doctor's degree of quantitative economics from the Graduate School of Chinese Academy of Social Sciences in July 2003.

Mr. Wu Tak Lung (吳德龍), aged 54, was appointed as an independent non-executive Director of the Company in September 2017. Mr. Wu is responsible for supervising the compliance and corporate governance issues of the Group and providing independent opinion and advice to the Board. Mr. Wu currently serves as an independent non-executive Director of Sinomax Group Limited (stock code: 1418), China Machinery Engineering Corporation (stock code: 1829), Kam Hing International Holdings Limited (stock code: 2307), and Zhongguancun Science-Tech Leasing Co., Ltd. (stock code:1601).

During the past three years, Mr. Wu served as an independent non-executive Director of Sinotrans Shipping Limited, a company listed in Hong Kong and was delisted in January 2019 (stock code: 00368), Huarong Investment Stock Corporation Limited, a company listed in Hong Kong (stock code: 02277), Beijing Media Corporation Limited (stock code: 1000) and First Tractor Company Limited, a company listed in both Hong Kong (HK stock code: 0038) and Shanghai (stock code in Shanghai: 601038) and an independent Director of Olympic Circuit Technology Co., Ltd., a company listed in Shanghai (stock code: 603920). Mr. Wu has worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years.

Mr. Wu is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Securities and Investment Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, and the Hong Kong Institute of Chartered Secretaries.

Mr. Wu obtained a bachelor's degree of business administration in accounting from the Hong Kong Baptist University and a master's degree of business administration (MBA) jointly issued by the University of Manchester and the University of Wales.

SUPERVISORS

The Supervisory Committee of the Company currently consists of six Supervisors, of whom two are shareholder representatives, two are external Supervisors and two are employee representatives. Shareholder representative Supervisors and external Supervisors are elected by the Shareholders and employee representative Supervisors are elected by employee representatives. The supervisors 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 from 15 May 2019 to the conclusion of the annual general meeting for the year ending 31 December 2021 (both days inclusive), and may be appointed for consecutive terms. The Supervisory Committee is responsible for overseeing the Board and senior management in discharging their responsibilities and reviewing financial statements of the Group.

Mr. Wong Tsz Leung (黃梓良), aged 56, was appointed as a shareholder representative Supervisor of the Company in July 2016 and was elected as the chairman of the Supervisory Committee of the Company in July 2016. Mr. Wong joined the Group in February 2012 as a Supervisor of the Company's predecessor. Mr. Wong is currently the financial manager of Jinma HK, a substantial Shareholder of the Company. He is mainly responsible for overseeing the affairs of the Supervisory Committee and supervising the Group's operations and financial activities. Mr. Wong has been serving as an executive Director and the chief financial officer of Smart-Core Holdings Limited (stock code: 2166), a listed company in Hong Kong, since October 2016.

Mr. Wong has approximately 20 years of experience in financial strategic planning and management. He was the financial controller of OSSIMA Publishing Group Limited, a company engaged in travel media business, from January 1995 to September 2005.

Mr. Wong obtained a master's degree in business administration from the University of Wales in December 2011 via its distance learning program.

Ms. Li Lijuan (李麗娟), aged 49, was appointed as a shareholder representative Supervisor of the Company in May 2019. Ms. Li 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.

Mr. Zhou Tao David (周韜), aged 49, joined the Group in September 2017 when he was appointed as an external Supervisor of the Company. Mr. Zhou is mainly responsible for supervising the Group's operations and financial activities. He has been serving as the company secretary of OP Financial Limited (formerly known as OP Financial Investment Limited, a company listed in Hong Kong, stock code: 1140) since November 2016 during which, he also acts as the head of legal and compliance.

During the past three years, Mr. Zhou served as an independent director of 天地壹號飲料股份有限公司 (Tian Di No.1 Beverage Inc.), a company quoted on the National Equities Exchange and Quotations System in the PRC. Mr. Zhou has approximately 15 years of experience in handling legal and compliance matters in financial institutions in Hong Kong. Mr. Zhou is qualified as a Hong Kong solicitor and obtained lawyer qualification in the PRC. He is also an arbitrator of the South China International Economics and Trade Arbitration Commission.

Mr. Zhou obtained a bachelor of laws degree from Xiamen University in July 1992 and a bachelor of laws degree from the Manchester Metropolitan University in July 2007 through a long-distance learning program.

Ms. Tian Fangyuan (田方遠), aged 32, joined the Group in September 2017 when she was appointed as an external Supervisor of the Company. Ms. Tian is mainly responsible for supervising the Group's operations and financial activities.

Ms. Tian has over five years of experience in the finance and accounting. She has been the Market Development Manager of Central Finance Advisory (a company based in Sydney) since October 2017. She worked in KBL Mining Ltd., a company listed on the Australian Stock Exchange from July 2011 to September 2016 and served as a manager of the financial department. She is also a member of CPA Australia.

Ms. Tian obtained a bachelor's degree in commerce from the University of Melbourne in December 2009.

Ms. Hao Yali (郝亞莉), aged 46, was elected as an employee representative Supervisor of the Company in September 2017. Ms. Hao joined the Group in September 2004, and was promoted to the position of the deputy manager of the materials procurement department of the Company's predecessor in July 2005, and was promoted to the position of the manager of the materials procurement department of the Company in 2018. Since December 2009, Ms. Hao has also served as a member of the labor union committee and the head of the female employee committee and was appointed as the deputy chairman of the labor union in April 2018. She is mainly responsible for supervising the Group's operations and financial activities.

Prior to joining the Group, Ms. Hao worked in the finance, enterprise management, operations and supply divisions of Yugang Coking from November 1996 to September 2004.

Ms. Hao was certified as a senior professional manager by China Enterprise Confederation and the China Enterprise Directors Association in August 2008. Ms. Hao graduated from the finance postgraduate program from Henan University in June 2015.

Mr. Zhang Wujun (張武軍), aged 44, was elected as an employee representative Supervisor of the Company on 19 March 2018. Mr. Zhang joined the Group in 2004, and served as Director of the workstation of the predecessor of the Company from 2011 to 2014. He has been the Director of the coking workstation since 2014. He is mainly responsible for overseeing the operations and financial activities of the Group.

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

SENIOR MANAGEMENT

Members of the senior management are responsible for the day-to-day operation of the business of the Company. For the biographical details of Directors who form part of the senior management, please see page 86 of this section.

Mr. Tang Jianfa (唐建發), aged 54, joined the Group in May 2017, and was appointed as the chief financial officer and deputy general manager of the Company in March 2018. He is mainly responsible for overseeing the Group's financial and accounting management and coordination as well as implementation of the Group's financial strategic planning. He is also responsible for overseeing the finance department, the settlement department and the budget department.

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

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

Mr. Fan Jianguo (范建國), aged 53, joined the Group in March 2005 as the Group's deputy general manager. He was the general manager of Jinyuan Chemicals between January 2015 and January 2018. He has also been an executive Director of Jinyuan Chemicals since January 2018. He is currently the Group's deputy general manager and is mainly responsible for overseeing sales of the Group.

Prior to joining the Group, Mr. Fan worked in Yugang Coking from July 1998 to March 2005, and served as the deputy head of the sales division, the head of the operation division, the deputy general manager and manager of the sales arm of Yugang Coking.

Mr. Fan obtained a master's degree in management from the Australian National University in December 2016.

Mr. Ju Lixing (琚理興), aged 44, joined the Group in October 2007 as the assistant to the general manager of the Company's Predecessor. Since April 2012, he has served as the Company's deputy general manager and is in charge of the procurement operations. Mr. Ju is also a Director and the chairman of the board of Directors of Shanghai Jinma, a subsidiary of our Company. Mr. Ju is mainly responsible for overseeing procurement of the Group.

Prior to joining the Group, Mr. Ju had joined Yugang Coking group and served as the deputy head of the operations division of Yugang Coking in September 2001, the deputy manager of the raw materials procurement department in December 2002 and the executive deputy manager of the materials procurement department in November 2003.

Mr. Ju obtained a master's degree in business management from 華中科技大學(Huazhong University of Science and Technology) in June 2015.

Mr. Wang Yongxin (王永新), aged 44, joined the Group in January 2004 as a deputy Director of the electrical instrument workstation of the Company's Predecessor and was appointed as the Director of such workstation in March 2007. Mr. Wang was subsequently promoted to the position of the Director of the workstation of the Company's Predecessor in January 2008 and the head of the production department of the Company's Predecessor in February 2011. Since October 2013, Mr. Wang has served as the deputy general manager of the Company's Predecessor and he is mainly responsible for overseeing production of the Group. Mr. Wang is also a Director and the chairman of the board of Directors of Jinning Energy, the Company's subsidiary and a Director of Jinma Xingye, a substantial Shareholder of the Company.

Prior to joining the Group, Mr. Wang worked at Yugang Coking from August 1997 to January 2002 and held positions including the leader of the electricity team.

Mr. Wang obtained a bachelor's degree in chemical engineering and craftsmanship from Henan Institute of Science and Technology in July 2015.

Mr. Li Zhongge (李中革), aged 47, joined the Group in December 2004, and was appointed as the deputy general manager in March 2018. Mr. Li is also a Supervisor of Jinrui Energy and Jinrui Gas, subsidiaries of the Company. He has served in various positions, including the deputy administrative manager and the head of the corporate governance department and the manager of the corporate governance department, mainly responsible for work of the corporate management department (including risk management and internal control), office and legal department. He is currently a member of the party committee and the head of the party committee office. Mr. Li is also the chairman of Jinjiang Refinery, a joint venture of the Company.

Prior to joining the Group, Mr. Li served as the deputy head of the corporate development management department and as the deputy manager of the materials procurement department of Yugang Coking from September 1996 to November 2004.

Mr. Li was certified as a senior professional manager by China Enterprise Confederation and China Enterprise Directors Association in August 2008. Mr. Li obtained a bachelor's degree in finance from 中央廣播電視大學 (Central Radio and TV University*) in July 2011 and a master's degree in management from the Australian National University in December 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Zengguang (王增光), aged 39, joined the Group in March 2003 and was appointed as deputy general manager since March 2018. He is also the general manager of Jinyuan Chemicals, a subsidiary of the Company, and is responsible for the work of Jinyuan Chemicals. He served as deputy director of the production management department from January 2004 to July 2009, as deputy director and director of the coal preparation workshop from July 2009 to January 2015, and as director of production management department from January 2015 to February 2017.

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

Mr. Wang Zhaofeng (王兆峰), aged 43, joined the Group in March 2008. Mr. Wang was subsequently promoted to the position of the deputy office manager and the deputy Director of the human resources department of our Predecessor in September 2012 and the manager of the investment department of our Predecessor in January 2015. Since December 2016, Mr. Wang has also been serving as the secretary to our Board and is mainly responsible for providing support to our Board and coordinating the Group's administrative management.

Mr. Wang obtained a bachelor's degree in management from Shenyang University of Technology in July 2000 and a master's degree in corporate management from Shenyang University of Technology in April 2003.

Mr. Wong Hok Leung (alias Wong Hok Leung Paul) (王學良), aged 67, joined the Group and was appointed as our head of capital markets and company secretary on 1 January 2017. Mr. Wong is responsible for the Group's corporate governance, company secretarial and capital markets matters.

Prior to joining our Group, from August 2002 to April 2008, Mr. Wong served in the Sun Hung Kai Properties Group as the group head of financial control and business development, and served as the chairman of Sun Hung Kai Logistics Holdings Limited. From May 2008 to November 2009, Mr. Wong was a Director of China Metal Recycling (Holdings) Limited (stock code: 773), which was delisted from the Main Board in 2016. Mr. Wong was the chief corporate officer of IMC Industrial Pte Ltd. (formerly known as IMC Corp Pte Ltd) from January 2010 to August 2011. From August 2011 to February 2016, Mr. Wong served as the head of Asia Pacific of Scholz AG (now known as Scholz Holding GmbH) and was responsible for its business development in the PRC and Asian region. Mr. Wong has over 20 years of experience in banking, finance, IT and retail banking, and his last position in banking was in Singapore, as the head of distribution channels for DBS Bank.

Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Chartered Association of Certified Accountants and obtained his accounting qualification experience in Price Waterhouse Lowe Bingham & Matthews. Mr. Wong obtained a bachelor's degree in science from the University of Hong Kong in November 1975.

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of Henan Jinma Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 98 to 194, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of interest in an associate and advance to an associate	
We identified the valuation of interest in an associate, Huozhou Coal Power Group Hongtong Yilong Co., Ltd. ("Yilong Coal"), and advance to this associate as a key audit matter due to the financial significance of the interest in this associate, and the use of significant estimates by the Company for impairment assessment. As at 31 December 2019, the carrying amounts of the interest in and advance to Yilong Coal are RMB40,951,000 and RMB60,940,000 respectively. As disclosed in Note 3 of the consolidated financial statements, the management of the Group is required to assess at the end of each reporting period whether there is any indication that the carrying amount of interest in an associate may be impaired. For an associate in which such indication exists, management of the Group assessed the carrying amount for impairment. As set out in Note 4 to the consolidated financial statements, key estimates were involved in determination of the recoverable amount of the associate.	Our procedures in relation to the impairment of interest in an associate included: • Understanding the Group's impairment assessment process, including identifying the existence of impairment indicators in respect of the interest in an associate, the valuation model adopted, assumptions used and the involvement of independent valuer appointed by the Group (the "Valuer"); • Evaluating the Valuer's competence, capabilities and objectivity; • Evaluating the management's valuation assessment and the external valuation report prepared by the Valuer and on which the management's assessment of the recoverable amount of the associate was based; • Evaluating the appropriateness of key estimates used in the valuation, including expected saleable quantity of coal, selling price of coal by reference to market price at the year end, expected future capital expenditure plan and discount rate underlying in the cash flow forecast by conducting retrospective review and comparing to relevant industry factors and available market data; and • Assessing the sensitivity analysis prepared by the management on the significant assumptions to evaluate the extent of impact on the cash flow projection.

Key Audit Matters (continued)

Key audit matter (continued)	**How our audit addressed the key audit matter** (continued)
Impairment of interest in an associate and advance to an associate (continued)	
Management of the Group compared the recoverable amount (which is higher of value in use and fair value less costs of disposal) with the carrying amount of interest in an associate. For the advance to an associate, management of the Group has performed expected credit loss assessment on the outstanding amount at the year end. As disclosed in Note 3 to the consolidated financial statements, impairment loss assessment of advance to this associate is performed with expected credit losses ("ECL"), Such impairment assessment requires management of the Company to exercise significant estimation based on probability of default, historical data and forward-looking information that is reasonable and supportable. As disclosed in Note 23 to the consolidated financial statements, no impairment loss on interest in an associate was considered to be necessary by management of the Group and loss allowance on advance to an associate was considered not material for the year ended 31 December 2019.	Our procedures in relation to the impairment of advance to an associate included: • Understanding the Group's impairment assessment process on advance to an associate; • Assessing loss allowance for the advance to an associate by taking into account of historical data adjusted by the forward-looking information including relevant industry factors and available and market data, and the external valuation report prepared by the Valuer on which the management's expected credit loss assessment was based; and • Assessing the reasonableness of probability of default and loss given default rates used in the expected credit loss assessment on advance to an associate.

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Zhu Chen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 April, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	Year ended 31/12/2019	Year ended 31/12/2018
		RMB'000	RMB'000
Revenue	5	7,571,945	7,451,793
Cost of sales		(6,490,863)	(6,090,402)
Gross profit		1,081,082	1,361,391
Other income	6	45,784	8,883
Other gains and losses	7	(7,748)	(898)
Impairment losses, under expected credit loss model, net of reversal	8	2,737	(12,513)
Selling and distribution expenses		(143,250)	(83,008)
Administrative expenses		(100,449)	(93,465)
Finance costs	9	(54,265)	(48,300)
Share of result in a joint venture		3,949	4,614
Share of result in an associate		(240)	(192)
Profit before tax	10	827,600	1,136,512
Income tax expense	11	(208,353)	(284,280)
Profit for the year		619,247	852,232
Other comprehensive income (expense):	12		
Item that may be reclassified subsequently to profit or loss:			
Fair value income (loss) on:			
bills receivables at fair value through other comprehensive income ("FVTOCI")		914	(1,884)
Other comprehensive income (expense) for the year, net of income tax		914	(1,884)
Total comprehensive income for the year		620,161	850,348
Profit for the year attributable to:			
– Owners of the Company		587,202	832,408
– Non-controlling interests		32,045	19,824
		619,247	852,232
Total comprehensive income for the year attributable to:			
– Owners of the Company		588,116	830,524
– Non-controlling interests		32,045	19,824
		620,161	850,348
Earnings per share			
– Basic (RMB)	15	1.10	1.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	31/12/2019	31/12/2018
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,575,027	1,314,508
Right-of-use assets	17	141,664	—
Prepaid lease payments	18	–	114,050
Intangible assets	19	70,871	63,820
Goodwill	21	8,902	8,001
Interest in a joint venture	22	53,974	54,925
Interest in an associate	23	40,951	41,191
Advance to an associate	23	60,940	60,940
Financial assets at fair value through profit or loss ("FVTPL")	24	36,233	—
Deferred tax assets	25	13,721	15,481
Deposit for acquisition of property, plant and equipment		97,514	10,400
		2,099,797	1,683,316
CURRENT ASSETS			
Inventories	26	314,037	281,752
Prepaid lease payments	18	–	2,936
Trade and other receivables	27	331,110	237,925
Amount due from a shareholder	28	20,202	196
Amounts due from related parties	29	21,859	40,762
Financial assets at FVTPL	24	–	70,000
Bills receivables at FVTOCI	30	927,353	1,083,797
Restricted bank balances	31	74,887	90,921
Bank balances and cash	31	1,697,816	583,157
		3,387,264	2,391,446
CURRENT LIABILITIES			
Borrowings	32	677,600	596,600
Trade and other payables	33	909,372	660,804
Amounts due to related parties	34	197	409
Contract liabilities	35	66,219	87,967
Lease liabilities	36	1,640	—
Tax payable		26,198	75,237
		1,681,226	1,421,017
NET CURRENT ASSETS		1,706,038	970,429
TOTAL ASSETS LESS CURRENT LIABILITIES		3,805,835	2,653,745

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	31/12/2019	31/12/2018
		RMB'000	RMB'000
CAPITAL AND RESERVES			
Share capital	38	535,421	535,421
Reserves		2,091,580	1,744,204
Equity attributable to owners of the Company		2,627,001	2,279,625
Non-controlling interests		765,224	97,834
TOTAL EQUITY		3,392,225	2,377,459
NON-CURRENT LIABILITIES			
Borrowings	32	365,920	237,020
Long-term payable		–	9,970
Lease liabilities	36	4,016	—
Deferred revenue	39	23,976	6,666
Deferred tax liabilities	25	19,698	22,630
		413,610	276,286
		3,805,835	2,653,745

The consolidated financial statements on pages 93 to 194 were approved and authorized for issue by the Board of Directors on 23 April 2020 and are signed on its behalf by:

Chiufai Yiu	**Mingzhong Wang**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital	Capital reserve	FVTOCI reserve	Statutory surplus reserve fund	Retained profits	Special Reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000 (Note ii)	RMB'000	RMB'000	RMB'000
At 1 January 2018	535,421	386,496	(8,326)	70,685	630,663	10,851	1,625,790	94,210	1,720,000
Profit for the year	—	—	—	—	832,408	—	832,408	19,824	852,232
Other comprehensive expense for the year	—	—	(1,884)	—	—	—	(1,884)	—	(1,884)
Total comprehensive income for the year	—	—	(1,884)	—	832,408	—	830,524	19,824	850,348
Dividends paid (Note 13)	—	—	—	—	(176,689)	—	(176,689)	(16,200)	(192,889)
Transfer	—	—	—	78,100	(82,075)	3,975	—	—	—
At 31 December 2018	535,421	386,496	(10,210)	148,785	1,204,307	14,826	2,279,625	97,834	2,377,459
Profit for the year	–	–	–	–	587,202	–	587,202	32,045	619,247
Other comprehensive income for the year	–	–	914	–	–	–	914	–	914
Total comprehensive income for the year	–	–	914	–	587,202	–	588,116	32,045	620,161
Capital contributions from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	660,000	660,000
Acquisition of additional interest in a non-wholly owned subsidiary (Note 20)	–	199	–	–	–	–	199	(5,785)	(5,586)
Dividends paid (Note 13)	–	–	–	–	(240,939)	–	(240,939)	(18,870)	(259,809)
Transfer	–	–	–	51,053	(56,253)	5,200	–	–	–
At 31 December 2019	535,421	386,695	(9,296)	199,838	1,494,317	20,026	2,627,001	765,224	3,392,225

Notes:

(i) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the entities established in the PRC is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of the group entities) to the reserve fund (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the entity.

(ii) The Group is required to make appropriations based on its revenue in accordance with CaiQi [2006] No. 478 "Tentative measures for the financial management of the production safety fund for the high risk enterprises" that is issued by the Ministry of Finance and the Safety Production General Bureau. The reserve is for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	827,600	1,136,512
Adjustments for:		
Interest income on bank deposits	(12,795)	(4,846)
Interest income on bills receivables at FVTOCI	(23,776)	–
(Gain) loss on disposal of property, plant and equipment	(822)	4,122
Depreciation of property, plant and equipment	110,151	90,853
Release of prepaid lease payments	–	2,960
Depreciation of right-of-use assets	4,445	—
Amortisation of intangible assets	15,333	14,841
Impairment losses, net of reversal	(2,737)	12,513
Impairment loss on goodwill	2,167	—
Allowance for inventories	(9,872)	8,994
Share of result in an associate	240	192
Share of result in a joint venture	(3,949)	(4,614)
Finance costs	54,265	48,300
Release of assets-related government subsidies	(1,822)	(592)
Gain on fair value changes from financial assets at FVTPL	(24,686)	(6,332)
Net foreign exchange loss	1,555	2
Operating cash flows before movements in working capital	935,297	1,302,905
Increase in inventories	(22,207)	(134,572)
Decrease (increase) in bills receivables at FVTOCI	181,439	(492,185)
Decrease (increase) in financial assets at FVTPL	58,453	(63,668)
(Increase) decrease in trade and other receivables	(89,224)	44,615
Increase in amount due from a shareholder	(20,006)	(46)
Decrease (increase) in amounts due from related parties	18,903	(39,745)
Increase in trade and other payables	290,883	145,066
(Decrease) increase in amounts due to related parties	(212)	341
Decrease in contract liabilities	(22,333)	(59,114)
Cash generated from operations	1,330,993	703,597
Income tax paid	(259,302)	(236,700)
NET CASH FROM OPERATING ACTIVITIES	1,071,691	466,897

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Interest received	12,795	4,846
Assets related government subsidies received	19,132	–
Dividend received from a joint venture	4,900	–
Purchase of property, plant and equipment	(405,534)	(282,238)
Lease payment prepaid	–	(15,929)
Payments for right-for-use assets	(22,518)	–
Acquisition of business (Note 40)	(28,467)	–
Deposit for acquisition of property, plant and equipment	(97,514)	(10,400)
Payment for acquisition of subsidiary in prior year	(7,357)	(14,801)
Placement of restricted bank balances	(386,922)	(336,226)
Withdrawal from restricted bank balances	402,956	265,315
Proceeds from disposal of property, plant and equipment	2,421	945
NET CASH USED IN INVESTING ACTIVITIES	(506,108)	(388,488)
FINANCING ACTIVITIES		
Interest paid	(52,710)	(47,670)
New borrowings raised	1,024,650	720,900
Repayment of borrowings	(814,750)	(454,280)
Repayment of lease liabilities	(1,164)	–
Capital contributions from non-controlling interests of a subsidiary	660,000	–
Acquisition of non-controlling interest of a subsidiary (Note 20)	(5,586)	–
Payment of issue costs	–	(3,015)
Dividends paid	(242,369)	(177,208)
Dividends paid to non-controlling interests of subsidiaries	(18,870)	(16,200)
NET CASH FROM FINANCING ACTIVITIES	549,201	22,527
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,114,784	100,936
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	583,157	481,704
Effect of foreign exchange rate changes	(125)	517
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY		
Bank balances and cash	1,697,816	583,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Henan Jinma Energy Company Limited (the "Company") was established in the PRC on February 13, 2003 as a limited liability company under the Company Law of the PRC.

