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 2020

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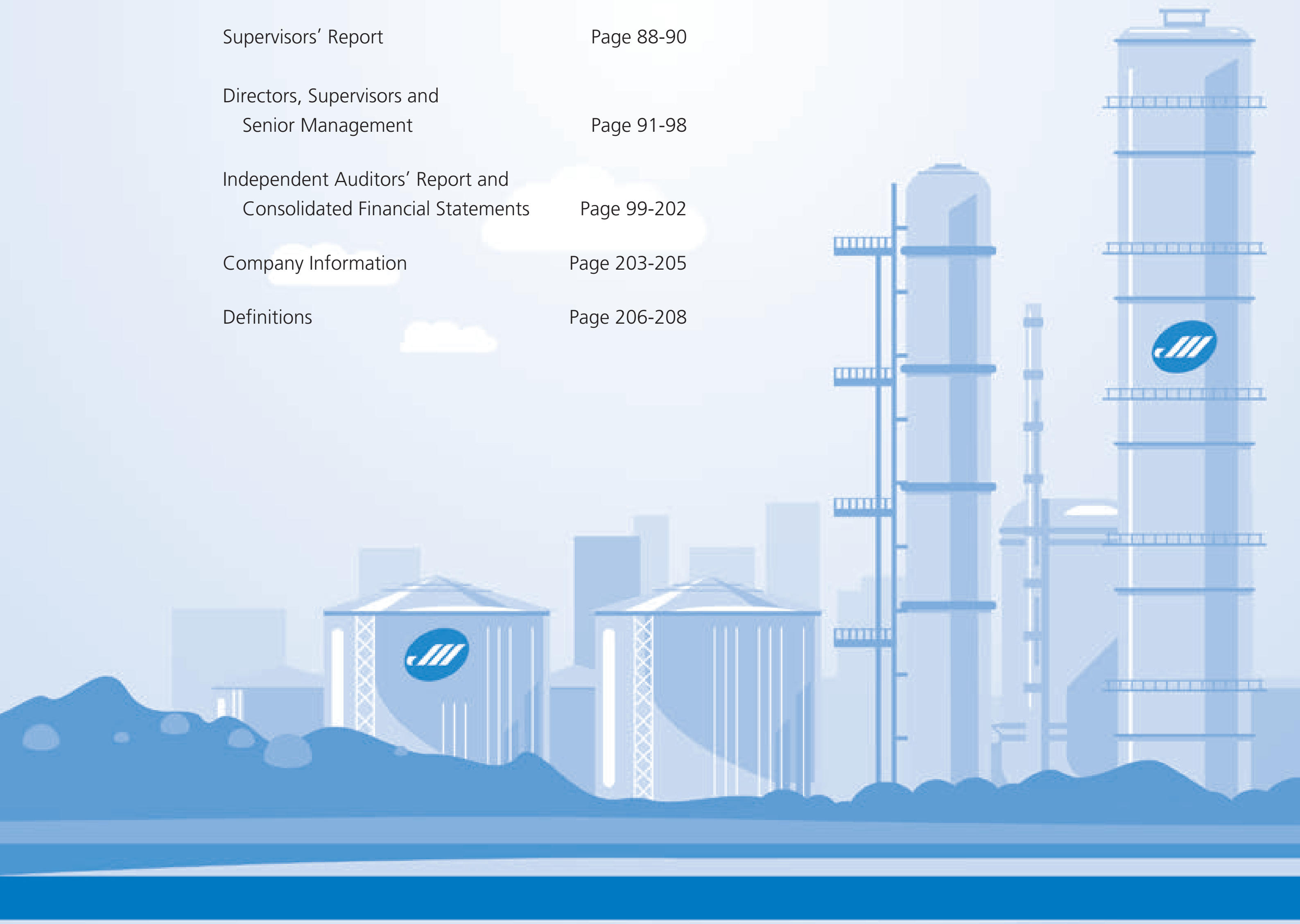
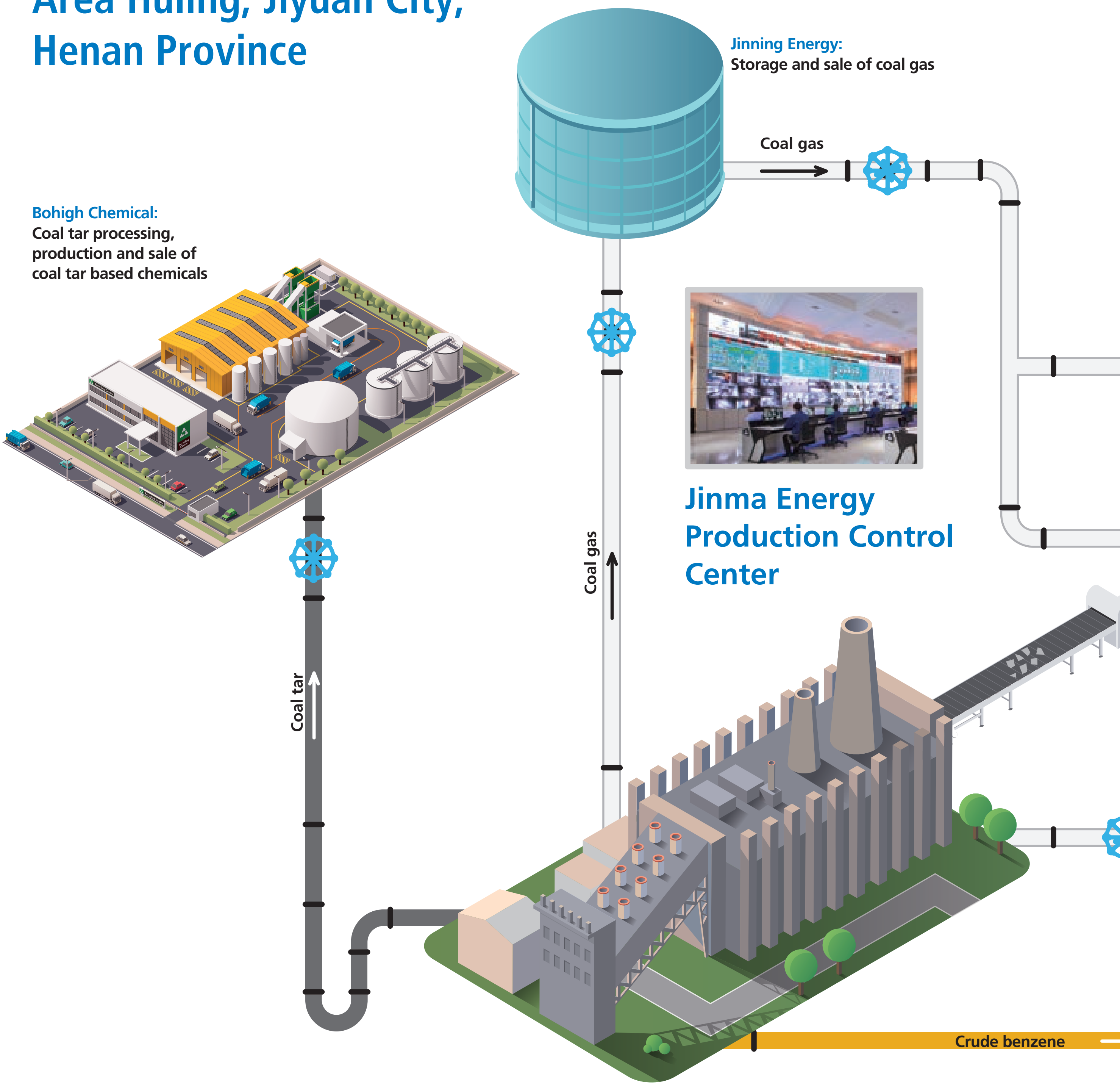
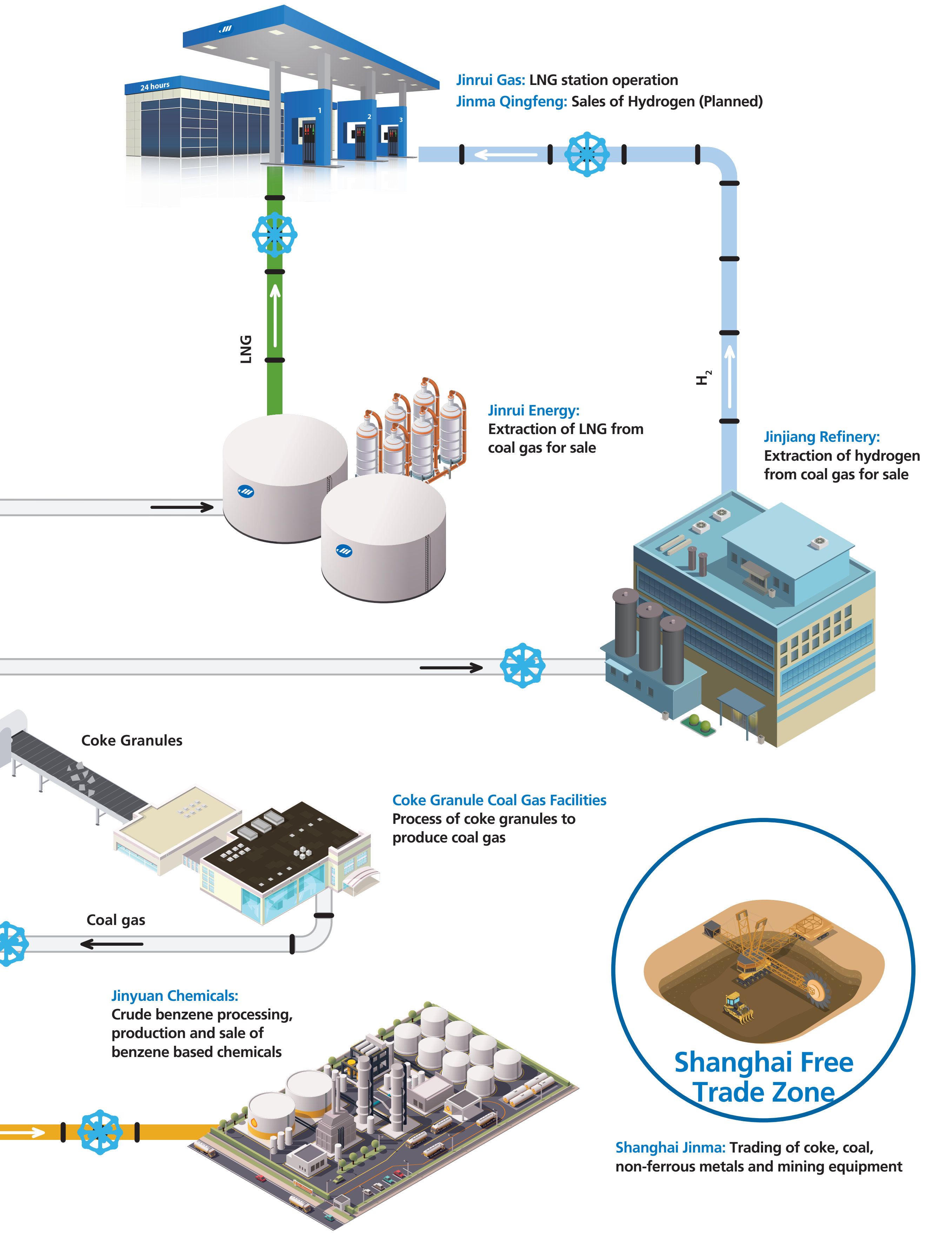