The principal activities of the Company and its subsidiaries (Note 20) (the "Group") are mainly engaged in the production of coke and derivative chemical products, coal gas, liquefied natural gas ("LNG") and sale of related products.

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

The Company was owned by Henan Hongkong (Jiyuan) Coking Group Co., Ltd., Maanshan Iron & Steel Company Limited ("Maanshan Steel") 馬鞍山鋼鐵股份有限公司 and Jiangxi PXSteel Industrial Co., Ltd. ("Jiangxi PXSteel") 江西萍鋼實業股份有限公司 when established in 2003. With a series of equity transfer arrangements, the Company has been jointly owned by Jinma Energy (Hong Kong) Limited ("Jinma HK") 金馬能源(香港)有限公司, Maanshan Steel, Jiangxi PXSteel and Jiyuan Jinma Xingye Investment Co., Ltd. ("Jinma Xingye") 濟源市金馬興業投資有限公司 since August 2011. On 3 August 2016, the Company was converted into a joint stock company with 400,000,000 shares at a par value of RMB1.00 in issue. Pursuant to a prospectus issued by the Company dated 26 September 2017 in relation to its global offering of the Company's shares (the "Global Offering"), the Company issued 133,334,000 H shares and were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 October 2017 (the "Listing"). In addition, 2,087,000 new H shares of the Company were issued upon exercise of over-allotment option and were listed on the Stock Exchange on 31 October 2017.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

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 year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

2.1 IFRS 16 "Lease"

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 "Leases" ("IAS 17"), and the related interpretations.

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 relating to office premises 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 extended, and such modification were recognised at the effective date of the modification.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, i.e. 1 January 2019.

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. 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 expedients 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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

2.1 IFRS 16 "Lease" (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases under IAS 17, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.88%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	6,320
Lease liabilities discounted at relevant incremental borrowing rates	(1,804)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	4,516
Analysed as:	
Current	1,031
Non-current	3,485
	4,516

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

	Notes	Right-of-use assets RMB'000
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
		121,534
By class:		
Leasehold lands		120,033
Office premises		1,501
		121,534

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

2.1 IFRS 16 "Lease" (continued)

As a lessee (continued)

(a) Upfront payments for leasehold lands in the PRC for own used 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 under other receivables. 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.

(c) Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(d) Effective on 1 January 2019, the Group has applied IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") to allocate consideration in the contract to each lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

2.1 IFRS 16 "Lease" (continued)

As a lessor (continued)

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

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
		RMB'000	RMB'000	RMB'000
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		—	1,031	1,031
Non-current Liabilities				
Lease liabilities		—	3,485	3,485

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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

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

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

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

As at 31 December 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 relevant associate. 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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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

Amendments to IFRSs Annual Improvements to IFRSs 2015-2017 Cycle

The annual improvement packages amended the following standard.

IAS 23 "Borrowing Costs"

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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

Amendments to IFRS 3 "Definition of a Business"

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment" ("IFRS 2"), leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairments of Assets" ("IAS 36").

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" ("IAS 12") and IAS 19 "Employee Benefits" respectively; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate / joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2)

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 or arising from business combinations 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, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2)

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, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

Right-of-use assets

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 are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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 are 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 or inventory as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises 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.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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 expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

The Group as a lessor (prior to 1 January 2019)

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (upon application of IFRS 16 in accordance with transitions in Note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 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.

Foreign currencies

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

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

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualified assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interest in a joint venture and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than freehold lands and properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired in a business combination

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Bills receivables at FVTOCI

Subsequent changes in the carrying amounts for bills receivables at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these bills receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these bills receivables. When these bills receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amounts due from a shareholder/related parties, advance to an associate, restricted bank balances, bank balances and bills receivables at FVTOCI) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

(i) *Significant increase in credit risk*

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

(ii) *Definition of default*

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) *Measurement and recognition of ECL*

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset have expired, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a bill receivable at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (agent)

The Group is considered as an agent for its contracts with customers relating to trading of coal and coke as the Group did not obtain the control over these products before passing on to customers taking into consideration indicators such as the Group is not primarily responsible for fulfilling the promise and not exposed to inventory risk. When the Group satisfies the performance obligation, the Group recognises a fee revenue in the amount it expects to be entitled as specified in the contracts.

During the year ended 31 December 2019, the Group recognised revenue relating to trading of coal and coke amounted to RMB82,806,000 (2018: nil).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of interest in an associate and advance to an associate

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

When value in use calculation for the interest in Yilong Coal is undertaken, the management of the Company prepared cash flow projections of Yilong Coal and appointed an external valuer for a valuation report of the underlying mining development project ("External Valuation Report"). The projection and valuation are prepared based on the mining plan prepared by the management of Yilong Coal and, expected saleable quantity of coal, selling price of coal by reference to market price at the year end, expected future capital expenditure plan and discount rate underlying in the cash flow forecast. The estimated future recoverable amount is largely determined by the above estimates. Future coal price forecast do not represent actual selling price that can be realised in the future, and mining plan, operation budget, future capital expenditure plan, and discount rate will also change.

When the Group assesses the ECL for advance to an associate, the measurement of ECL involves credit risk assessment on the associate based on the historical financial information as well as consideration of probability of default and loss given default, adjusted for forward-looking information including industrial factors and available market data, and the External Valuation Report on which the assessment is based.

As at 31 December 2019, the carrying amounts of the interest in and advance to Yilong Coal are RMB40,951,000 (2018: RMB41,191,000) and RMB60,940,000 (2018: RMB60,940,000) respectively and the directors of the Company considered that there was no impairment of the interest in and advance to Yilong Coal. If the above forecast, estimates and factors used in assessment of impairment on the interest in an associate and ECL assessment on advance to an associate change in the subsequent period, impairment loss may arise.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of goodwill

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

As at 31 December 2019, the carrying amounts of goodwill is RMB8,902,000 (2018: RMB8,001,000) (net of accumulated impairment loss of RMB2,167,000 (2018: nil)). Details of the recoverable amount calculation are disclosed in Note 21.

Allowance for inventories

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

During the year ended 31 December 2019, inventory allowance of RMB11,990,000 were derecognised upon realised of sales and an additional allowance of RMB2,118,000 was recognised based on estimated net realizable value.

As at 31 December 2019, the carrying amount of inventories is RMB314,037,000 (2018: RMB281,752,000) (net of allowance for inventories of RMB2,118,000 (2018: RMB11,990,000)).

Fair value measurement of financial instruments

As at 31 December 2019, certain of the Group's financial assets and bills receivables amounting to RMB963,586,000 (2018: RMB1,153,797,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 47 for further disclosures.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision of ECL for financial assets

The Group uses provision matrix to determine ECL for the trade receivables and amounts due from a shareholder/related parties in trade nature which are not credit-impaired whereas for credit-impaired balances are assessed individually. The provision rates are based on internal credit ratings as groupings of various debtors that have similar characteristics. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL for trade receivables and amounts due from a shareholder/related parties in trade nature are disclosed in Note 47.

5. REVENUE AND SEGMENT INFORMATION

Performance obligations for contracts with customers

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

For sales of coke, coking by-products, refined chemicals and energy products, revenue is recognised when control of the products has transferred, being when the products have been delivered to the location specified in the sales contract. Following the delivery, the customer has the primary responsibility when on use of the products and bears the risks of obsolescence and loss in relation to the products.

For trading of coke, coal and mining equipment, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the the location specified in the sales contract. Following the delivery, the customer has the primary responsibility when on selling of the goods and bears the risks of obsolescence and loss in relation to the goods.

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

Performance obligation of sales of goods is part of a contract that has an original expected duration of one year or less. Applying the practical expedient in IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

Information reported to the directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the Group's revenue and profit for the year. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

Segment revenue and results

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

	Sales of goods						
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2019							
External sales	3,786,355	13,826	1,214,273	450,860	2,094,878	11,753	7,571,945
Inter-segment sales	—	328,234	12,821	352,564	535,837	77,173	1,306,629
	3,786,355	342,060	1,227,094	803,424	2,630,715	88,926	8,878,574
Segment results	838,800	5,090	65,547	120,668	60,619	1,646	1,092,370
Other income							45,784
Other gains and losses							(7,748)
Impairment losses, under expected credit loss model, net of reversal							2,737
Selling and distribution expenses							(143,250)
Administrative expenses							(100,449)
Finance costs							(54,265)
Share of result in a joint venture							3,949
Share of result in an associate							(240)
Unallocated expenses							(11,288)
Profit before tax							827,600

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Sales of goods						
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2018							
External sales	4,083,200	13,521	1,413,992	360,196	1,568,000	12,884	7,451,793
Inter-segment sales	—	355,439	10,822	257,530	307,392	51,562	982,745
	4,083,200	368,960	1,424,814	617,726	1,875,392	64,446	8,434,538
Segment results	1,137,132	3,345	120,411	93,789	25,657	1,044	1,381,378
Other income							8,883
Other gains and losses							(898)
Impairment losses, under expected credit loss model, net of reversal							(12,513)
Selling and distribution expenses							(83,008)
Administrative expenses							(93,465)
Finance costs							(48,300)
Share of result in a joint venture							4,614
Share of result in an associate							(192)
Unallocated expenses							(19,987)
Profit before tax							1,136,512

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the gross profit from each segment without allocation of other income, other gains and losses, impairment losses, under expected credit loss model, net of reversal, selling and distribution expenses, administrative expenses, finance costs, share of result in a joint venture and share of result in an associate. Sales related taxes are classified as unallocated expenses.

Inter-segment sales are charged at prevailing market rates.

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

	Sales of goods						
	Coke	Coking by-products	Refined chemicals	Energy products	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2019							
Amounts included in measure of segment results:							
Depreciation and amortisation	**40,506**	**1,762**	**30,875**	**36,136**	**9,678**	**6,527**	**125,484**
Depreciation of right-of-use assets	—	—	—	—	—	**4,445**	**4,445**

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Entity-wide disclosures

Geographical information

All of the Group's revenue from external customers were generated from the PRC and non-current assets are located in the PRC during the years ended 31 December 2019 and 2018.

Information about major customers

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

	Year ended	
	31/12/2019	31/12/2018
	RMB'000	RMB'000
Jiangxi PXSteel and its subsidiaries (Notes i and ii)	**1,168,145**	1,420,413
Maanshan Steel (Notes i and ii)	**791,300**	1,030,544
Customer A (Note i)	**956,569**	N/A*
Customer B (Note i)	**781,438**	N/A*

Notes:

(i) Revenue from sale of coke.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. OTHER INCOME

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Interest income on bank deposits	12,795	4,846
Interest income on bills receivables at FVTOCI	23,776	—
Release of asset-related government subsidies (Note 39)	1,822	592
Government grants	6,519	1,752
Rental income	46	2
Others	826	1,691
	45,784	8,883

7. OTHER GAINS AND LOSSES

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Gain on fair value changes from financial assets at FVTPL	24,686	6,332
Net loss arising on bills receivables at FVTOCI	(27,836)	—
Gain (loss) on disposal of property, plant and equipment	822	(4,122)
Impairment loss on goodwill (Note 21)	(2,167)	—
Foreign exchange loss, net	(1,430)	(519)
Others	(1,823)	(2,589)
	(7,748)	(898)

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Impairment losses (reversed) recognised on:		
– Trade receivables	(3,137)	10,422
– other receivables	400	2,091
	(2,737)	12,513

Details of impairment assessment are set out in Note 47.

9. FINANCE COSTS

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Interest expense on:		
– Bank borrowings	51,318	50,003
– Lease liabilities	325	—
– Letters of credit	1,392	1,550
– Imputed interest for long term payable	1,230	630
	54,265	52,183
Less: amounts capitalised	—	(3,883)
	54,265	48,300
Capitalisation rate per annum	N/A	5.96%

10. PROFIT BEFORE TAX

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Profit before tax has been arrived at after charging:		
Staff costs		
Directors' and supervisors' remuneration (Note 14)	2,880	2,284
Other staff costs	114,902	108,897
Other staffs' benefit	16,840	16,290
Total staff costs	134,622	127,471
Depreciation of property, plant and equipment	110,151	90,853
Depreciation of right-of-use assets	4,445	—
Release of prepaid lease payments	—	2,960
Amortisation of intangible assets (included in cost of sales)	15,333	14,841
Auditors' remuneration	2,200	2,800
Cost of inventories recognised as expenses	6,479,575	6,070,415

11. INCOME TAX EXPENSE

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
PRC Enterprise Income Tax ("EIT")		
– Current tax	209,278	293,550
– Under-provision in prior years	985	2,380
Deferred tax (Note 25)	(1,910)	(11,650)
	208,353	284,280

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% for both years.

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:

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Profit before tax	827,600	1,136,512
Tax charge at the applicable income tax rate of 25% (2018: 25%)	206,900	284,128
Tax effect of expenses not deductible for tax purposes	6,647	1,038
Income tax on concessionary rate (Note)	(4,940)	(1,991)
Tax effect of share of results in an associate and a joint venture	(927)	(1,105)
Utilisation of tax losses previously not recognised	(285)	(145)
Under-provision in prior years	985	2,380
Others	(27)	(25)
Income tax expense	208,353	284,280

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

12. OTHER COMPREHENSIVE INCOME (EXPENSE)

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Other comprehensive income (expense) includes:		
Items that may be reclassified subsequently to profit or loss:		
Addition arising from bills receivables at FVTOCI	(139,594)	(143,496)
Reclassification to profit or loss during the year upon derecognition of bills receivables at FVTOCI	140,508	141,612
	914	(1,884)

Income tax effect relating to other comprehensive expense

	Year ended 31/12/2019			Year ended 31/12/2018		
	Before-tax amount	Tax (expense) benefit	Net-of-income tax amount	Before-tax amount	Tax (expense) benefit	Net-of-income tax amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Item that may be reclassified subsequently to profit or loss:						
Fair value gain (loss) on:						
– bills receivables at FVTOCI	1,219	(305)	914	(2,512)	628	(1,884)

13. DIVIDENDS

On 18 March 2019, a final dividend in respect of the year ended 31 December 2018 of RMB0.35 (2018: RMB0.20) per share and nil special dividend (2018: RMB0.08), in an aggregate amount of RMB187,397,000 (2018: RMB149,918,000) was declared by the Company. Such dividend had been fully paid during the year ended 31 December 2019.

On 18 October 2019, an interim dividend in respect of six months ended 30 June 2019 of RMB0.10 (2018: RMB0.05) per share, in an aggregate amount of RMB53,542,000 (2018: RMB26,771,000) was declared by the Company. Such dividend had been fully paid during the year ended 31 December 2019.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of RMB0.20 per share and a special dividend of RMB0.10 per share, in an aggregate amount of RMB160,626,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

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

Directors', Chief Executive's and Supervisors' emoluments

Details of the emoluments paid to the individuals who were appointed as the directors, Chief Executive and supervisors are as follows:

Directors' emoluments for services as directors of the Company and its subsidiary undertakings

	Fees	Basic salaries	Performance related bonuses	Retirement benefit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2019					
Executive and non-executive directors:					
Mr. Yiu Chiu Fai	—	—	—	—	—
Mr. Wang Mingzhong	—	520	425	26	971
Mr. Li Tianxi	—	350	300	26	676
Mr. Hu Xiayu	—	—	—	—	—
Mr. Qiu Quanshan	—	—	—	—	—
Ms. Ye Ting	—	—	—	—	—
Mr. Wang Zhiming	—	—	—	—	—
Independent non-executive directors:					
Mr. Wu Tak Lung	240	—	—	—	240
Mr. Liu Yuhui	120	—	—	—	120
Mr. Zheng Wenhua	120	—	—	—	120
Supervisors:					
Mr. Wong Tsz Leung	—	—	—	—	—
Mr. Zhang Wujun	—	120	117	16	253
Ms. Li Lijuan	—	—	—	—	—
Mr. Zhou Tao David	69	—	—	—	69
Ms. Tian Fangyuan	80	—	—	—	80
Ms. Hao Yali	—	180	155	16	351
	629	1,170	997	84	2,880

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

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

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

Certain executive directors and supervisors who did not receive emoluments during the reporting periods, also held certain positions in the shareholders of the Company and their subsidiaries ("Shareholder's Entities") and the emoluments were borne by the respective Shareholder's Entities for the services rendered for the Shareholder's Entities. In the opinion of the directors of the Company, it is not practicable to allocate their remunerations to the Group.

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

The performance related bonuses were determined by the management of the Group by reference to the performance and market trend as relevant.

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

The five individuals with the highest emoluments

Of the five individuals with the highest emoluments in the Group two (2018: two) were directors of the Company for the year ended 31 December 2019, whose emoluments are included in the disclosures above. The emoluments of the remaining individuals are as follows:

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Salaries, wages and allowance	**1,779**	1,284
Performance related bonuses	**699**	603
Retirement benefit	**91**	46
	2,569	1,933

The five individuals with the highest emoluments were within the following bands:

	Number of employees 2019	2018
Nil to Hong Kong Dollar ("HK$") 1,000,000	**3**	4
HK$1,000,001 to HK$1,500,000	**2**	1

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

15. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following analysis:

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	587,202	832,408
	'000	'000
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	535,421	535,421

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

No diluted earnings per share is presented as there was not potential ordinary share in issue for the years ended 31 December 2019 and 2018.

For the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2018	510,438	932,477	14,561	69,655	227,853	1,754,984
Additions	1,175	10,905	3,414	2,361	345,141	362,996
Transfer	104,161	308,691	—	870	(413,722)	—
Disposals	(6,259)	(1,123)	(86)	(52)	(64)	(7,584)
At 31 December 2018	609,515	1,250,950	17,889	72,834	159,208	2,110,396
Acquired on acquisition of business	3,590	883	9	19	—	4,501
Additions	6,075	27,309	3,140	3,401	327,843	367,768
Transfer	59,691	217,568	—	5,692	(282,951)	—
Disposals	—	(2,194)	(2,255)	(82)	(931)	(5,462)
At 31 December 2019	678,871	1,494,516	18,783	81,864	203,169	2,477,203
Accumulated depreciation						
At 1 January 2018	228,636	438,067	8,332	32,517	—	707,552
Provided for the year	25,403	59,316	1,888	4,246	—	90,853
Eliminated on disposals	(1,766)	(623)	(81)	(47)	—	(2,517)
At 31 December 2018	252,273	496,760	10,139	36,716	—	795,888
Provided for the year	26,454	76,963	2,309	4,425	—	110,151
Eliminated on disposals	—	(1,957)	(1,827)	(79)	—	(3,863)
At 31 December 2019	278,727	571,766	10,621	41,062	—	902,176
Carrying values						
At 31 December 2019	400,144	922,750	8,162	40,802	203,169	1,575,027
At 31 December 2018	357,242	754,190	7,750	36,118	159,208	1,314,508

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

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

17. RIGHT-OF-USE ASSETS

	Leasehold lands	Office premises	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2019			
Carrying amount recognised upon application of IFRS 16 (Note 2)	120,033	1,501	121,534
Additions	22,711	1,864	24,575
Depreciation charged during the year	(3,607)	(838)	(4,445)
As at 31 December 2019	139,137	2,527	141,664
Expense relating to short-term leases			27
Expense relating to variable lease payment			256
Total cash outflow for leases			23,760

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 12 months to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained the land use right certificates for all leasehold lands except for three (2018: one) leasehold lands with carrying amount of RMB3,093,000 (2018: RMB3,047,000) in which the Group obtains the right of use under long-term lease contracts.

Variable lease payment

In April 2010, the Company entered into a 30-year land lease contract for the expansion of "Zenan Reservoir" to improve the Company's water supply. The lease price is adjusted every 5 years according to the National Grain Purchase Price ("國家糧食收購價格"), and the annual lease price for each Mu("畝") of land is calculated by the purchase price of 550 kilogram of wheat. After the adjustment in 2015, the lease price is RMB256,000 per year. It is expected to be adjusted for the second time in 2020.

18. PREPAID LEASE PAYMENTS

	31/12/2018
	RMB'000
Analyzed for reporting purpose as:	
Current assets	2,936
Non-current assets	114,050
	116,986

19. INTANGIBLE ASSETS

	Franchise right	Operating license	Total
	RMB'000	RMB'000	RMB'000
Cost			
At 1 January 2018 and 31 December 2018	93,502	—	93,502
Acquired on acquisition of business (Note 40)	—	22,384	22,384
At 31 December 2019	93,502	22,384	115,886
Amortisation			
At 1 January 2018	14,841	—	14,841
Charge for the year	14,841	—	14,841
At 31 December 2018	29,682	—	29,682
Charge for the year	14,841	492	15,333
At 31 December 2019	44,523	492	45,015
Carrying values			
At 31 December 2019	48,979	21,892	70,871
At 31 December 2018	63,820	—	63,820

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Franchise right of sales of coal gas	6.3 years
Operating license of refined oil	20 years

20. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of establishment and operations	Equity interest attributable to the Group		Paid up registered capital	Principal activities
		2019	2018		
Directly held:					
濟源市金源化工有限公司 (Jiyuan Jinyuan Chemicals Co., Ltd.)	PRC	100%	100%	RMB100,000,000	Manufacturing and sales of benzene based chemicals
上海金馬能源有限公司 (Shanghai Jinma Energy Co., Ltd.) ("Shanghai Jinma")	PRC	100%	75%	RMB50,000,000	Trading of coke, coal and coal mining equipment
河南博海化工有限公司 (Henan Bohigh Chemical Co., Ltd.)	PRC	100%	100%	United States dollar 7,700,000	Manufacturing and sale of coal tar based chemicals
濟源市金寧能源實業有限公司 (Jiyuan Jinning Energy Co., Ltd.) ("Jinning Energy")	PRC	51%	51%	RMB10,000,000	Distribution and sale of coal gas
河南金瑞能源有限公司 (Henan Jinrui Energy Co., Ltd.) ("Jinrui Energy")	PRC	71%	71%	RMB100,000,000	Manufacturing and sale of LNG
深圳市金馬能源有限公司 (Shenzhen Jinma Energy Co., Ltd.) ("Shenzhen Jinma")	PRC	51%	N/A	RMB1,347,000,000	Project investment, and investment management
河南金馬環保科技有限公司 (Henan Jinma Environmental Protection Technology Co., Ltd.)	PRC	60%	N/A	Nil	Research and development of environmental protection technology
Indirectly held:					

20. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place of establishment and operations	Equity interest attributable to the Group		Paid up registered capital	Principal activities
		2019	2018		
河南金瑞燃氣有限公司 (Henan Jinrui Gas Co., Ltd.)	PRC	**100%**	100%	RMB25,500,000	Sales and retail of LNG and oil
濟源市歐亞加油站有限公司 (Jiyuan Ouya Gas Station Co., Ltd.) ("Ouya Gas Station")	PRC	**100%**	N/A	RMB500,000	Sales and retail of refined oil
武陟縣金瑞燃氣有限公司 (Wuzhi Jinrui Gas Co., Ltd.)	PRC	**90%**	N/A	Nil	Sales and retail of refined oil
河南金馬中東能源有限公司 (Henan Jinma Zhongdong Energy Co., Ltd.)	PRC	**100%**	N/A	RMB1,347,000,000	Manufacturing and sale of coke

* English name for identification only

All the subsidiaries of the Company are domestic limited liability companies. None of the subsidiaries had any debt securities outstanding at 31 December 2019 and 2018 or at any time during both years.