Chemical Industry Park, Industry Centralization Area Huling, Jiyuan City, Henan Province



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


24 hours
Jinrui Gas: LNG station operation
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Jinrui Energy:
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Jinjiang Refinery:
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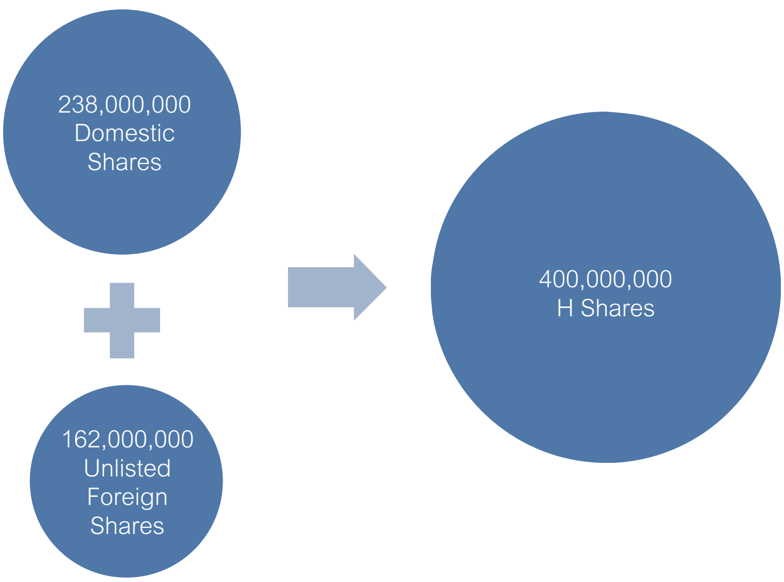
Shanghai Jinma: Trading of coke, coal, non-ferrous metals and mining equipment

Corporate Accolades

In 2020, the Company newly received the honour of Henan Top 100 Enterprises (河南企業100強) and ranked 54th. Meanwhile, the Company received the honour of Henan Top 100 Private Enterprises (河南民營企業100強) again and ranked 33th, moving up 3 positions on the list when compared with 2019, and ranked 18th among the Henan Top 100 Private Enterprises in the Manufacturing Industry (河南民營企業製造業100強), moving up 4 positions on the list when compared with 2019. These reflect the continuous improvement of the Company in the aspects of technological innovation, caring for staff, social charity and environmental protection.

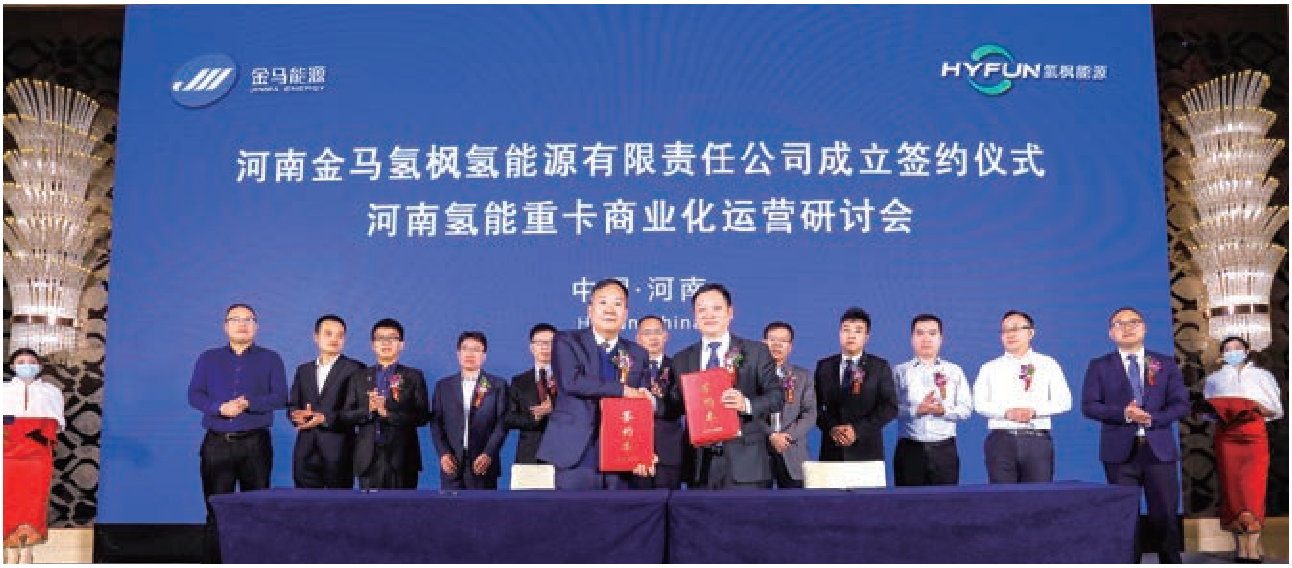

Application for the Full Conversion into H shares

As for the application of full conversion of domestic shares and unlisted foreign shares of the Company into H shares ("**Full Conversion**"), the Company has received the approval from the China Securities Regulatory Commission (the "**CSRC**") on 3 March 2021. The Company has also obtained the authorization from all existing holders of unlisted shares to convert up to an aggregate of 238,000,000 domestic shares and 162,000,000 unlisted foreign shares into H Shares that are eligible to be listed and traded on the Main Board of the Stock Exchange on their behalf. After the conversion, the proportion and market capitalisation of the Company's tradeable H Shares will increase, the shareholders' structure of the Company's H Shares will be further diversified and the Company's image and reputation will also benefit from the implementation of the conversion. The conversion will further strengthen the relationships between the Company and its shareholders, enhance the motivation of the Company's senior management and employees, and drive the Company's value growth and sustainable development.



Establishment of hydrogen energy industry base in the Henan Province

In view of the PRC government's strategic policy in developing clean energy, and in order to grasp the opportunity of the development of hydrogen fuel cell vehicles and the relevant industry in the Henan Province, the Group established a joint venture with Shanghai Hyfun, namely 河南金馬氫楓氫能源有限責任公司 (Henan Jinma Qingfeng Hydrogen Energy Co., Ltd.*). The Group will contribute RMB160 million to the joint venture, representing 80% of the total capital contributions. The Group has access to the extremely high-purity hydrogen required for the production of hydrogen fuel cells through Jinjiang Refinery, together with the extensive experience of Shanghai Hyfun (the joint venture partner) in the construction and operation of hydrogen refueling stations, as well as its research, development and technology regarding high-density hydrogen storage and transportation equipment, the Group plans to further expand its business scope and take part in various major components of the hydrogen energy industry chain through the joint venture, with an aim to gradually develop and establish a hydrogen energy industry base in the Henan Province. The principal businesses of the joint venture will include production, storage and transportation and sales of hydrogen, hydrogen refueling station construction and operation, parts and related testing systems in relation thereto, etc.

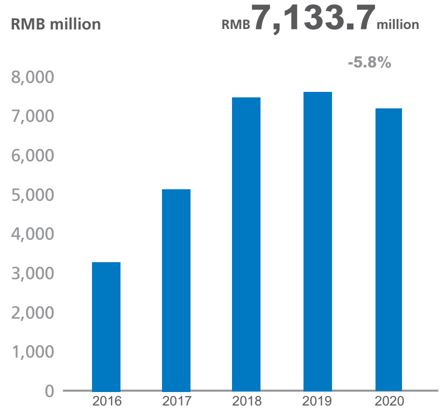


Coking Facilities Upgrade Project with Annual Production Capacity Up to 1.8 million Tonnes

The Group is constructing two advanced coking furnaces with height of 7.65 metres with an aggregate production capacity of 1.8 million tonnes of coke per annum in full speed, which is expected to put into production in the third quarter of 2021. In addition, according to the policies and directives of the PRC government, the Group has phased out two coking furnaces with height of 4.3 metres and an aggregate production capacity of 1.2 million tonnes of coke per annum by the end of the year 2020, and transferred their productivities to advanced coking furnaces with height of 7.65 metres while enhancing such productivities from 1.0 million tonnes per annum to 1.8 million tonnes per annum. The new coking furnaces will be located at the same chemical industry park and co-produced with the existing coking facilities.

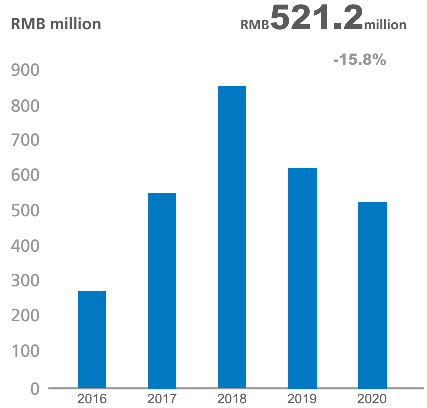
Revenue

For the year ended 31 December



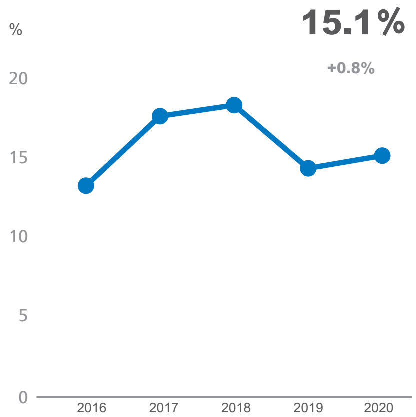
Profit for the year

For the year ended 31 December



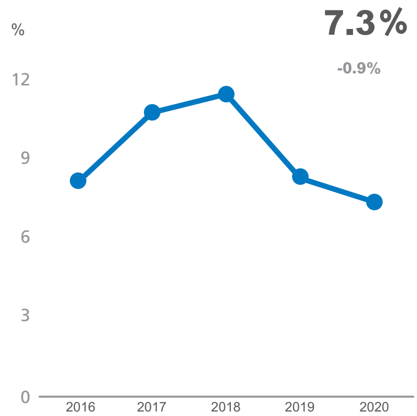
Gross Profit Margin

For the year ended 31 December



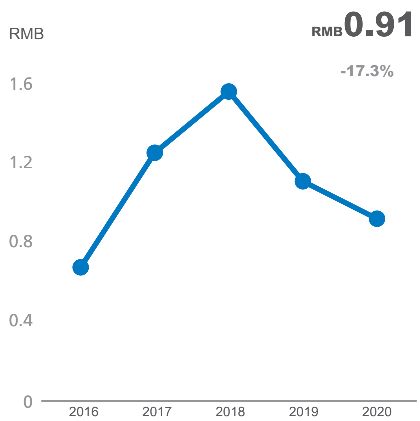
Net Profit Margin

For the year ended 31 December



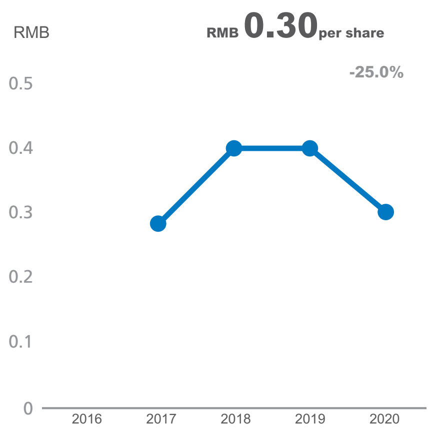
Basic earnings per share

For the year ended 31 December



Dividend per share

For the year ended 31 December



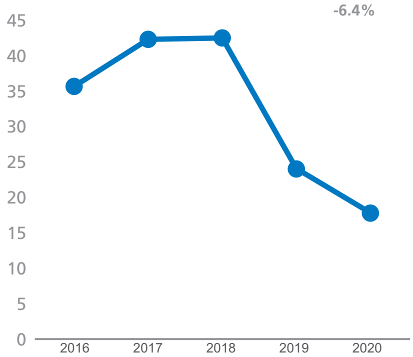
Note: The above figure shows the dividend distribution of the Company after its listing, including dividends paid in 2017 to 2019, and the 2020 dividends included the paid interim dividend and the final dividend recommended by the Board.

Return on equity

For the year ended 31 December

% **17.6%**

-6.4%

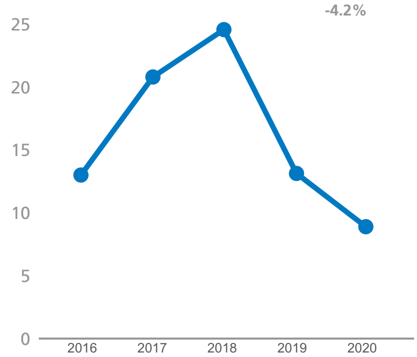


Return on assets

For the year ended 31 December

% **8.8%**

-4.2%

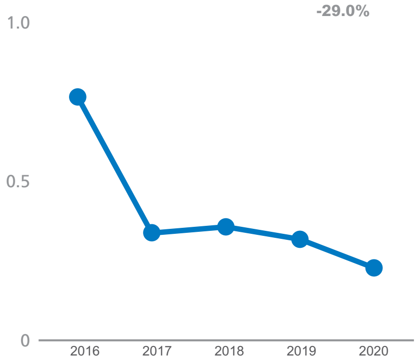


Gearing ratio

For the year ended 31 December

Times **0.22** times

-29.0%

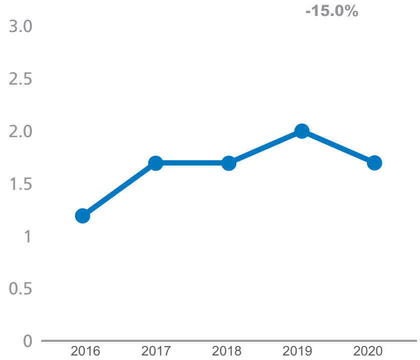


Current ratio

For the year ended 31 December

Times **1.7** times

-15.0%

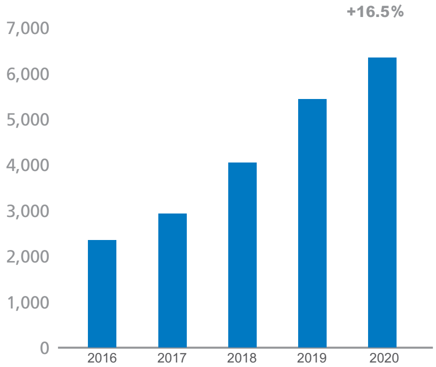


Total assets

As at 31 December

RMB million RMB**6,391.0**million

+16.5%

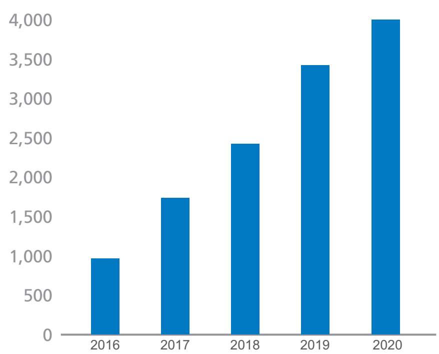


Total equity

As at 31 December

RMB million RMB**3,980.5**million

+17.3%



I am pleased to present the annual results for the Group for the year ended 31 December 2020 ("Year"), the fourth year after the listing of the Company.

In 2020, the pandemic of the century ravaged globally. As the Group operates our business, from procurement, production to sales, in China, we are benefited from the comprehensive and effective control by the Chinese government over the pandemic, our core coking business was not affected. At the same time, as the PRC strictly implemented the Blue Sky environmental policies, there was a shortage in the supply of coke, paired with the fact that the economy of the PRC fully recovered in the second half of the Year, the coke price of the Group in the second half of the Year increased by 8.2% as compared to that in the first half of the Year and gross profit of the coking business for the year amounted to RMB939 million, representing an increase of RMB100 million as compared to 2019. However, the pandemic led to a drastic drop in global oil price in the first half of the Year, which severely affected our refined chemicals and energy business, and their gross profit decreased by RMB114 million as compared to that of 2019, and therefore the gross operating profit margin of the Group in 2020 remained stable as compared to that of 2019 at RMB1,081 million. However, as Yilong Coal, an associate company that the Company invested in, had a relatively high cost when implementing its full scale mining of its coal mines in the first year, the Group after reviewing the coal price in the foreseeable future, decided to fully impair the relevant investment and its long term receivable, which amounted to 85% of the total investment amount or RMB87 million. This conservative decision led to a decrease of approximately RMB100 million in the profit for the year in 2020 to RMB521 million as compared to that of 2019.

Generally, the Group's main developments in 2020 are summarized as follows:

- While confronting the pandemic, under the effective leadership of the management of the Company and the effort of the employee as a whole, the production and sales of the Group maintained the usual stability and full sales of its products was achieved. In 2020, sales for the year amounted to approximately RMB7,133 million, profit attributable to shareholders amounted to approximately RMB485 million and basic earnings per share amounted to approximately RMB0.91.

  Cash generated from operations amounted to approximately RMB1,402 million. As compared to 2019, bank balances and cash (including restricted bank balances) decreased by RMB25 million to approximately RMB1,748 million, net current assets decreased by RMB260 million to approximately RMB1,450 million and bank borrowings decreased by RMB182 million to RMB862 million, the Group maintained a solid financial position.

- The Group's plan for expansion in production of coke proceeded steadily and the two 4.3 meters furnaces of the Company with production capacity of about 1.2 million tons were retired at the end of 2020 in response to the latest environmental measures promulgated by the PRC government authorities, and the two replacing advanced 7.65 meters furnaces with production capacity of 1.8 million tons are being constructed smoothly and are expected to be completed and commence production in the third quarter of 2021. As for the joint venture with Xinyang Steel of Angang Group for production and sales of coke, works has commenced and is proceeding with the construction of a furnace with production capacity of 1.6 million tons, which is expected to be completed at the beginning of next year. Upon completion of the coke production capacity of the Group will reach 4.4 million tons.

- In view of the strategic policies of the PRC government in developing clean energy, the Group has grasped the opportunities of developing hydrogen fuel cell vehicle and the relevant industry in the Henan Province. The Group plans to leverage on its existing business foundation in hydrogen production and gas refueling stations, and through collaboration with partners with technical know-how in hydrogen storage, transportation and refueling to enter various major components of the hydrogen energy industry chain as well as gradually develop and establish a hydrogen energy industry base in the Henan Province. In January 2021, the Group entered into a joint venture agreement with Shanghai Hyfun for establishing a joint venture in Henan Province of the PRC, which the Group owned 80% of the joint venture company through capital contribution of RMB160 million.

In view of the satisfactory performance and solid financial position of the Company, in order to show our gratitude to the support of all shareholders, 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. Together with the interim dividend of RMB0.10 per share already paid, the dividend for 2020 amounted to RMB0.30 per share.

Looking forward, we will uphold our principal of "Low Carbon and Green, Circular Development, Transform and Upgrade, and Quality and Efficiency", and continue to adjust and optimize the product structure of the Company, extend industrial chain, develop clean energy and cultivate new profit growth centers. We will seek changes in midst of stability approach to create attractive returns for our shareholders.

Finally, on behalf of the Board of the Company, I would like to take this opportunity to thank all of the management, employees and business partners for their continuous trust and support to the Group.

Yiu Chiu Fai
Chairman
26 April 2021

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 has actively engaged in and developed the business of the production and sale of LNG and hydrogen recently.

In 2020, 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, in addition, hydrogen is also extracted from coal gas for sale; and

- **Trading:** which mainly involves the trading of coal, coke, 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, but rose again in 2020. 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 chemicals 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.

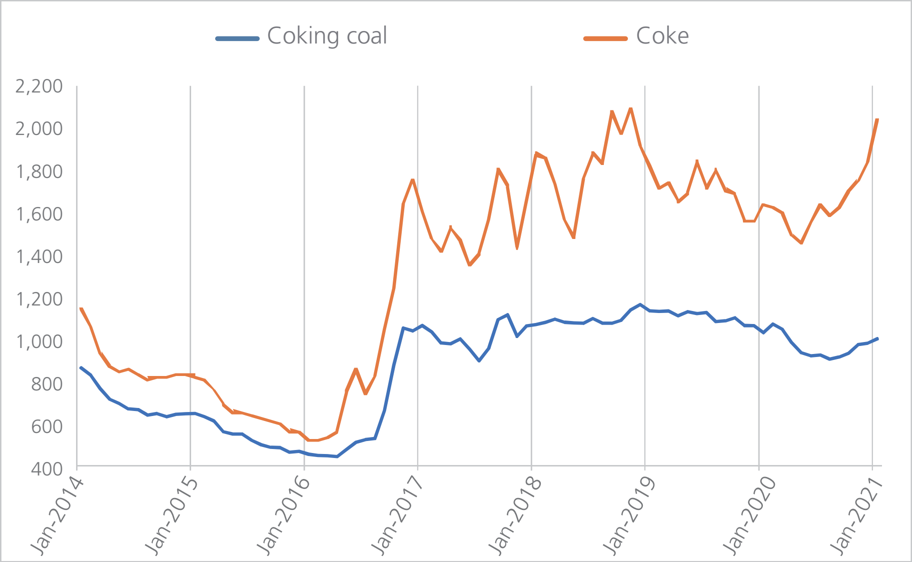
The following table sets forth the average selling price (net of VAT) of each of the Group's principal products during 2020 and 2019 according to the Group's internal records.

	Year ended 31 December	
	2020 Average selling price(1)	2019 Average selling price(1)
	RMB/ton (except coal gas in RMB/m³)	RMB/ton (except coal gas in RMB/m³)
Coke	**1,619.80**	1,705.90
Coke	**1,714.40**	1,748.30
Coke breeze	**805.90**	941.10
Refined Chemicals		
Benzene based chemicals	**3,332.70**	4,311.40
Pure benzene	**3,434.80**	4,352.40
Toluene	**3,237.70**	4,631.10
Coal tar based chemicals	**2,360.10**	3,066.20
Coal asphalt	**2,347.50**	3,060.80
Anthracene oil	**2,078.70**	2,784.00
Industrial naphthalene	**3,202.20**	3,693.80
Energy Products		
Coal gas	**0.71**	0.71
LNG	**3,058.90**	3,735.40

(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, though fell from the highest average spread in the past 5 years from 2018, and the Group's profitability remained stable throughout the periods. In 2020, coke selling price continued to drop, but substantially increased since the middle of the year, with an extent higher than the increase in the purchasing price of coal, resulting in an increase of the Group's gross margin percentage. The following chart shows the average purchase price of coking coal and the average selling price of coke (net of VAT) from 2014 to January 2021 according to the Group's internal records:



The Group believes that the prevailing market prices of coal and the Group's products are generally driven by market forces of supply and demand. Since the Group sells the Group's products and procure the Group's coal based on prevailing market prices and the prices of coal typically move in tandem, though at different speed and magnitude, with the prices of coke and iron and steel. The Group believes the Group is generally able to negotiate the prices of the Group's products and raw materials taking into account market price fluctuations.