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

Name of subsidiary	Proportion ownership interest held by non-controlling interests At 31 December		Profit (loss) allocated to non-controlling interests Year ended 31 December		Accumulated non-controlling interests At 31 December	
	2019	2018	**2019**	2018	**2019**	2018
	%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Shanghai Jinma	**—**	25	**3,370**	1,142	**N/A**	6,585
Jinning Energy	**49**	49	**16,128**	16,204	**61,711**	60,283
Jinrui Energy	**29**	29	**5,669**	2,478	**36,635**	30,966
Shenzhen Jinma	**49**	N/A	**6,878**	N/A	**666,878**	N/A
			32,045	19,824	**765,224**	97,834

Change in ownership interest in a subsidiary

During the year, the Group acquired the 25% non-controlling interest of Shanghai Jinma, increasing its interest to 100%. The consideration on acquisition of RMB5,586,000 was paid in cash. An amount of RMB5,785,000, being the proportionate share of the carrying amount of the net assets of Shanghai Jinma at date of acquisition, has been derecognised from non-controlling interests. The difference of RMB199,000 between the decrease in the non-controlling interests and the consideration paid has been credited to capital reserve.

Summarised financial information in respect of each of the Company's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

20. PARTICULARS OF SUBSIDIARIES (continued)

Jinning Energy

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Current assets	**52,913**	40,006
Non-current assets	**98,191**	111,786
Current liabilities	**12,919**	12,810
Non-current liabilities	**12,244**	15,954
Net equity	**125,941**	123,028
Equity attributable to owners of the Company	**64,230**	62,745
Equity attributable to non-controlling interests	**61,711**	60,283

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Revenue	**311,351**	272,050
Expenses	**278,438**	238,982
Profit for the year	**32,913**	33,068
Profit and total comprehensive income attributable to		
– owners of the Company	**16,785**	16,864
– non-controlling interests	**16,128**	16,204
Profit for the year	**32,913**	33,068
Dividends declared and paid to non-controlling interests	**14,700**	14,700
Net cash inflow from operating activities	**48,496**	51,179
Net cash outflow from investing activities	**(7,397)**	(887)
Net cash outflow from financing activities	**(30,000)**	(30,000)
Net cash inflow	**11,099**	20,292

20. PARTICULARS OF SUBSIDIARIES (continued)

Shenzhen Jinma and subsidiary

	31/12/2019
	RMB'000
Current assets	1,308,210
Non-current assets	104,485
Current liabilities	51,659
Net equity	1,361,036
Equity attributable to owners of the Company	694,158
Equity attributable to non-controlling interests	666,878
Profit and total comprehensive income attributable to	
– owners of the Company	7,158
– non-controlling interests	6,878
Profit for the year	14,036
Net cash inflow from operating activities	8,813
Net cash outflow from investing activities	(88,519)
Net cash inflow from financing activities	1,347,000
Net cash inflow	1,267,294

21. GOODWILL

	Jinning Energy	Ouya Gas Station	Liandong Gas Station	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying values				
At 1 January and 31 December 2018	8,001	—	—	8,001
Arising on acquisition of business	—	2,420	648	3,068
At 31 December 2019	8,001	2,420	648	11,069

21. GOODWILL (continued)

	Jinning Energy	Ouya Gas Station	Liandong Gas Station	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Impairment				
At 1 January and 31 December 2018	—	—	—	—
Impairment loss recognised in the year	—	(2,167)	—	(2,167)
At 31 December 2019	**—**	**(2,167)**	**—**	**(2,167)**
Carrying values				
At 31 December 2019	**8,001**	**253**	**648**	**8,902**
At 31 December 2018	8,001	—	—	8,001

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to three individual cash generating units (CGUs), comprising one subsidiary engaged in distribution and sales of coal gas and two gas stations engaged in retail of refined oil. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

	Goodwill	
	31/12/2019	31/12/2018
	RMB'000	RMB'000
Sales of coal gas – Jinning Energy (Unit A)	**8,001**	8,001
Retail of refined oil – Ouya Gas Station (Unit B)	**253**	—
Retail of refined oil – Liandong Gas Station (Unit C)	**648**	—
	8,902	8,001

21. GOODWILL (continued)

Impairment testing on goodwill (continued)

The recoverable amounts of the above CGUs were determined based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by the management of the Group covering a 5-year period (2018: 5-year period).

The following table sets out the key assumptions for the value in use calculation of the CGUs that have significant goodwill or intangible assets with indefinite useful lives.

	Unit A	Unit B	Unit C
Pre-tax discount rate			
31 December 2019	**28.5%**	**19.4%**	**19.7%**
31 December 2018	28.5%	N/A	N/A
Long-term growth rate			
31 December 2019	**2%**	**3%**	**3%**
31 December 2018	2%	N/A	N/A

Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to each of the CGUs.

Cash flows beyond the 5-year period (2018: 5-year period) are extrapolated using the estimated growth rates stated above. These growth rates are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

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

During the year ended 31 December 2019, the sales volume of Unit B, which is quite sensitive to the selling price of refined oil, decreased significantly. The directors of the Company have consequently determined impairment of goodwill directly related to Unit B amounting to RMB2,167,000. The impairment loss has been included in profit or loss in the other gains and losses line item. No other write-down of the assets of Unit B is considered necessary. The recoverable amount of the Unit B, determined based on value in use calculation, amounted to RMB13,447,000 as at 31 December 2019.

If the pre-tax discount rate had been changed to 20.4%, while other parameters remain constant, the recoverable amount of Unit B would be reduced to RMB11,719,000 and a further impairment of goodwill or other assets in Unit B of RMB1,728,000 would be recognised.

During the year ended 31 December 2019, management of the Group determines that there is no impairment on Unit C. The recoverable amount of Unit C exceeds its carrying amount by RMB575,000. If the discount rate had been changed to 20.1%, while other parameters remain constant, the recoverable amount of Unit C would equal its carrying amount.

22. INTEREST IN A JOINT VENTURE

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Cost of unlisted investment in a joint venture	49,000	49,000
Share of post-acquisition results, net of dividends received	4,974	5,925
	53,974	54,925

Details of the Group's joint venture at the end of the reporting period are set out below:

Name of Joint venture*	Place of registration and operations	Fully paid registered capital	Proportion of ownership interest/voting rights attributable to the Group		Principal activities
			2019	2018	
Henan Jinjiang Refinery Co., Ltd. ("Jinjiang Refinery") 濟源市金江煉化有限公司	PRC	RMB100,000,000	49%	49%	Manufacture and sale of hydrogen

* English name for identification only

Summarized financial information in respect of the Group's joint venture is set out below. The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in the consolidated financial statements.

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Current assets	26,510	28,491
Non-current assets	146,966	163,319
Current liabilities	32,266	28,417
Non-current liabilities	31,059	51,301
The above amounts of assets and liabilities include the followings:		
Cash and cash equivalents	9,950	9,964
Non-current financial liabilities (excluding trade and other payables and provisions)	20,000	40,000

22. INTEREST IN A JOINT VENTURE (continued)

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Revenue	**153,280**	165,959
Profit and total comprehensive income for the year	**8,058**	9,416
Dividend receivable from the joint venture	**4,900**	4,900

The above profit for the year includes the following:

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Depreciation	**16,282**	16,133
Interest income	**69**	104
Interest expense	**2,047**	3,026
Income tax expense	**—**	5

Reconciliation of the above summarized financial information to the carrying amount of the interest in a joint venture recognised in consolidated financial statements.

	31/12/2019 RMB'000	31/12/2018 RMB'000
Net assets	**110,151**	112,092
Proportion of the Group's ownership interest in the joint venture	**49%**	49%
Carrying amount of the Group's interest in the joint venture	**53,974**	54,925

23. INTERESTS IN AN ASSOCIATE/ADVANCE TO AN ASSOCIATE

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Cost of unlisted investment in an associate	41,460	41,460
Share of post-acquisition results	(509)	(269)
	40,951	41,191
Advance to an associate (Note)	60,940	60,940

Note: The advance to an associate is deposit for acquisition of Mining Right ("採礦許可證") and The total advance is unsecured, interest-free and has no fixed repayment terms.

Details of the Group's associate at the end of the reporting period are set out below:

Name of associate*	Place of registration and operations	Fully paid registered capital	Proportion of ownership interest/voting rights attributable to the Group		Principal activities
			2019	2018	
Huozhou Coal Power Group Hongtong Yilong sale of coal Co., Ltd. ("Yilong Coal") 霍州煤電集團洪洞億隆煤業有限責任公司	PRC	RMB80,000,000	33%	33%	Mining and sale of coal

* English name for identification only

As at 31 December 2019, Yilong Coal has acquired the mining right and Safety Production License ("安全生產許可證"), and the investee is still at trail run stage.

Summarized financial information in respect of the Group's associate is set out below. The summarized financial information below represents amounts shown in the assoicate's financial statements prepared in accordance with IFRSs.

23. INTERESTS IN AN ASSOCIATE/ADVANCE TO AN ASSOCIATE (continued)

The associate is accounted for using the equity method in the consolidated financial statements.

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Current assets	20,350	73,992
Non-current assets	1,446,562	1,130,188
Current liabilities	1,363,042	1,069,241
Non-current liabilities	25,412	55,755

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	RMB'000
Revenue	—	—
Loss and total comprehensive expenses for the year	(727)	(580)

Reconciliation of the above summarized financial information of the carrying amount of the interest in the associate recognised in the consolidated financial statements.

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Net assets	78,458	79,184
Proportion of the Group's ownership interest in the associate	33%	33%
	25,891	26,131
Additional investment cost in the associate	15,060	15,060
Carrying amounts of the Group's interest in the associate	40,951	41,191

24. FINANCIAL ASSETS AT FVTPL

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Financial assets measured at FVTPL:		
Listed securities		
– Equity securities listed in the Stock Exchange (Note i)	**36,233**	—
Financial assets designated at FVTPL		
– Structured deposits (Note ii)	—	70,000
	36,233	70,000
Analysed for reporting purposes as:		
Current assets	—	70,000
Non-current assets	**36,233**	—
	36,233	70,000

Notes:

(i) During the year ended 31 December 2019, the Company subscribed 14,013,000 initial public offering shares of a company listed in the Stock Exchange at share price of HK$2.80 (equivalent to RMB2.40) as cornerstone investor. The investee company is engaged in the production and sales of coke and coking products. The Company intended to hold this financial asset for more than one year.

(ii) The balance comprising (a) RMB50,000,000 placed in the bank with original maturity period of six months with the expected yield rate set at floating and linked with the Shanghai Interbank Offered Rate; (b) RMB20,000,000 with a flexible maturity period for no more than 1 year with the yield rate set at floating and linked with performance of the underlying assets.

25. DEFERRED TAX ASSETS/LIABILITIES

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

	Allowance for inventories	ECL provision	Temporary difference on deductible expenses	Fair value change of bills receivables at FVTOCI	Unrealised profits	Fair value adjustments upon acquisition of business	Deferred revenue	Fair value change of financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	749	448	133	2,775	649	(25,996)	1,815	—	(19,427)
Credit (charge) to profit or loss	2,249	3,128	293	—	2,112	4,016	(148)	—	11,650
Charge to other comprehensive income	—	—	—	628	—	—	—	—	628
At 31 December 2018	2,998	3,576	426	3,403	2,761	(21,980)	1,667	—	(7,149)
(Charge) credit to profit or loss	(2,468)	(1,764)	(426)	(801)	(1,343)	4,693	4,327	(308)	1,910
Credit to other comprehensive income	—	—	—	(305)	—	—	—	—	(305)
Acquisition	—	—	—	—	—	(433)	—	—	(433)
At 31 December 2019	**530**	**1,812**	**—**	**2,297**	**1,418**	**(17,720)**	**5,994**	**(308)**	**(5,977)**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Deferred tax assets	**13,721**	15,481
Deferred tax liabilities	**(19,698)**	(22,630)
	(5,977)	(7,149)

As at 31 December 2019, the Group had unused tax losses of RMB416,000 (2018: RMB1,556,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. All tax losses will expire within 5 years from the year of origination.

At 31 December 2019 and 2018, the Group had no other material unrecognised deductible temporary differences.

26. INVENTORIES

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Raw materials	205,242	203,955
Finished goods	108,795	77,797
	314,037	281,752

27. TRADE AND OTHER RECEIVABLES

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Trade receivables - contract with customers	131,821	88,446
Less: Allowance for credit losses	(7,285)	(10,422)
	124,536	78,024
Other receivables	10,245	22,493
Refundable deposits due from customers	62,896	524
Less: Allowance for credit losses	—	(3,888)
	73,141	19,129
Prepayments to suppliers	72,056	82,537
Prepaid other taxes and charges	56,477	53,335
Dividend receivables from a joint venture	4,900	4,900
	331,110	237,925

Rental deposits paid were adjusted upon the initial application of IFRS 16. Details of the adjustments are set out in Note 2.

As at 1 January 2018, the carrying amount of trade receivables net of allowance for credit losses from contracts with customers amounted to RMB140,262,000.

The following is an aging analysis of trade receivables (net of allowance for credit losses) presented based on the invoice date at the end of the reporting period:

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Within 90 days	95,549	67,245
91 - 180 days	28,987	5,992
181 - 365 days	—	665
Over 365 days	—	4,122
	124,536	78,024

27. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB35,677,000 (2018: RMB20,536,000) which are past due as at the reporting date. Out of the past due balances, RMB6,827,000 (2018: RMB14,515,000) has been past due 90 days or more and all of which is considered as in default.

The Group does not hold any collateral over these balances.

Detail of impairment assessment of trade and other receivables are set out in Note 47.

28. AMOUNT DUE FROM A SHAREHOLDER

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Trade nature		
Maanshan Steel	**20,202**	196

The amounts in trade nature are receivables from contracts with customers.

The balance at 1 January 2018 amounted to RMB299,567,000.

The following is an aging analysis of trade receivables from shareholders, presented based on invoice date at the end of the reporting period.

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Within 90 days	**20,202**	196

The amount due from a shareholder in trade nature is not past due as at 2019 and 2018.

The Group does not hold any collateral over these balances and these balances are unsecured and interest-free.

Details of impairment assessment of amount due from a shareholder are set out in Note 47.

29. AMOUNTS DUE FROM RELATED PARTIES

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Trade nature		
Jiangxi PXSteel's subsidiaries	13,413	31,454
Jiyuan Fangsheng Chemicals Co., Ltd. ("Fangsheng Chemicals") 濟源市方升化學有限公司 (Note i)	21	—
Jiyuan Yungong Logistics Co., Ltd. ("Yungong Logistics") 濟源雲工物流有限責任公司 (Note ii)	8,425	9,308
	21,859	40,762

Notes:

(i) The entity is controlled by a shareholder of the Company. The balance is prepayment for purchase of materials.

(ii) 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 a related party of the Group. The balance includes prepayment of RMB3,899,000 (2018: RMB3,865,000) for provision of shipping services.

The balance at 1 January 2018 amounted to RMB1,187,000.

The amounts in trade nature are from contract with customers. The following is an aging analysis of amounts due from related parties (excluding prepayment for purchase of goods), presented based on invoice date at the end of the reporting period.

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Within 90 days	15,687	36,897
91 - 180 days	1,110	—
181 - 360 days	1,142	—
	17,939	36,897

As at 31 December 2019, all amounts due from related parties are not past due.

The Group does not hold any collateral over these balances.

Details of impairment assessment of amounts due from related parties are set out in Note 47.

30. BILLS RECEIVABLES AT FVTOCI

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Bills receivables	927,353	1,083,797

Starting from 1 January 2018, under IFRS 9 certain bills which were held by the Group for the practice of discounting/endorsing to financial institutions/suppliers before the bills due for payment were classified as "bills receivables at FVTOCI". At 31 December 2019 and 2018, all the bills are with a maturity period of less than one year.

The Group considers the credit risk is limited because counterparties are banks with good credit standing and are highly likely to be paid, and the expected credit loss are considered as insignificant.

Details of impairment assessment are set out in Note 47.

31. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

Restricted bank balances and bank balances carry interest at prevailing market interest rates ranging from 0.35% to 3.05% (2018: from 0.35% to 3.10%) per annum as at 31 December 2019.

The Group's restricted bank balances were pledged to banks for issuing bills.

32. BORROWINGS

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Bank borrowings	1,043,520	833,620
Secured	132,020	229,620
Unsecured	911,500	604,000
	1,043,520	833,620
Fixed-rate borrowings	559,000	450,000
Floating-rate borrowings	484,520	383,620
	1,043,520	833,620
Carrying amount repayable: (based on scheduled payment terms)		
Within one year	677,600	596,600
More than one year, but not more than two years	90,100	152,600
More than two years, but not more than five years	275,820	84,420
	1,043,520	833,620
Less: Amount due shown under current liabilities	(677,600)	(596,600)
Amount due after one year shown under non-current liabilities	365,920	237,020

32. BORROWINGS (continued)

The ranges of effective interest rate of the Group's borrowings are:

	31/12/2019	31/12/2018
Effective interest rate per annum:		
– Fixed-rate borrowings	4.61%-6.75%	4.57%-6.75%
– Floating-rate borrowings	4.79%-6.30%	4.79%-6.20%

33. TRADE AND OTHER PAYABLES

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Trade payables	377,381	288,633
Bills payables	253,530	148,953
	630,911	437,586
Salaries and wages payables	23,918	18,472
Other tax payables	6,058	5,246
Consideration payable for purchase of property, plant and equipment	230,224	182,058
Accruals	5,753	7,339
Consideration payable for acquisition of business	4,472	2,437
Refundable deposit from suppliers	2,303	945
Other payables	5,733	6,721
	278,461	223,218
	909,372	660,804

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

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Within 90 days	357,908	273,788
91 - 180 days	9,995	6,226
181 - 365 days	4,452	3,432
Over 1 year	5,026	5,187
	377,381	288,633

At the end of the reporting period, the Group's bills payables were issued by banks with maturities within 6 months and were secured by the Group's restricted bank balances and bills receivables.

34. AMOUNTS DUE TO RELATED PARTIES

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Trade nature		
Yungong Logistics	89	289
Jinjiang Refinery	108	120
	197	409

The following is an aging analysis of amounts due to related parties of trade payables presented based on the invoice date at the end of the reporting period:

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Within 90 days	108	409
Over 365 days	89	—
	197	409

35. CONTRACT LIABILITIES

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Sales of goods	66,219	87,967

As at 1 January 2018, contract liabilities amounted to RMB147,081,000.

Contract liabilities are all expected to be settled within the Group's normal operating cycle, and are classified as current based on the Group's earliest obligation to transfer goods to the customers.

Revenue recognised in the current year with performance obligation satisfied includes whole contract liability balance at the beginning of the year.

36. LEASE LIABILITIES

	31/12/2019
	RMB'000
Lease liabilities payable:	
Within one year	1,640
Within a period of more than one year but not more than two years	1,455
Within a period of more than two years but not more than five years	673
Within a period of more than five years	1,888
	5,656
Less: Amount due for settlement with 12 months shown under current liabilities	(1,640)
Amount due for settlement after 12 months shown under non-current liabilities	4,016

37. RETIREMENT BENEFIT COSTS

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a certain percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefit of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government. The contributions to these plans recognised as employee benefit capitalized as production costs or expensed as incurred for the year ended 31 December 2019 are RMB8,445,000 (2018: RMB8,644,000).

38. SHARE CAPITAL

	Number of shares		Share capital	
	2019	2018	2019	2018
	'000	'000	RMB'000	RMB'000
Authorised, issued and fully paid				
Ordinary shares of RMB1 each				
At beginning and end of year	535,421	535,421	535,421	535,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. DEFERRED REVENUE

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Assets-related government subsidies	23,976	6,666

During the year ended 31 December 2019, the Group received government subsidies of RMB19,132,000 (2018: nil), in relation to incentives for certain plants and equipment acquired by the Group. The amounts were recorded as deferred revenue and released to profit or loss on a systematic basis over the useful lives of the relevant assets. During the year ended 31 December 2019, subsidy income of approximately RMB1,822,000 (2018: RMB592,000) was released to profit or loss.

40. ACQUISITION OF A SUBSIDIARY/BUSINESS

(a) Acquisition of a subsidiary

On 18 March 2019, the Group acquired 100% interest in Ouya Gas Station from an independent third party for 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 was completed on 31 March 2019, when the Group obtained the control of Ouya Gas Station. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was RMB2,420,000.

Acquisition-related costs amounting to RMB124,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	1,695
Right-of-use assets	78
Intangible assets – operating license of refined oil	11,933
Inventories	206
Trade and other receivables	296
Bank balances and cash	217
Trade and other payable	(108)
Contract liabilities	(585)
Deferred tax liability	(649)
	13,083

The fair value of trade and other receivables at the date of acquisition amounted to RMB296,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB296,000 at the date of acquisition. It was estimated that all of contractual cash flows were expected to be collected.

40. ACQUISITION OF A SUBSIDIARY/BUSINESS (continued)

(a) Acquisition of a subsidiary (continued)

Goodwill arising on acquisition

	RMB'000
Consideration at fair value:	
– cash transferred	14,203
– included in trade and other payables	1,300
	15,503
Less: recognised amount of identifiable net assets acquired (100%)	(13,083)
Goodwill arising on acquisition	2,420

Goodwill arose in the acquisition of Ouya Gas Station because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and economies of scale. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

Net cash outflows arising on acquisition

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

Included in the profit for the year is loss of RMB2,763,000 attributable to Ouya Gas Station. Revenue for the year includes RMB13,120,000 generated from Ouya Gas Station.

(b) Acquisition of a business

On 7 December 2019, the Group acquired the business of Liandong Gas Station from an independent third party for cash consideration of RMB15,081,000. Liandong 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 was completed on 7 December 2019, when the Group obtained the control of Liandong Gas Station. The acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was RMB648,000.

Acquisition-related costs amounting to RMB105,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

40. ACQUISITION OF A SUBSIDIARY/BUSINESS (continued)

(b) Acquisition of a business (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	2,806
Right-of-use assets	116
Intangible assets – operating license of refined oil	10,451
Deferred tax assets	216
Other receivables	960
Lease liabilities	(116)
	14,433

The other receivables acquired at the date of acquisition are prepaid other taxes. The fair value and the gross contractual amounts amounted to RMB960,000 at the date of acquisition.

Goodwill arising on acquisition

	RMB'000
Consideration at fair value:	
– cash transferred	14,481
– included in trade and other payables	600
	15,081
Less: recognised amount of identifiable net assets acquired (100%)	(14,433)
Goodwill arising on acquisition	648

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

Net cash outflows arising on acquisition

	RMB'000
Cash consideration paid	14,481

Included in the profit for the year is RMB958,000 loss attributable to the additional business generated by Ouya Gas Station. Revenue for the year includes RMB2,729,000 generated from Liandong Gas Station.

41. OPERATING LEASES

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2018
	RMB'000
Not later than 1 year	1,031
Later than 1 year and not later than 5 years	2,361
Later than 5 years	2,928
	6,320

The Group as lessor

Skid-mounted gas station and land were leased for 0.5 year as at December 2018. The Group had contracted with lessees for the following future minimum lease payments:

	31/12/2018
	RMB'000
Not later than 1 year	101

42. CAPITAL COMMITMENTS

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the Group's consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**462,836**	62,042

43. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks as securities against general banking facilities granted to the Group:

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Right-of-use assets	**18,557**	—
Prepaid lease payments	—	39,680
Restricted bank balances	**74,887**	90,921
Bills receivables	**109,102**	—
	202,546	130,601

44. CONTINGENT LIABILITIES

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

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Endorsed bills for settlement of payables	**2,685,318**	2,665,785
Discounted bills for raising cash	**180,846**	—
Outstanding endorsed and discounted bills receivables with recourse	**2,866,164**	2,665,785

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

45. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties/connected parties are disclosed below.