Production Capacity and Sales Volume

The fluctuations of the Group's results of operations were mainly driven by the changes in the average selling price of the Group's products and the average purchase price of coal, while the sales volume of the Group's products was mainly determined by the Group's production capacity. The business of the Group in 2020 remained stable, with production capacity utilization rate of each of the principal products substantially maintained. Full sales of the Group have been consistently achieved with revenue of the Group. In the year 2020, 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 coal tar and crude benzene was approximately 180,000 tons and 120,000 tons per annum (increased to 200,000 tons during the year), respectively. At the same time, the Group's production capacity for coal gas was approximately 1,000 million m3 per annum, for self-use (including the use in production of LNG and hydrogen) and sales, while the production capacity of LNG production facilities was approximately 123.0 million m3 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 2020 and 2019 were approximately RMB861.7 million and RMB1,043.5 million, respectively. The Group's finance costs for the years ended 31 December 2020 and 2019 were approximately RMB61.7 million and RMB54.3 million, respectively, accounting for approximately 0.9% and 0.7% of the Group's total revenue for the respective periods. The decreased borrowings at the end of 2020 relative to end of 2019 was due the repayment of due bank loans. However, the increase in finance cost was mainly due to the payment of interest RMB10.1 million from the increase usage of letter of credit in 2020 compared to 2019. 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 Statement 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	
	2020	2019
	RMB'000	RMB'000
Revenue	**7,133,700**	7,571,945
Cost of sales	**(6,058,672)**	(6,490,863)
Gross profit	**1,075,028**	1,081,082
Other income	**43,780**	45,784
Other gains and losses	**(7,396)**	(7,748)
Impairment losses under expected credit loss model ("**ECL**"), net of reversal	**(39,943)**	2,737
Selling and distribution expenses	**(143,483)**	(143,250)
Administrative expenses	**(115,841)**	(100,449)
Finance costs	**(61,705)**	(54,265)
Share of result in a joint venture	**2,194**	3,949
Share of result in associates	**(40,441)**	(240)
Profit before tax	**712,193**	827,600
Income tax expense	**(191,023)**	(208,353)
Profit for the year	**521,170**	619,247
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Fair value gain on: bills receivables at fair value through other comprehensive income ("**FVTOCI**")	**1,823**	914
Total comprehensive income for the year	**522,993**	620,161
Profit for the year attributable to:		
– Owners of the Company	**485,472**	587,202
– Non-controlling interests	**35,698**	32,045
	521,170	619,247
Total comprehensive income attributable to:		
– Owners of the Company	**487,295**	588,116
– Non-controlling interests	**35,698**	32,045
	522,993	620,161
Earnings per share		
– Basic (RMB)	**0.91**	1.10

Consolidated Financial Information

- **Revenue and gross profit margin**

  The Group's revenue decreased by approximately RMB438.2 million or approximately 5.8% from approximately RMB7,571.9 million in 2019 to approximately RMB7,133.7 million in 2020. Benefiting from China's success in managing the Covid-19 pandemic, the business of the Group in 2020 remained stable, with production capacity utilization rate of each of the principal products substantially maintained, and more or less the full sales. In addition, the substantial increase in coke selling price since the middle of the year had caused the gross profit margin of the Group increase from 14.3% in 2019 to 15.1% in 2020.

- **Other Income**

  Other income, mainly composed of interest income and government subsidy, maintained from RMB45.8 million in 2019 to RMB43.8 million in 2020.

- **Other gains and Losses**

  Other gains and losses decreased by approximately RMB0.3 million or approximately 3.9% from the net loss of approximately RMB7.7 million in 2019 to the net loss of approximately RMB7.4 million in 2020. These losses were mainly due to the realised fair value change of financial assets at FVTPL offset by the net loss arising on bills receivables at FVTOCI.

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

  The impairment loss reversal of the Group in 2019 was approximately RMB2.7 million, the impairment loss increased by RMB42.6 million or 1,577.8% to RMB39.9 million. This was mainly the impairment loss of the long-term receivable due from our associate company, Yilong Coal.

- **Selling and Distribution Expenses**

  Selling and distribution expenses maintained at RMB143.5 million in 2020 from RMB143.3 million in 2019.

- **Administrative Expenses**

  Administrative expenses increased by approximately RMB15.4 million or approximately 15.3% from approximately RMB100.4 million in 2019 to approximately RMB115.8 million in 2020. The increase was primarily due to the increase in professional service fees for new projects and the consolidation of a non-wholly owned subsidiary, Shaanxi Jinma, and its subsidiaries, during the year into the Group.

- **Finance Costs**

  Finance costs increased by approximately RMB7.4 million or approximately 13.6% from approximately RMB54.3 million in 2019 to approximately RMB61.7 million in 2020. The increase was mainly due to the payment of interest RMB10.1 million from the increase usage of letter of credit in 2020 as compared to 2019.

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

  Share of result in a joint venture decreased by approximately RMB1.7 million or approximately 43.6% from approximately RMB3.9 million in 2019 to approximately RMB2.2 million in 2020. The decrease was mainly attributable to reduction in operating profit of the joint venture resulting from a reduction in the refund of value added tax of Comprehensive Utilization of Resources.

- **Share of Result in Associates**

  Share of loss in associate increased by approximately RMB40.2 million or approximately 20,100.0% from approximately RMB0.2 million in 2019 to approximately RMB40.4 million in 2020. This increase was due to the huge operating loss of the associate, Yilong Coal in 2020.

- **Profit Before Tax**

  As a result of the foregoing, the Group's profit before tax decreased by approximately RMB115.4 million or approximately 13.9% from approximately RMB827.6 million in 2019 to approximately RMB712.2 million in 2020. The decrease is mainly due to the provision of, (i) RMB8.5 million for impairment arising from the closure of coking furnace number 1 and 2 at the year end of 2020, and (ii) RMB41.0 million for the investment in and RMB45.9 million for the long term receivables from the associate Yilong Coal, which was made as the current mining and operating costs of the associate versus the current and foreseeable price of coal are relatively high, and estimated business outlook would be in long term loss.

- **Income Tax Expense**

  Income tax expense decreased by approximately RMB17.4 million or approximately 8.3% from approximately RMB208.4 million in 2019 to approximately RMB191.0 million in 2020. The decrease was primarily due to the decrease in the Group's profit for the period.

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

  Other comprehensive income in 2019 was approximately RMB0.9 million, and the comprehensive income from the changes in fair value of the bills receivables at the end of 2020 was approximately RMB1.8 million.

- **Total Comprehensive Income for the Year**

  As a result of the foregoing, the Group's total comprehensive income decreased by approximately RMB97.2 million or approximately 15.7% from approximately RMB620.2 million in 2019 to approximately RMB523.0 million in 2020. The Group's net profit margin decreased from approximately 8.2% in 2019 to approximately 7.3% in 2020.

Business Segment Result

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

	Year ended 31 December							
	Segment revenue		Segment result		profit margin		Percentage in total revenue of the Group	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**%**	%	**%**	%
Coke	**3,586,692**	3,786,355	**939,160**	838,800	**26.2**	22.2	**50.3**	50.0
Refined Chemicals	**977,628**	1,214,273	**3,504**	65,547	**0.4**	5.4	**13.7**	16.0
Energy Products	**441,911**	450,860	**68,558**	120,668	**15.5**	26.8	**6.2**	6.0
Trading	**2,084,948**	2,094,878	**66,502**	60,619	**3.2**	2.9	**29.2**	27.7

In 2020, with Chinese Government's effective management of the Covid-19 pandemic, the Group's main coking business remained stable. At the same time, the strict enforcement of capacity reduction in the second half of the year has caused the coking price increased to the highest level of recent years, and this had resulted in gross margin and gross margin percentage of the coking business to be higher than that in 2019, with gross margin increased by more than 10%. However, the global disruptive impact of the pandemic had also caused a catastrophic drop in international oil prices in the first half of 2020, and for the second half, the average drop was also more than 30%, and as the prices of Refined Chemicals products were linked to oil prices, their 2020 revenue and gross margin dropped substantially when compared with that in 2019, with gross margin percentage went as low as 0.4%.

For the Energy Products segment, the wild fluctuation of oil prices in 2020 had also resulted in a drop in the average price of LNG. The Group's average wholesale price of LNG for the year had dropped approximately 18.1% when compared with 2019. As a result, the gross profit margin of Energy Products segment could only maintain at approximately 15.5%, dropping 42.2% when compared with that in 2019.

The Trading segment's revenue and gross margin in 2020 levelled with 2019, mainly due to the maintenance of stability in the coke products' trading business.

FINANCIAL POSITION

Financial Resources

In 2020, 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 2020.

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	
	2020	2019
	RMB' 000	RMB' 000
Net cash from operating activities	**1,212,191**	1,071,691
Net cash used in investing activities	**(1,296,254)**	(506,108)
Net cash (used in) from financing activities	**(259,127)**	549,201
Net (decrease)/increase in cash and cash equivalents	**(343,190)**	1,114,784
Cash and cash equivalents at the beginning of the year	**1,697,816**	583,157
Effect of foreign exchange rate changes	**523**	(125)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**1,355,149**	1,697,816

- **Cash Flow from Operating Activities**

  The Group's net cash from operating activities of approximately RMB1,212.2 million for 2020 was primarily attributable to (i) the Group's operating cash flows before movements in working capital of approximately RMB949.6 million; (ii) decrease in trade and other receivables of approximately RMB77.1 million; (iii) decrease in amounts due from shareholders of approximately RMB8.4 million; (iv) increase in amounts due to related parties of approximately RMB1.0 million; (v) change from bills receivables at FVTOCI and financial assets at FVTPL of approximately RMB112.0 million; and (vi) increase in trade and other payables of approximately RMB416.3 million. Yet the net cash inflow from operating activities are partially offset by (vii) slight increase in inventories of coke of approximately RMB53.1 million; (viii) decrease in contract liabilities of approximately RMB18.1 million; (ix) increased in amounts due from related parties of approximately RMB91.4 million; and (x) income tax paid of approximately RMB189.6 million.

- **Cash Flow from Investing Activities**

  The Group's net cash used in investing activities of approximately RMB1,296.3 million for 2020 was primarily due to (i) acquisition of property, plant and equipment or payment of deposit for production and environmental protection facilities of approximately RMB896.4 million; (ii) payment of approximately RMB1.8 million for investments in associate; (iii) payment of approximately RMB96.7 million in relation to acquisition projects; (iv) net placement of approximately RMB317.6 million from restricted bank balances; yet partially offset by (V) interest received for approximately RMB12.6 million.

- **Cash Flow from Financing Activities**

  The Group's net cash used in financing activities of approximately RMB259.1 million in 2020 was primarily due to (i) net decrease in bank and other borrowings of approximately RMB181.8 million; (ii) interest expenses of approximately RMB61.7 million; and (iii) payment of dividends of approximately RMB223.1 million; yet partially offset by (iv) capital contribution from the controlling equity interest of a subsidiary of RMB210.0 million.

Liabilities

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

	As at 31 December		
	2020	2019	Increase/ (decrease)
	RMB'000	RMB'000	RMB'000
Bank borrowings	**861,700**	1,043,520	(181,820)
Secured	**8,200**	132,020	(123,820)
Unsecured	**853,500**	911,500	(58,000)
	861,700	1,043,520	(181,820)
Fixed-rate borrowings	**562,200**	559,000	3,200
Floating-rate borrowings	**299,500**	484,520	(185,020)
	861,700	1,043,520	(181,820)
Carrying amount repayable (based on scheduled payment terms)			
Within one year	**501,700**	677,600	(175,900)
More than one year, but not more than two years	**255,000**	90,100	164,900
More than two years, but not more than five years	**105,000**	275,820	(170,820)
	861,700	1,043,520	(181,820)
Less: Amount due for settlement within 12 months shown under current liabilities	**(501,700)**	(677,600)	175,900
	360,000	365,920	(5,920)

The Group's bank borrowings in 2020 and 2019 were all borrowings denominated in Renminbi. As at 31 December 2020, RMB8.20 million of the Group's borrowings were secured by the Group's land use rights and bills receivables. All remaining borrowings were credit borrowings. As at 31 December 2019, RMB132.0 million of the Group's borrowings were secured by the Group's land use rights. All remaining borrowings were credit borrowings. As at 31 December 2020 and 2019, 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	
	2020	2019
Effective interest rate per annum:		
– Fixed-rate borrowings	**4.61% – 6.30%**	4.61% – 6.75%
– Floating-rate borrowings	**3.72% – 6.30%**	4.79% – 6.30%

As at 31 December 2020, the Group had obtained banking facilities in an aggregate amount of approximately RMB1,023.0 million (2019: RMB1,424.0 million), of which total amount of approximately RMB301.3 million (2019: RMB380.5 million) is still available for use. As at 31 December 2020, the Group had total outstanding bank borrowings of approximately RMB861.7 million (2019: RMB1,043.5 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 RMB379.4 million falling due in 2020 according to needs).

Save as disclosed in the "Financial Position" section, the Directors confirm that there has been no material change in the Group's indebtedness and contingent liabilities since 31 December 2020 and up to the date of this report. As at 31 December 2020, 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 2020, the Group was not subject to any material covenant on any of the Group's outstanding debt and, during 2020, 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	
	2020	2019
Gearing ratio	**0.22x**	0.31x
Return on equity	**17.6%**	24.0%
Return on assets	**8.8%**	13.0%

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 2020, mainly due to the reduced borrowing of the Group at the year end and the increase in equity from profit of the year.

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 in 2020 due to a reduction in the Group's profit.

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 in 2020 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	
	2020	2019
	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	**897,930**	462,836

The Group's capital commitments for the year ended 31 December 2020 was primarily related to the construction and upgrade of the Group's coking facilities of 1.8 million tons per annum. The Group expects to fund such capital commitments principally by the Group's own financial resources, bank loans and cash generated from the Group's operations.

Other than the transactions described in the above table, as at 31 December 2020, 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 2020. 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

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:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Endorsed bills for settlement of payables	**2,430,853**	2,685,318
Discounted bills for raising cash	**183,633**	180,846
Outstanding endorsed and discounted bills receivables with recourse	**2,614,486**	2,866,164

Save as disclosed above and as at 31 December 2020, 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 2020 up to the date of this report.

SUBSEQUENT IMPORTANT EVENTS AND OTHER COMMITMENTS

Save as described under the section headed "Major Developments" below, from the end of reporting period to the date of this report, the Group had no other subsequent important events or other commitments that may materially affect the Group's financial condition and operation.

MARKET RISKS

Market risk is the risk of loss related to adverse changes in market prices. The Group is exposed to various types of market risks, including commodity price and liquidity risks, in the normal course of the Group's business. The Group aims to minimize risk through disciplined operating and financial activities. During 2020, 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 Hong Kong dollar ("**HK$**") proceeds of listing (HK$9.7 million and HK$11.4 million as at 31 December 2020 and 2019 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 restricted bank balances, bills receivables at FVTOCI, borrowings and lease liabilities 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 2020, the Group had fixed-rate borrowings in the amount of approximately RMB562.2 million (2019: RMB559.0 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 2020 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 71% and 63% of exposure concentrated in five largest outstanding balances for the years ended 31 December 2020 and 2019, 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 2020, both long-term and short-term borrowing facilities of the Group have decreased.

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 2020						
	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%-6.30%	861,700	309,718	223,489	380,534	—	913,741
Lease liabilities	5.51%-5.96%	9,896	2,164	907	5,883	3,202	12,156
Trade and other payables	N/A	1,353,851	1,353,851	—	—	—	1,353,851
Amounts due to related parties	N/A	1,211	1,211	—	—	—	1,211
		2,226,658	1,666,944	224,396	386,417	3,202	2,280,959

	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

NO MATERIAL ADVERSE CHANGE

Although some parts of China have implemented restrictions due to COVID-19 since late 2019, but with the successful management of the pandemic, the Board considered that it has no material impact on the operation and sales of the Group based on the available information recently.

In support of the latest environmental protection measures promulgated by the PRC government authorities and the directions of the PRC government authorities made pursuant to the plan of phasing out of coking furnaces within Henan Province with a height of 4.3 metres by the end of 2020 and, having taken into account the progress of the relevant expansion plans made by the Group, the Group has initiated the phasing-out of its 4.3m furnaces at the end of the year, and for further details, please refer to the Company's announcements dated 9 May 2019, 19 November 2020 and 23 December 2020. The Board is of the view that the phasing-out of the Group's 4.3m furnaces did not have any material adverse impact on the performance of the Group for the year ended 31 December 2020. For further details of the status of the relevant expansion plans, please refer to the section headed "Major Developments" below.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company had distributable reserves (i.e. retained profits) of RMB1,471.8 million (2019: RMB1,288.5 million).

For the year ended 31 December 2020, the Company had no immediate plan to distribute the retained profits of the Company accumulated prior to the year 2020.

DIVIDEND AND DIVIDEND POLICY

On 16 October 2020, the Company declared an interim dividend for the six months ended 30 June 2020 of RMB0.10 per share (2019: an interim dividend of RMB0.10 per share) in the total amount of RMB53,542,000, which was fully paid by 30 November 2020. On 31 March 2021, the Company declared a final dividend of RMB0.20 per share in an aggregate amount of RMB107,084,000. A total dividend of RMB0.3 per share was declared for the year ended 31 December 2020 in the total amount of RMB160,626,000. The final dividend is 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 may 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 in 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 2021, including the value chain of clean energy.

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, and through the formation of joint venture companies, steadily and effectively developing these projects.

Production Facilities

- **Hydrogen Energy Industry Chain**
  In 2015, the Group acquired 49% of the interest in Jinjiang Refinery, which is principally engaged in the production and sales of hydrogen, and has since then participated in the hydrogen production and sales market. Jinjiang Refinery produces hydrogen with a purity of up to 99.99% and has an annual production capacity up to 300 million cubic meters. Therefore, through Jinjiang Refinery, the Group currently has access to the extremely high-purity hydrogen required for the production of hydrogen fuel cells.

In view of the PRC government's strategic policy in developing clean energy, and in order to grasp the opportunity of the development of hydrogen fuel cell vehicles and the relevant industry in the Henan Province, the Group has formed a joint venture with Shanghai Hyfun, whom has extensive experience in the construction and operation of hydrogen refueling stations, as well as its research, development and technology regarding high-density hydrogen storage and transportation equipment. Leveraging on the resources and expertise of the joint venture partner, and based on the Group's foundation in the business area of production and sales of hydrogen in which the Group has already set foot on, the Group plans to further expand its business scope and take part in various major components of the hydrogen energy industry chain with an aim to gradually develop and establish a hydrogen energy industry base in the Henan Province.

- **1.8 million tons Coking Facilities Upgrading Project**

  The project is mainly about upgrading the existing two coking furnaces with height of 4.3-meters to advanced coking furnaces with height of 7.65-meters and at the same time to increase the relevant annual production capacity from 1.2 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 will 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 construction is expected to be completed in the third quarter of 2021 when production will commence. Total investment of the project is anticipated to be approximately RMB2,450 million. Ordering of principal equipment has started, which initial invested fund reached approximately RMB480 million. In addition, as disclosed in the Company's announcement dated 10 March 2021, the Group has acquired from Jiyuan National Resource Bureau the land use rights for the construction of the new furnaces for a total consideration of RMB99.3 million.

  In respect of the year ending 31 December 2021, with the Group's 4.3m furnaces no longer being in operation, the Group's aggregate production of coke would be reduced, and, as disclosed in the Company's announcement dated 23 December 2020, this in turn, could potentially have a material adverse effect on the business and operations of the Group, but the extent of any actual impact would ultimately be dependent on (i) the timing and progress of our expansion plans, which were prepared in anticipation of the PRC government authorities' phase-out plan and their integration with the Group's existing production facilities, as well as (ii) the prevailing market prices of coke. As the overall coke production capacity within the Henan Province would also be significantly reduced with the enforcement of the phase- out plan, it is expected to exert continuous pressure on the supply of coke and result in the prevailing market prices of coke maintaining at a higher level throughout 2021.

  On 10 March 2021, Zhongdong Energy has received from Jiyuan Natural Resources Bureau 濟源自然資源局 the executed Land Use Rights Grant Contract 土地使用權出讓合同 in respect of the acquisition of the land use rights of the Land for a total consideration of RMB99,261,000. The Group's expansion plan involving the construction of two advanced coking furnaces (with a height of 7.65 metres with an aggregate production capacity of 1.8 million tonnes of coke per annum). With a view to implement the expansion plan, the Group acquired additional land for the construction of such new furnaces.

  The latest development of the Group's expansion plans include: (i) the construction of two advanced coking furnaces (with a height of 7.65 metres with an aggregate production capacity of 1.8 million tons of coke per annum) which are expected to be completed and scheduled for commercial production in the third quarter of 2021; and (ii) the formation of the joint venture for the production and sale of coke. Please refer to the relevant paragraph below for further details.

- **Formation of Joint Venture for the Production and Sale of Coke**

  As disclosed in Company's announcement dated 22 September 2020, an agreement was entered for the establishment of a joint venture with Angang Group Xinyang Steel Co., Ltd. ("安鋼集團信陽鋼鐵有限責任公司") in Xinyang City, Henan Province, the PRC. This joint venture will be principally engaged in the production and sale of coke, the production and sale of electricity with heat dissipated in the relevant production process, and the production and sale of heat energy. The Company has conditionally agreed to contribute RMB700 million to the JV Company, representing 70% of the total capital contributions. On 23 December 2020, the formation of such joint venture has received the shareholders' approval of the Company. Since formation, the joint venture company has commenced with the development of 1.6 million tons per annum coking production project.

- **Formation of Joint Ventures for the Acquisition of a Target Logistic Company**
  As disclosed in Company's announcement dated 13 April 2020, 20 May 2020 and 27 May 2020, the Group has through the formation of two joint venture companies entered into an agreement for the acquisition of 80% in a target logistic company, Liyuan Railway which is principally engaged in the provision of multimodal transportation, warehouse and distribution services for coal products. Currently, business plans are being developed for integrating the target's business with the Group's main businesses.