(a) Transactions with related parties

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

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	RMB'000
Sales of products and services to:		
Jiangxi PXSteel's subsidiaries	1,168,145	1,420,413
Maanshan Steel	791,300	1,030,544
Jinjiang Refinery	83,165	86,157
Yungong Logistics	10,872	17,045
Fangsheng Chemicals	24	17
Purchase of raw materials and services from:		
Yungong Logistics	74	26,819
Fangsheng Chemicals	5,950	6,900
Jinjiang Refinery	4,833	5,835
Rental expenses for office:		
Jinma HK (Note)	474	624

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

45. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS (continued)

(b) Transactions with other connected parties

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Sales of products to:		
Xuzhou Oriental Group Co., Ltd. 徐州東方物流集團有限公司	**483,518**	N/A*
Henan Hongkong (Jiyuan) Coking Group Co., Ltd. ("Yugang Coking") 豫港(濟源)焦化集團有限公司	**54,950**	77,810
Zenith Steel Group Co., Ltd. 中天鋼鐵集團有限公司	**—**	NA*
Purchase of raw materials and services from:		
Shanghai Luxiang Hailu Fuel Co., Ltd. 上海鷺翔海陸燃料有限公司	**236,016**	N/A*
Yugang Coking	**93,198**	100,439

* Not regarded as connected parties to the Group during the year ended 31 December 2018.

(c) Compensation of key management personnel

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

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Salaries and allowance	**3,699**	2,834
Performance related bonuses	**2,499**	2,238
Retirement benefit	**235**	176
	6,433	5,248

Key management represents the directors of the Company disclosed in Note 14 and other senior management personnel of the Group. The remuneration of key management is determined with reference to the performance of the Group and the individuals.

46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt (which includes borrowings, lease liabilities, net of cash and cash equivalents) and equity attributable to owners of the Company (comprising share capital and reserves).

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issue of new shares, new debts or the redemption of existing debts.

47. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Financial assets		
Financial assets at FVTPL		
– Held-for-trading	36,233	—
– Structured deposits	—	70,000
Bills receivables at FVTOCI	927,353	1,083,797
Financial assets at amortised cost		
– Bank balances and cash	1,697,816	583,157
– Restricted bank balances	74,887	90,921
– Trade and other receivables*	202,577	102,053
– Amount due from a shareholder	20,202	196
– Amounts due from related parties**	17,939	36,897
– Advance to an associate	60,940	60,940

* Excluded prepayments to suppliers and prepaid other taxes and charges.

** Excluded prepayments.

47. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Financial liabilities		
Amortised cost		
– Borrowings	**1,043,520**	833,620
– Lease liabilities	**5,656**	–
– Trade and other payables*	**873,643**	629,747
– Amounts due to related parties	**197**	409
– Long-term payable	**–**	9,970

* Excluded salaries and wages payables, other tax payables, accruals.

Financial risk management objectives and policies

The Group's major financial instruments include advance to an associate, trade and other receivables, amounts due from/to a shareholder/related parties, financial assets at FVTPL, bills receivables at FVTOCI, restricted bank balances, bank balances, trade and other payables, dividend receivable, long-term payable and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

47. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to interest-bearing bank balances, bills receivables at FVTOCI and borrowings at fixed interest rates. The Group is also exposed to cash flow interest rate risk in relation to borrowings at floating interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rate for the floating-rate borrowings, assuming that the floating-rate borrowings outstanding at the end of the reporting period was outstanding for the whole relevant period. If the interest rate on the floating-rate borrowings had been 50 basis points higher/lower, and all other variables were held constant, the Group's profit after tax would decrease/increase by approximately RMB1,817,000 (2018: RMB1,438,000) for the year ended 31 December 2019. This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings as at 31 December 2019 and 2018.

If interest rate of bills receivables at FVTOCI had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after tax would increase/decrease by RMB4,027,000 (2018: RMB3,695,000) for the year ended 31 December 2019.

No sensitivity analysis on bank balances is presented as the directors of the Company consider that the exposure of cash flow interest rate risk arising from bank balances is minimal.

In the director's opinion, the sensitivity analysis above is unrepresentative for the interest rate risk as the exposure at the end of reporting period does not reflect the exposure during the year.

Other price risk

The Group holds listed equity investments, which can be affected by share price fluctuations and expose to other price risk on share price.

Sensitivity analysis

If the share prices of financial assets at FVTPL had been 5% higher/lower, and all other variables were held constant, the Group's profit after tax would increase/decrease by RMB1,358,000 for the year ended 31 December 2019.

In the directors' opinion, the sensitivity analysis above is unrepresentative for the other price risk as the exposure at the end of reporting period does not reflect the exposure during the year.

47. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies, which are mainly bank balances, at the end of the reporting period are as follows:

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Assets		
Bank balances and cash - HK$	10,190	11,229

The following table details the Group's sensitivity to 5% appreciation of HK$ against RMB which represents the management's assessment of the possible change in foreign exchange rate. The sensitivity analysis of the Group includes the outstanding foreign currencies denominated monetary items and adjusts for 5% appreciation of foreign exchange rates at the end of the reporting period.

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	RMB'000
Increase in post-tax profit	382	421

There would be an equal and opposite impact on the above post-tax results, should HK$ be weakened against RMB in the above sensitivity analysis.

In the directors' opinion, the sensitivity analysis above is unrepresentative for the foreign currency risk as the exposure at the end of reporting period does not reflect the exposure during the year.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position.

47. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers

The Group mainly conducted transactions with customers with good quality and long-term relationship. When accepting new customers, the Group requests advanced payment before the goods delivered. In order to minimize the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant. In this regard and considering the long-term relationships with its customers and the financial position of these customers, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2019, the Group has concentration of credit risk resulting from the Group's the five largest customers. The percentage of total trade related outstanding balances, comprising trade receivables, amount due from a shareholder and related parties, attributable to the five largest customers amounted to 27% (2018: 37%).

As at 31 December 2019, the Group also has concentration of credit risk in respect of the five largest outstanding balances, i.e. approximately 63% (2018: 70%) of total trade related outstanding balances, comprising trade receivables, amount due from a shareholder and related parties.

The Group had concentration of credit risk by geographical location as trade receivables, amount due from a shareholder and related parties in trade nature, bills receivables at FVTOCI and bank balances comprise various debtors which are all located in PRC as at 31 December 2019 and 2018.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for debtors with internal credit rate of loss and write-off, which are assessed for impairment individually, the remaining trade receivables and amounts due from a shareholder/related parties in trade nature are grouped under a provision matrix within lifetime ECL (not credit-impaired) based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Impairment of RMB1,046,000 (2018: RMB10,422,000) is recognised and an amount of RMB4,183,000 (2018: nil) is reversed during the year. Details of the quantitative disclosures are set out below.

Other receivables and advance to an associate

For other receivables and advance to an associate, the Group makes individual assessment on recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information that is available without undue cost or effort. The Group provided (net of reversal) RMB400,000 (2018: RMB2,091,000) impairment allowance on other receivables during the current year. And for advance to an associate, the Group determines the credit risk is limited, the ECL for advance to an associate is immaterial.

Bank balances and restricted bank balances

The Group's credit risk on bank balances and restricted bank balances is low and there is no significant concentration of credit risk because all bank deposits are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies. No recognition of ECL on bank balances and restricted bank balances was recognised in the profit or loss.

47. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Bills receivables at FVTOCI

The Group only accepts bills receivables with low credit risk. The Group's bills receivables at FVTOCI are bank acceptance bills and therefore are considered to be low credit risk investments. During the year ended 31 December 2018 and 2019, no ECL on bills receivables at FVTOCI was recognised in the profit or loss.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables, amount due from a shareholder and related parties in trade nature
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

47. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	31/12/2019 Gross Carrying amount RMB'000	31/12/2018 Gross Carrying amount RMB'000
Bills receivables at FVTOCI						
Bills receivables		Investment grade	N/A	12m ECL	**927,353**	1,083,797
				Credit-impaired	**—**	—
					927,353	1,083,797
Financial assets at amortised costs						
Trade receivables/amount due from a shareholder/ related parties in trade nature	Note i	N/A	Low risk	Lifetime ECL (not credit impaired)	**132,838**	105,003
			Watch list	Lifetime ECL (not credit impaired)	**30,297**	6,021
			Loss	Credit-impaired	**6,827**	14,515
					169,962	125,539
Bank balances/restricted bank balances		AA+	N/A	12m ECL	**1,772,703**	674,078
				Credit-impaired	**—**	—
					1,772,703	674,078
Advance to an associate		N/A	Low risk	12m ECL	**60,940**	60,940
				Credit-impaired	**—**	—
					60,940	60,940
Other receivables	Note ii	N/A	Low risk	12m ECL	**73,141**	15,724
			Loss	Credit-impaired	**—**	7,293
					73,141	23,017

Notes:

(i) For trade receivables and amounts due from a shareholder/related parties in trade nature, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

(ii) For other receivables, the external credit ratings are not available for each individual to be assessed.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its sales of goods. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amounts of RMB6,827,000 respectively as at 31 December 2019 (2018: RMB14,515,000) were assessed individually.

47. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Gross carrying amount

Internal credit rating	Average loss rate	Trade receivables and amounts due from a shareholder/related parties	ECL (not credit impaired)	Average loss rate	Trade receivables and amounts due from a shareholder/related parties	ECL (not credit impaired)
			RMB'000		RMB'000	RMB'000
Low risk	0.16%	132,838	217	—*	105,003	—*
Watch list	0.80%	30,297	241	0.48%	6,021	29
		163,135	458		111,024	29

* The rate is less than 0.01% and the related ECL is insignificant.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised on trade receivables, amounts due from a shareholder/related parties in trade nature under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2018	—	—	—
Changes due to financial instruments recognized as at 1 January 2018:			
– Impairment losses recognised	29	10,393	10,422
At 31 December 2018	29	10,393	10,422
– Impairment losses recognised	458	588	1,046
– Impairment losses reversed	(29)	(4,154)	(4,183)
At 31 December 2019	458	6,827	7,285

47. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Gross carrying amount (continued)

Changes in the loss allowance for trade receivables are mainly due to:

	2019		2018	
	Increase/(decrease) in lifetime ECL		Increase/(decrease) in lifetime ECL	
	Not credit-impaired	Credit-impaired	Not credit-impaired	Credit-impaired
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors with a gross carrying amount of RMB588,000 (2018: RMB14,515,000) defaulted and transferred to credit-impaired	—	588	—	10,393
Settlement in full of trade debtors with a gross carrying amount of RMB21,125,000 (2018: nil)	(29)	(4,154)	—	—
New trade receivables with gross carrying amount of RMB163,135,000 (2018: RMB6,021,000)	458	—	29	—

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier.