Environmental Facilities

- **180 m^3/h Wastewater Treatment Project**
  Due to the use of coke dry quenching facilities, the Group planned to invest RMB160 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 m^3/h. As at 31 December 2020, the Group has invested approximately RMB110 million in the project that is expected to commence operation in the third quarter of 2021.

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 2020 and 31 December 2019 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 2019	Unutilised net proceeds as at 31 December 2019	**Actual use of net proceeds from the Listing Date to 31 December 2020**	**Unutilised net proceeds as at 31 December 2020**	Estimated timetable
	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%	49,716	78,684	**100,674**	**27,726**	December 2021
Working capital and other corporate purposes	32,100	10%	32,100	—	**32,100**	—	—
	321,000	100%	242,316	78,684	**293,274**	**27,726**	

EMPLOYEES AND REMUNERATION

As at 31 December 2020, the Group had a total of 1,836 employees (2019: 1,585), including 11 senior management (2019: 11), 83 middle management (2019: 63) and 1,756 ordinary employees (2019: 1,511). For the year ended 31 December 2020, the staff cost of the Group amounted to approximately RMB143.3 million as compared to approximately RMB134.6 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	
	2020	2019
Nil to HK$1,000,000	**9**	9
HK$1,000,001 to HK$1,500,000	**2**	2

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 human resources department organizes annual external and internal trainings covering all employees. Among these, the training programs include comprehensive and long-term courses in management and finance; and also include special short term training courses in management, production and organization. In addition, the Company is also committed to providing employees with all kinds of special trainings such as safety, environmental protection, use of equipment, technical skills, etc., and strives to offer 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 notice of 2019 annual general meeting dated 9 April 2020, the announcement on poll results of the annual general meeting dated 25 May 2020, the notice of extraordinary general meeting dated 29 September 2020 and the announcement on poll results of the extraordinary general meeting dated 16 October 2020 of the Company published on the websites of the Hong Kong Stock Exchange and the Company.

During the reporting period, the Company has complied with the Listing Rules and all Code Provisions to the Code, expect for the following:

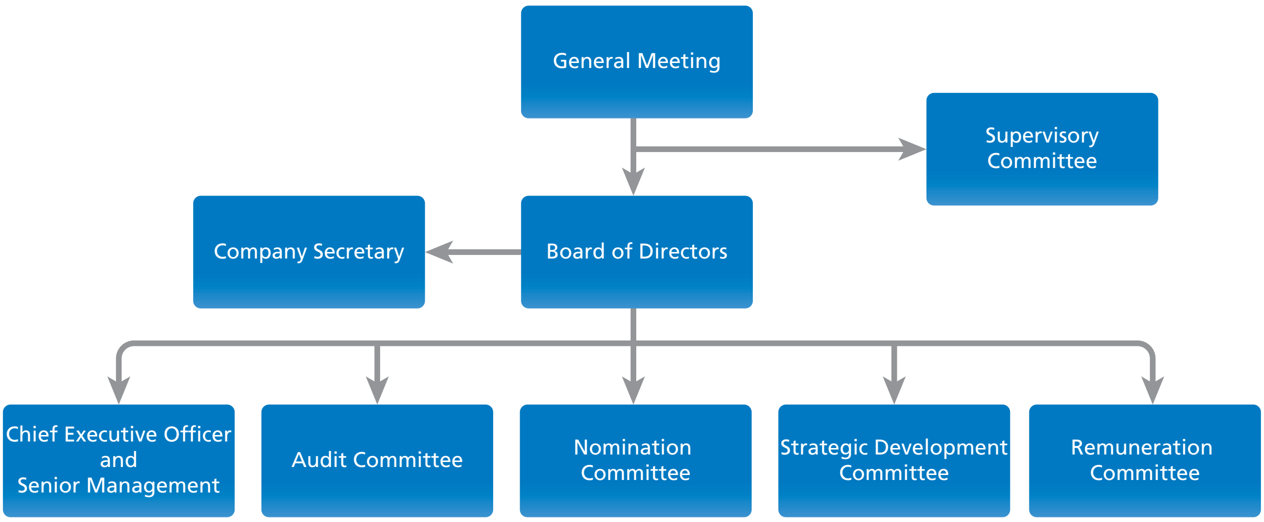
As Mr. Zheng Wenhua ("**Mr. Zheng**"), an independent non-executive Director of the Company, passed away on 20 August 2020, the number of independent non-executive Director of the Company had fallen below the minimum number required under Rule 3.10(1) and 3.10A of the Listing Rules and failed to meet the composition requirements for the Remuneration Committee and Nomination Committee as required under Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Code as well as the terms of reference of the respective committees. Subsequently, in view of the outbreak and continued spread of COVID-19 which had restricted the Company's ability to meet with potential candidates, the Company failed to appoint an additional independent non-executive director within three months after failing to meet the requirements under Rules 3.10(1), 3.10A and 3.25 of the Listing Rules (i.e. by 20 November 2020) so as to re-comply with the aforesaid requirements in accordance with Rules 3.11 and 3.27 of the Listing Rules. In this regard, the Company applied to the Stock Exchange for, and the Stock Exchange granted to the Company, such waiver and an extension of time to 20 February 2021 for the Company to re-comply with such requirements. For details, please refer to the announcements dated 24 August 2020 and 4 December 2020 of the Company published on the websites of the Hong Kong Stock Exchange and the Company.

Subsequently, the Company has appointed Mr. Cao Hongbin ("**Mr. Cao**") as an independent non-executive director, the chairman of the Remuneration Committee, a member of the Nomination Committee and the Strategic Development Committee of the Company in the extraordinary general meeting held on 23 December 2020, with effect from the conclusion of the extraordinary general meeting. For details of resolutions on such appointments and the relevant resolutions of the meeting, please refer to the supplementary notice of the extraordinary general meeting dated 8 December 2020 and the announcement on poll results of the extraordinary general meeting dated 23 December 2020 of the Company published on the websites of the Hong Kong Stock Exchange and the Company. After the appointment of Mr. Cao, the Company has complied with the requirements under Rules 3.10(1), 3.10(A) and 3.25 of the Listing Rules and Code Provision A.5.1 of the Code.

Pursuant to the Code A.6.5 of the Code, the Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Mr. Liu Yuhui and Mr. Qiu Quanshan were resigned as Directors on 25 May 2020, and Mr. Zheng Wenhua was deceased on 20 August 2020. As such, the aforementioned Directors did not participate in any continuous professional development during the reporting period.

Corporate Governance Functions

The corporate governance structure of the Company is as follows:



The Board is responsible for performing corporate governance functions. During 2020, 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 2020 in this report (Page 35)):

- 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 current session of the Board of Directors consists of nine directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The members of the current 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)
Ms. Ye Ting
Mr. Wang Kaibao (appointed on 25 May 2020)
Mr. Qiu Quanshan (resigned on 25 May 2020)

Independent non-executive Directors
Mr. Wu Tak Lung
Mr. Meng Zhihe (appointed on 25 May 2020)
Mr. Cao Hongbin (appointed on 23 December 2020)
Mr. Zheng Wenhua (deceased on 20 August 2020)
Mr. Liu Yuhui (resigned on 25 May 2020)

In order to fill the vacancy published in the Company's announcement dated 25 May 2020 regarding the resignation of Mr. Qiu Quanshan and Mr. Liu Yuhui, Mr. Wang Kaibao and Mr. Meng Zhihe have been appointed as a non-executive Director and an independent non-executive Director, respectively, from the conclusion of annual general meeting 2019 held on 25 May 2020 to the conclusion of the annual general meeting for the year ending 31 December 2021 (both days inclusive).

The remaining two non-executive Directors, namely Mr. Hu Xiayu and Ms. Ye Ting serve for the term commencing from 15 May 2019 and 18 October 2019, respectively, 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 91 to 98).

The Board held 4 meetings and passed 5 written resolutions during the year ended 31 December 2020. The attendance of each Director of the Company at board meetings and general meetings for 2020 are as follows:

Directors	Attendance at Board Meetings	Attendance at General Meetings
Executive Directors		
Mr. Yiu Chiu Fai (Chairman)	4/4	3/3
Mr. Wang Mingzhong	4/4	3/3
Mr. Li Tianxi	4/4	3/3
Non-executive Directors		
Mr. Hu Xiayu (Deputy chairman)	4/4	3/3
Ms. Ye Ting	4/4	3/3
Mr. Wang Kaibao (appointed on 25 May 2020)	3/3	2/2
Mr. Qiu Quanshan (resigned on 25 May 2020)	1/1	1/1
Independent non-executive Directors		
Mr. Wu Tak Lung	4/4	3/3
Mr. Meng Zhihe (appointed on 25 May 2020)	3/3	2/2
Mr. Cao Hongbin (appointed on 23 December 2020)	1/1	—
Mr. Zheng Wenhua (deceased on 20 August 2020)	2/2	1/1
Mr. Liu Yuhui (resigned on 25 May 2020)	1/1	1/1

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 91 to 98). Among them, Mr. Wu Tak Lung, chairman of the audit committee, has the appropriate accounting and financial management expertise and experience, with his term of office effective from 15 May 2019; The terms of Mr. Meng Zhihe and Mr. Cao Hongbin became effective from 25 May 2020 and 23 December 2020, respectively. The terms of office of three independent non-executive directors will end at the conclusion of the annual general meeting for the year ending 31 December 2021.

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 79).

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 2020.

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).

A summary of the main work performed by the Board in 2020 is as follows:

- approved the working report of the Board and annual results announcement for 2019 of the Company;
- reviewed the auditor's report and annual report for 2019 of the Company;
- approved the interim report and interim results announcement for 2020 of the Company;
- considered and proposed the payment of the final dividend for 2019 and the interim dividend for 2020;
- approved the amendments to the Articles of Association of the Company;
- approved the nomination of candidates, for by-election of non-executive Directors, independent non-executive Directors and member of Audit Committee, Remuneration Committee, Nomination Committee and Strategic Development Committee;
- approved the issuance of domestic A shares and submitted the counseling materials to the Henan Supervisory Commission of the China Securities Regulatory Commission;
- approved the usage of the proceeds raised from listing of the H Shares;
- 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 2020, the Company has encouraged 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. The Company has also engaged the Hong Kong Institute of Directors to provide corporate training for its Directors. 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 2020, save for Mr. Liu Yuhui and Mr. Qiu Quanshan (who were resigned as Directors on 25 May 2020) and Mr. Zheng Wenhua (who was deceased on 20 August 2020), all other 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 2020 is set out below:

	Topic	
Directors	**Risk management and internal control; ESG Reporting (1) control system (2) annual and continuous review (3) "Comply or Explain" – how to do better?**	**Comparing Company Law and directors' duties in HK and PRC (organized by the Hong Kong Institute of Directors)**
Executive Directors		
Mr. Yiu Chiu Fai	√	√
Mr. Wang Mingzhong	√	√
Mr. Li Tianxi	√	√
Non-executive Directors		
Mr. Hu Xiayu	√	√
Ms. Ye Ting	√	√
Mr. Wang Kaibao (appointed on 25 May 2020)	√	√
Mr. Qiu Quanshan (resigned on 25 May 2020)	–	–
Independent non-executive Directors		
Mr. Wu Tak Lung	√	√
Mr. Meng Zhihe (appointed on 25 May 2020)	√	√
Mr. Cao Hongbin (appointed on 23 December 2020)	–	√
Mr. Zheng Wenhua (deceased on 20 August 2020)	–	–
Mr. Liu Yuhui (resigned on 25 May 2020)	–	–

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 2020. A list of the members and the attendance of each of its members at its meetings during 2020 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. Meng Zhihe (appointed as a member on 25 May 2020) (Independent non-executive Director)	1/1
Mr. Liu Yuhui (resigned on 25 May 2020) (Independent non-executive Director)	2/2

A summary of the main work performed by the Audit Committee in 2020 is as follows:

- reviewed the audited financial statements for 2019 and the unaudited condensed consolidated interim financial statements for 2020 of the Company;
- reviewed the interim report for 2020 of the Company;
- reviewed the report on the 2020 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 2020.

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 during the year ended 31 December 2020. A list of the members and the attendance of each of its members at its meeting during 2020 are as follows:

Directors	Attendance at Remuneration Committee's meeting
Mr. Cao Hongbin (Chairman) (appointed as Chairman on 23 December 2020) (Independent non-executive Director)	–
Mr. Wang Mingzhong (Executive Director)	1/1
Mr. Wu Tak Lung (Independent non-executive Director)	1/1
Mr. Zheng Wenhua (deceased on 20 August 2020) (Independent non-executive Director)	1/1

During the above meeting held in 2020, 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 2019 and their remuneration for 2020. While the Company has entered into a letter of appointment with Mr. Wang Kaibao, Mr. Wang will not receive any remuneration from the Company for his role as non-executive Director. The Company has entered into another letter of appointment as independent non-executive Director with Mr. Meng Zhihe and Mr. Cao Hongbin. Pursuant to the letter of appointment, Mr. Meng and Mr. Cao are entitled to a director's remuneration of RMB120,000 per annum, respectively, which is determined by reference to his duties and responsibilities within the Company, the Company's remuneration policy and the market salary range for the position.

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 one meeting and passed two written resolutions during the year ended 31 December 2020. The list of the Nomination Committee, and the attendance of each of its members at its meeting during 2020 are as follows:

Directors	Attendance at Nomination Committee 's meeting
Mr. Yiu Chiu Fai (Chairman) (Executive Director)	1/1
Mr. Meng Zhihe (appointed as a member on 25 May 2020) (Independent non-executive Director)	–
Mr. Cao Hongbin (appointed as a member on 23 December 2020) (Independent non-executive Director)	–
Mr. Zheng Wenhua (deceased on 20 August 2020) (Independent non-executive Director)	1/1
Mr. Liu Yuhui (resigned on 25 May 2020) (Independent non-executive Director)	1/1

A summary of main work performed by the Nomination Committee in 2020 is as follows:

- assessed the independence of independent non-executive Directors;
- reviewed the size, structure and composition of the Board;
- reviewed and advised on the by-election of non-executive Director and independent 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. Li Tianxi
Mr. Cao Hongbin (appointed as a member on 23 December 2020)
Mr. Zheng Wenhua (deceased on 20 August 2020)

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 2020, the remuneration of Deloitte and its related parties for audit and non-audit services was RMB2.5 million.

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 2020 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 99 to 202).

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 98). The company secretary attended relevant professional training for not less than 15 hours in 2020.

Major Changes in the information of Directors

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

Directors	Details of Change
Mr. Wang Kaibao	was appointed as a non-executive Director by obtaining approval at the annual general meeting of the Company on 25 May 2020, for a term commencing from 25 May 2020 to the conclusion of the annual general meeting for the year ending 31 December 2021 (both days inclusive). For the biographical details of Mr. Wang, please refer to the section headed "Directors, Supervisors and Senior Management" in this annual report (Page 92). The Company has entered into a letter of appointment with Mr. Wang. Mr. Wang would not receive any remuneration from the Company for his role as a non-executive Director.
Mr. Meng Zhihe	was appointed as an independent non-executive Director by obtaining approval at the annual general meeting of the Company on 25 May 2020, for a term commencing from 25 May 2020 to the conclusion of the annual general meeting for the year ending 31 December 2021 (both days inclusive). Mr. Meng was also appointed as a member of the Audit Committee and the Nomination Committee, with effect from 25 May 2020. For the biographical details of Mr. Meng, please refer to the section headed"Directors, Supervisors and Senior Management"in this annual report (Page 93).

The Company has entered into a letter of appointment with Mr. Meng. Pursuant to the Letter of Appointment, Mr. Meng is entitled to a director's remuneration of RMB120,000 per annum, which is determined by reference to his duties and responsibilities within the Company, the Company's remuneration policy and the market salary range for the position.

Mr. Cao Hongbing was appointed as an independent non-executive Director by obtaining approval at the extraordinary general meeting of the Company on 23 December 2020, for a term commencing from 23 December 2020 to the conclusion of the annual general meeting for the year ending 31 December 2021 (both days inclusive).

Mr. Cao was also appointed as the Chairman of the Remuneration Committee, a member of the Nomination Committee and the Strategic Development Committee, with effect from 23 December 2020.

For the biographical details of Mr. Cao, please refer to the section headed"Directors, Supervisors and Senior Management"in this annual report (Page 93).

The Company has entered into a letter of appointment with Mr. Cao. Pursuant to the Letter of Appointment, Mr. Cao is entitled to a director's remuneration of RMB120,000 per annum, which is determined by reference to his duties and responsibilities within the Company, the Company's remuneration policy and the market salary range for the position.

Mr. Qiu Quanshan tendered his resignation as a non-executive Director with effect from the conclusion of the 2019 Annual General Meeting on 25 May 2020.

Mr. Liu Yuhui tendered his resignation as an independent non-executive Director with effect from the conclusion of the 2019 Annual General Meeting on 25 May 2020. Upon his resignation, he ceased to be a member of the Audit Committee and the Nomination Committee.

Mr. Wu Tak Lung resigned as the independent non-executive Director of Beijing Media Corporation Limited (北青傳媒股份有限公司) (stock code: 1000, a company listed on the Hong Kong Stock Exchange) on 21 April 2020.

was appointed as the independent non-executive Director of Minth Group Limited (敏實集團有限公司) (stock code: 425, a company listed on the Hong Kong Stock Exchange) on 28 May 2020.

was appointed as the independent non-executive Director of Sinopharm Group Co. Ltd. (國藥控股股份有限公司) (stock code: 1099, a company listed on the Hong Kong Stock Exchange) on 18 September 2020.

Mr. Zheng Wenhua deceased on 20 August 2020.

For updated biographical details of all Directors, please refer to the section headed "Directors, Supervisors and Senior Management" in this annual report (Pages 91 to 98).

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 notice of 2019 annual general meeting dated 9 April 2020, the announcement on poll results of the annual general meeting dated 25 May 2020, the notice of extraordinary general meeting dated 29 September 2020 and the announcement on poll results of the extraordinary general meeting dated 16 October 2020 of the Company published on the websites of the Hong Kong Stock Exchange and the Company.

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 2020, 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.

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 2020 to 31 December 2020 (the "Reporting Period").

For the Group's governance strategies, please refer to the section headed "Corporate Governance Report" of this annual report (Pages 30 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 2020, 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 cooperation 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

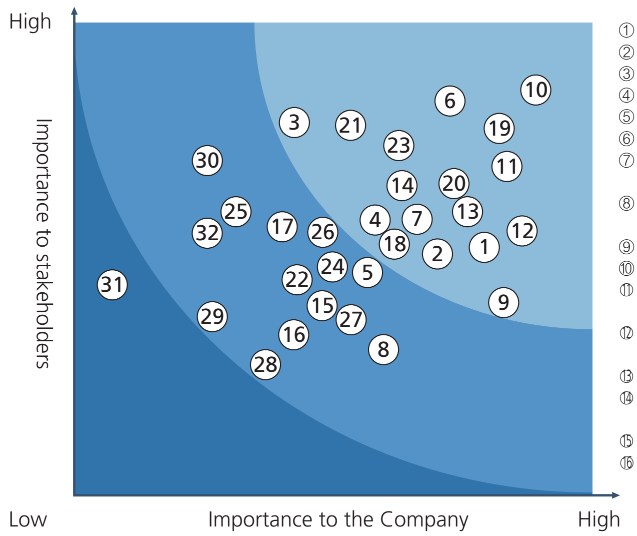
Stakeholder	Communication Channels	Topics of Concern
Employees	• Regular meetings • Employee trainings • Employee club • Portal websites	• Safeguarding employees' legitimate rights and interests • Promoting career development and skills upgrading • Balancing work and life • Occupational health
Environment	• 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 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
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 214 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



① Outstanding performance
② Operation compliance
③ Corporate governance
④ Anti-corruption
⑤ ECG governance
⑥ Pollutants emission control
⑦ Enhancing utilisation efficiency of energy resources
⑧ Environment and biodiversity preservation
⑨ Mitigation of climate change
⑩ Investment in safe production
⑪ Training on occupational health and safety
⑫ Measure on occupational health and safety
⑬ Work Safety Incidence
⑭ Occurrence rate of occupation diseases
⑮ Fair procurement
⑯ Review on HSE management system of supply chain
⑰ Supply chain environment and social risk management
⑱ Green procurement
⑲ Quality products
⑳ Defective product processing
㉑ Volume of customer services
㉒ Protecting rights and interests of customers
㉓ Product technological innovation
㉔ Equal employment
㉕ Employee conduct
㉖ Protecting rights and interests of employees
㉗ Employee training and development
㉘ Caring for employees
㉙ Targeted poverty alleviation
㉚ Fight against COVID-19 pandemic
㉛ Employees' volunteer services
㉜ Charity donation

1. Strengthening Environmental Management

The Group actively supported the relevant environmental protection laws and regulations of the PRC and 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, strengthen its emissions management comprehensively, reduce pollutant emissions and promote resources saving, recycle and reuse.

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

1.1 Emissions Management

The Group attach great importance to environment protection and adhere to the principle of "control increment and reduce inventory", and reduced emissions of greenhouse gas and discharge of wastewater, air pollutants and solid wastes and harmful substances and further enhancing resources utilisation rate through technological innovation and strengthened 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". With a sound organisational structure in environmental management, the Group further deepened the environmental management rules, implement technological process innovation and strengthened supervision and inspection, in order to achieve energy savings and emissions reduction from the sources, minimize the effects on the environment and promote resources saving and recycling.

During the Reporting period, the Group completed 4 environmental protection technological process innovations, the total emission volume of SO_2 reduced by 32.70%, total emission volume of nitrogen oxides reduced by 43.75%, total emission volume of particulates reduced by 51.50%, and intensity of greenhouse gases emissions reduced by 10.59% as compared to the same period of the preceding year, and 1 subsidiary passed the ISO 14001 Environmental management system certification in total.