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (credit-impaired)
	RMB'000
As at 1 January 2018	1,797
– Impairment losses recognised	2,091
At 31 December 2018	3,888
– Impairment losses recognised	400
– Write-offs	(4,288)
At 31 December 2019	—

47. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

In the management of the liquidity risk, the Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2019, the Group had unutilized bank facilities of approximately RMB380,500,000 (2018: RMB160,000,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

		As at 31 December 2019					
	Weighted average interest rate	Carrying amounts	On demand or within 6 months	6 months to 1 year	1 year to 5 years	>5 year	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.61%-6.75%	1,043,520	475,160	236,456	396,189	—	1,107,805
Lease liabilities	5.88%-5.96%	5,656	725	990	2,431	3,633	7,779
Trade and other payables	N/A	873,643	873,643	—	—	—	873,643
Amounts due to related parties	N/A	197	197	—	—	—	197
		1,923,016	1,349,725	237,446	398,620	3,633	1,989,424

		As at 31 December 2018				
	Weighted average interest rate	Carrying amounts	On demand or within 6 months	6 months to 1 year	1 year to 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.57%-6.75%	833,620	410,058	215,291	251,566	876,915
Trade and other payables	N/A	629,747	629,747	—	—	629,747
Long term payable	4.75%	9,970	—	—	11,200	11,200
Amounts due to related parties	N/A	409	409	—	—	409
		1,473,746	1,040,214	215,291	262,766	1,518,271

47. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2019	**31/12/2018**		
Held-for-trading non-derivative financial assets at FVTPL	**Assets – RMB36,233,000**	N/A	Level 1	Quoted bid prices in an active market
Bills receivables at FVTOCI	**Assets – RMB927,353,000**	Assets – RMB1,083,797,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.
Structured deposits classified as financial assets at FVTPL	**Nil**	Assets – RMB70,000,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.

There were no transfers between Level 1 and 2 during the year.

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued listing expenses (included in other payables)	Borrowings	Lease liabilities	Interest payable on letter of credit (included in bill payables)	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	3,015	567,000	—	—	—	570,015
Financing cash flows (Note)	(3,015)	220,500	—	(1,550)	(192,889)	23,046
Non-cash changes:						
Dividend declared	—	—	—	—	192,889	192,889
Finance costs recognised	—	46,120	—	1,550	—	47,670
At 31 December 2018	—	833,620	—	—	—	833,620
Adjustment upon application of IFRS 16	—	—	4,516	—	—	4,516
At 1 January 2019	—	833,620	4,516	—	—	838,136
Financing cash flows (Note)	—	158,582	(1,164)	(1,392)	(261,239)	(105,213)
Non-cash changes:						
Dividend declared	—	—	—	—	261,239	261,239
New lease entered/lease modification	—	—	1,979	—	—	1,979
Finance costs recognised	—	51,318	325	1,392	—	53,035
At 31 December 2019	—	1,043,520	5,656	—	—	1,049,176

Note: The cash flows represent new borrowings raised, the repayment of borrowings, interest paid and dividend paid in the consolidated statement of cash flows.

49. EVENTS AFTER THE REPORTING PERIOD

The outbreak of Novel Coronavirus ("COVID-19") in Mainland China and the subsequent quarantine measures imposed by the Mainland Chinese government as well as the travel restrictions imposed by other countries in early 2020 have had a limited negative impact on the operations of the Group, as most of the Group's operations are located in Jiyuan, Henan Province.

As the situation remains fluid as at the date these financial statements are authorised for issue, the Directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated results of the Group for the year ending 31 December 2020.

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2019	31/12/2018
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	987,095	800,488
Right-of-use assets	46,608	—
Prepaid lease payments	—	32,609
Investments in subsidiaries	1,033,158	310,574
Interest in a joint venture	49,000	49,000
Interest in an associate	41,460	41,460
Advance to an associate	60,940	60,940
Financial assets at FVTPL	36,233	—
Deferred tax assets	5,467	6,252
Deposit for acquisition of property, plant and equipment	14,264	9,439
	2,274,225	1,310,762
CURRENT ASSETS		
Inventories	200,876	215,277
Prepaid lease payments	—	710
Trade and other receivables	81,528	122,927
Amount due from a shareholder	20,202	196
Amounts due from subsidiaries	109,601	31,782
Amounts due from related parties	17,330	35,319
Financial assets FVTPL	—	70,000
Bills receivables at FVTOCI	785,373	899,684
Restricted bank balances	13,160	62,362
Bank balances and cash	356,504	529,370
	1,584,574	1,967,627
CURRENT LIABILITIES		
Borrowings	630,000	559,000
Trade and other payables	479,621	347,075
Amounts due to subsidiaries	1,778	—
Contract liabilities	40,140	43,513
Lease liabilities	749	—
Tax payable	8,359	66,583
	1,160,647	1,016,171
NET CURRENT ASSETS	423,927	951,456
TOTAL ASSETS LESS CURRENT LIABILITIES	2,698,152	2,262,218

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	31/12/2019	31/12/2018
	RMB'000	RMB'000
CAPITAL AND RESERVES		
Share capital	535,421	535,421
Reserves	1,866,979	1,595,161
TOTAL EQUITY	2,402,400	2,130,582
NON-CURRENT LIABILITIES		
Borrowings	281,500	115,000
Long term payable	—	9,970
Lease liabilities	3,211	—
Deferred revenue	10,424	6,666
Deferred tax liabilities	617	—
	295,752	131,636
	2,698,152	2,262,218

Movement in the Company's reserves:

	Capital reserve	FVTOCI reserve	Statutory surplus reserve	Retained profits	Special reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	386,496	(7,865)	70,685	542,226	2,527	994,069
Profit for the year	—	—	—	778,851	—	778,851
Other comprehensive expense for the year	—	(1,070)	—	—	—	(1,070)
Total comprehensive income for the year	—	(1,070)	—	778,851	—	777,781
Dividends paid	—	—	—	(176,689)	—	(176,689)
Transfer	—	—	78,100	(75,573)	(2,527)	—
At 31 December 2018	386,496	(8,935)	148,785	1,068,815	—	1,595,161
Profit for the year	—	—	—	511,711	—	511,711
Other comprehensive income for the year	—	1,046	—	—	—	1,046
Total comprehensive income for the year	—	1,046	—	511,711	—	512,757
Dividends paid	—	—	—	(240,939)	—	(240,939)
Transfer	—	—	51,053	(51,053)	—	—
At 31 December 2019	386,496	(7,889)	199,838	1,288,534	—	1,866,979

Company name

河南金馬能源股份有限公司

Henan Jinma Energy Company Limited

Share listing

Stock abbreviation: Jinma Energy

H Share: The Stock Exchange of Hong Kong Limited

Stock Code: 6885

Registered office and principal place of business in the PRC

West First Ring Road South
Jiyuan
Henan Province
PRC

Principal place of business in Hong Kong

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

Contact information

Tel.: +852 3115 7766

Fax: +852 3115 7798

Email: paulwong@hnjmny.com

Company website

www.hnjmny.com

Board of Directors

Executive Directors

Mr. Yiu Chiu Fai (Chairman)

Mr. Wang Mingzhong (Chief Executive Officer)

Mr. Li Tianxi (Executive deputy general manager)

Non-executive Directors

Mr. Hu Xiayu (Deputy chairman)

Mr. Qiu Quanshan

Ms. Ye Ting (appointed on 18 October 2019)

Mr. Wang Zhiming (resigned on 18 October 2019)

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

COMPANY INFORMATION

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

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Admiralty
Hong Kong

Legal advisers

PRC Law

EY Chen & Co. Law Firm
51/F, Shanghai World Financial Center
100 Century Avenue
Pudong
Shanghai
PRC

Hong Kong Law

Reed Smith Richards Butler
17/F One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

H share registrar

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

Principal bankers

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

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

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

Shanghai Pudong Development Bank Zhengzhou Branch
Zijingshan Road Operations Department
1F, Pufa Square
No. 299 Jinshui Road, Jinshui District
Zhengzhou, Henan Province
PRC

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

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

Jiyuan Rural Commercial Bank
No. 86 Central Road, Xin Garden
Jiyuan, Henan Province
PRC

China Guangfa Bank Zhengzhou Shangdu Road Sub-branch
No. 31 Shangdu Road
Zhengzhou, Henan Province
PRC

Bank of Pingdingshan Co., Ltd. Zhengzhou Branch
No. 6 Fengyi Road, Jinshui District
Zhengzhou, Henan Province
PRC

Bank of Communications Jiyuan Branch
No. 435 Central Road, Xin Garden
Jiyuan, Henan Province
PRC

Bank of China (Hong Kong) Limited Metroplaza Branch
Shop 260-265, Metroplaza
223 Hing Fong Road
Kwai Chung, New Territories
Hong Kong

DEFINITIONS

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

GENERAL TERMS

"Board"	the board of Directors of our Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Taiwan, the Macau Special Administrative Region of the PRC and the Hong Kong Special Administrative Region of the PRC
"Code"	Corporate Governance Code set out as Appendix 14 to the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Henan Jinma Energy Company Limited (河南金馬能源股份有限公司)
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	Director(s) of our Company
"Group"	our Company and its subsidiaries
"HK" or "Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LNG"	liquefied natural gas
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the member of the Supervisory committee of our Company established pursuant to the PRC Company Law
"Supervisory Committee"	the Supervisory committee of our Company established pursuant to the PRC Company Law

TECHNICAL TERMS

"basic earnings per share"	$\frac{\text{Profit attributable to owners of the Company}}{\text{Weighted average number of shares in issue during the year}}$
"current ratio"	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$
"dividend payout ratio"	$\frac{\text{Dividend}}{\text{Profit attributable to owners of our Company}}$
"gearing ratio"	$\frac{\text{Total interest-bearing bank borrowings}}{\text{Total equity}}$
"return on assets"	$\frac{\text{Profit and total comprehensive income}}{\text{Average total assets}}$
"return on equity"	$\frac{\text{Profit attributable to owners of our Company}}{\text{Average equity attributable to owners of our Company}}$

ABBREVIATED NAMES OF COMPANIES

"Bohigh Chemical"	河南博海化工有限公司(Henan Bohigh Chemical Co., Ltd.)
"China Baowu"	中國寶武鋼鐵集團有限公司(China Baowu Steel Group Corporation Limited)
"Golden Star"	金星化工(控股)有限公司(Golden Star Chemicals (Holdings) Limited)
"Jiangxi PXSteel"	江西萍鋼實業股份有限公司(Jiangxi PXSteel Industrial Co. Ltd.*) (formerly known as 萍鄉鋼鐵有限責任公司(Ping Xiang Steel Co., Ltd.*))
"Jiangxi PXSteel Group"	Jiangxi PXSteel and its subsidiaries
"Jinjiang Refinery"	河南金江煉化有限責任公司(Henan Jinjiang Refinery Co., Ltd.*)
"Jinma Coking"	金馬焦化(英屬維爾京群島)有限公司(Jinma Coking (BVI) Limited)
"Jinma Energy"	河南金馬能源股份有限公司(Henan Jinma Energy Co., Ltd.*)
"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.*)

DEFINITIONS

"Jinrui Energy"	河南金瑞能源有限公司(Henan Jinrui Energy Co., Ltd.*)
"Jinrui Gas"	河南金瑞燃氣有限公司(Henan Jinrui Gas Co., Ltd.*)
"Jinyuan Chemicals"	濟源市金源化工有限公司(Jiyuan Jinyuan Chemicals Co., Ltd*)
"Maanshan Steel"	馬鞍山鋼鐵股份有限公司(Maanshan Iron & Steel Company Limited)
"Maanshan Steel Group"	Maanshan Steel and its subsidiaries
"Shanghai Jinma"	上海金馬能源有限公司(Shanghai Jinma Energy Sources Co., Ltd.*)
"Shanghai Luxiang"	上海鷺翔海陸燃料有限公司(Shanghai Luxiang Hailu Fuel Co., Ltd.*)
"Shenzhen Jinma"	深圳市金馬能源有限公司 (Shenzhen Jinma Energy Co., Ltd*)
"Xuzhou Oriental"	徐州東方運銷實業集團有限公司(Xuzhou Oriental Distribution Industrial Group Co., Ltd.*)
"Yugang Coking"	豫港(濟源)焦化集團有限公司(Henan Hongkong (Jiyuan) Coking Group Co., Ltd.)
"Zenith Steel"	中天鋼鐵集團有限公司(Zenith Steel Group Co., Ltd.*)
"Zhongdong Jinma"	河南金馬中東能源有限公司(Henan Jinma Zhongdong Energy Co., Ltd.)
"ZT Logistics"	江蘇中通物流有限公司(Jiangsu Zhong Tong Logistics Co., Ltd.*)

In this report, there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese which are marked with "*" is for identification purpose only.

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