Emissions Management Goals

"Zero" discharge of wastewater

Ultra-low emission of air pollutants

Comprehensive utilization or compliance disposal of solid wastes

- **Establish the Environmental Management Committee:** To optimize the organisational structure for environmental management, with the 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 and the objectives are clear, and ensure the operation of system continues to improve by establishment of an appraisal and incentive system;

- **Optimise the environmental management rules:** The Company formulates rules such as Management procedures on Exhaust and Dust Emissions, Management procedures on Sewage Outfalls, Management procedures on Solid Waste, Management procedures on noise pollution and Emission Standard of Pollutants for Coking Chemical Industry;

- **Dynamically identify and assess environmental factors:** The Company launches dynamic identification and assessment of environmental factors according to changes in the operating activities, facilities and environment, and formulate effective control measures on assessed major environmental factors according to the principle of elimination, reduction and control.

- **Strengthen supervision and inspection:** organise regular inspections on key pollution control facilities' operations, issuing Notice of Rectification with Time Limit for identified problems, and following up on the implementation to ensure rectification is done and achieve closed-loop management;

- **Launching environmental protection promotion and education activities:** Launches education activities on environmental protection for employees through environment-related seminars, company publications and notice boards.

Exhaust Gas Management

- Establish exhaust gas control facilities for coke dry quenching reconstruction, coke end dust removal of coking furnaces, desulfurization, denitrification and dust removal for air ducts of coking furnaces, VOCs collection and in-depth processing, ammonia escape control and airtight storage and transport of raw material and products in stable condition and carry out inspection and maintenance to ensure emissions are up to standard;

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

- Install online monitoring equipment and connect it to the network of environmental monitoring platform;

- Complete full enclosure renovation of the coal storage facilities such as coal storage yards and airtight field of coke, and install the vehicle wash station equipment at the coal storage yards;

- 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;

- Stringent implementation of "six 100%" for construction projects: complete enclosure of construction areas, 100% wet cleaning, complete coverage of exposed soil, complete coverage of construction materials, reduce fume generated from welding with fume collector and complete coverage of transport vehicles such as construction trucks.

Wastewater Management

- Construct wastewater processing facilities such as phenolic and cyanic sewage treatment station, advanced treatment station for wastewater, reclaimed water recycling facilities, achieving "zero" discharge of industrial wastewater;

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

Solid Waste Management

- 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 are fully recycled and utilised;

- For hazardous wastes that cannot be utilised, engage competent units to process in accordance with the laws and regulations;

- Set up temporary disposal area for industrial solid waste, and install notice board stating the system and labelling for solid waste management and set up barriers as protection measures;

- Domestic wastes are centralised and transported to refuse landfills.

Emissions performance from 2018 to 2020

Type of Emissions	Unit	2020	2019	2018
Total emissions volume of SO_2	Ton	38.29	56.90	105.85
Intensity of SO_2 emissions	Kg/RMB10,000	0.05	0.08	0.14
Total emission volume of nitrogen oxides	Ton	201.46	358.16	949.48
Intensity of nitrogen oxides emissions	Kg/RMB10,000	0.28	0.51	1.27
Total emission volume of particulates	Ton	22.36	46.11	94.36
Intensity of particulate emissions	Kg/RMB10,000	0.03	0.07	0.13
Total emission volume of greenhouse gases	tCO_2e	448,435.06	501,543.41	636,702.18
Total emission volume of direct greenhouse gases	tCO_2e	254,057.31	354,554.82	529,921.72
Total emission volume of indirect greenhouse gases	tCO_2e	194,377.75	146,988.59	106,780.46
Intensity of greenhouse gases emissions	tCO_2e/RMB10,000	0.63	0.71	0.85
Total discharge volume of sewage	Ton	0.00	0.00	0.00
Intensity of sewage discharge	Ton/RMB10,000	0.00	0.00	0.00
Production volume of hazardous wastes	Ton	94,397.33	103,822.31	96,072.50
Intensity of hazardous waste production	Ton/RMB10,000	0.13	0.15	0.13
Hazardous waste handling rate	%	100.00	100.00	100.00
Production volume of non-hazardous wastes	Ton	348.86	293.41	148.90
Intensity of non-hazardous waste production	Ton/RMB10,000	5.0×10^{-4}	4.0×10^{-4}	2.0×10^{-4}
Non-hazardous waste handling rate	%	100.00	100.00	100.00

Note: 1. Emission data of SO_2, 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 2019 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. Nonhazardous 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; 6. The source of emissions data comes from the production-oriented subsidiaries of the Group.

1.2 Resource utilization

Achieving effective resources utilisation is key to resources saving for corporates. 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, and promoting green production and green office at the same time, the Group treated low carbon development as an important driver for enhancing economic quality and efficiency under the new norm.

The Group consistently attached equal weightings to saving resources and improving the efficiency of resource utilization. By actively optimising energy utilisation structure, promoting the utilisation of clean and efficient energy and leveraging the energy management centre to allocate smartly for achieving effective flow of energy, the level of energy management is further enhanced.

During the Reporting period, the Group invested RMB12.26 million in total and completed 13 transformation of energy-saving process, energy consumption per RMB10,000 of revenue reduced by 10.89% as compared to the same period of the preceding year.

- **Green production**
  - Establish an energy management organisation to coordinate energy management efforts and implement energy 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 from 2018 to 2020

Type of resources	Unit	2020	2019	2018
Diesel	Ton	966.45	1,054.51	685.49
Gasoline	Ton	57.35	73.11	81.16
Net purchase of electricity	1,000 kwh	316,968.47	222,916.73	162,056.34
Net purchase of thermal power	GJ	48,124.14	51,057.10	77,506.37
Integrated net energy consumption	Ton of standard coal	395,961.92	440,601.74	534,044.86
Intensity of integrated net energy consumption	Ton of standard coal/RMB10,000	0.56	0.62	0.72
Total volume of freshwater consumption	Million Ton	3.10	2.58	2.20
Intensity of freshwater consumption	Ton/RMB10,000	4.35	3.64	2.95
Recycling rate of water for industrial use	%	98	98	98
Packaging	Ton	N/A	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, Comprehensive net energy consumption = input of energy consumption of the group-output of energy consumption of the group; 2. The intensity data above is calculated by dividing consumption volume by revenue; 3. The resource consumption data comes from the production-oriented subsidiaries of the Group.

Case: Turning waste into treasure to achieve recycle and reuse of resources

The Group adheres to the concept of green development and put great effort in developing circular economy, turning waste into treasure and turning disadvantages into benefits to enhance resources utilisation rate and promote transformation and upgrade of traditional industries. We fully recycle solid waste such as tar residue generated during production of tar, bituminous coal dust collected from dust removal station and sludge derived form sewage treatment, and allocate a certain proportion to coal. 2,470 tons of bituminous coal dust, 1,860 tons of tar residue and 4,925 tons of standard coal are recycled each year.

1.3 Protection of Environment and Natural Resources

The Group strictly complied with the Environmental Protection Law of the PRC and actively took up its responsibilities in environment protection. 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 reduce environmental pollution protect natural resources with responsible attitude and behaviour.

- 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;

- Operates environmental protection facilities and devices in safe and stable condition to ensure up-to-standard discharge and reduce impact on natural environment;

- 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;

- Implement water-proof measures at factory areas and set up groundwater monitoring stations as required and actively implement groundwater and soil control and pollution prevent measures and environmental risk mitigation measures;

- 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.

1.4 Tackling climate change

The Group attaches great importance to the environmental impact of greenhouse gases generated in production process and implements multiple measures of energy saving and emission reduction transformation by continuous optimisation of energy structure, strengthening of dual-control of greenhouse gases and pollutants. At the same time, the Group promote the construction of intelligent factory to achieve efficient flow of resources and information. The Group also continue to proceed with implementation of hydrogen industry and promote the development of coking chemistry and hydrogen energy fusion, and continue to optimise the industrial structure to build green energy base and base for hydrogen energy supply to tackle climate change proactively and achieve early carbon neutrality.

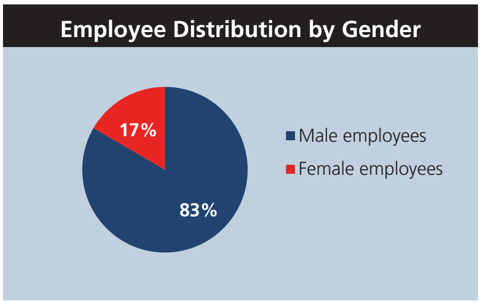
2. Building Happy Home

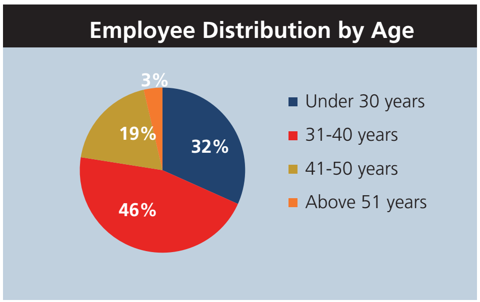
Employees are valuable wealth of a corporate and its continuous development is built on the growth and development of its employees. The Group consistently protected the rights and interests of its employees, established sound career development system and training mechanism, emphasised on equal employment and forbid forced labour in all forms, proactively cared for employees and solved practical difficulties for employees, integrated the growth needs of employees into the whole development process and endeavoured to build harmonious and win-win labour relations and happy home.

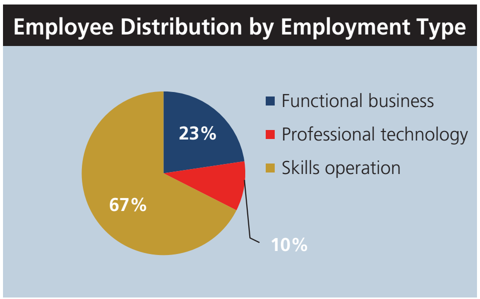
2.1 Equal employment

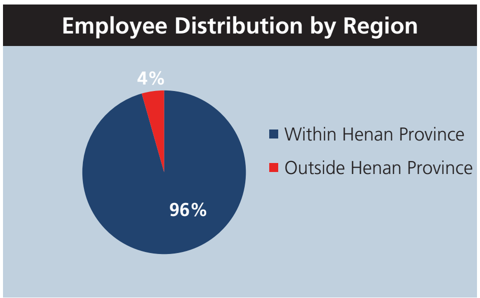
The Group stringently complies with relevant laws and regulations, including the Labour Law of the PRC《中華人民共和國勞動法》, the Labour Contract Law of the PRC《中華人民共和國勞動合同法》, the Provisions on the Prohibition of Using Child Labour《禁止使用童工規定》, protects the rights and interests of employees in various aspects including employment, dismissal, promotion, hours of work, holiday, salary and welfare, anti-discrimination and equal opportunities. The Group strictly reviews and verifies the information of job applicants during the employee recruitment process every year, strengthen the management of hours of work of employees and forbids behaviour of employing child labour and enforcing forced labour in all forms.

During the Reporting Period, the Group had 1,836 employees in total and the turnover rate of male employees of 5.29% and female employees of 5.57%. During the year, the Group was not involved in any litigation relating to employment of child labour, forced labour and material breach of labour laws.









2.2 Protecting rights and interests of employees

Employees are essential to the development of the Group. Through fair and standard recruitment and dismissal system, scientific and reasonable remuneration system, open and transparent assessment and promotion mechanism, clear and concise rules on attendance and vacation, equal opportunity, diversity and anti-discrimination and democratic communication, the Group protects the rights and interests of employees.

- **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. The Company currently publish recruitment information through channels such as local recruitment websites and WeChat Official account with clearly define recruitment and dismissal conditions 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. In 2020, the Company launched a new salary adjustment plan and further enhanced the remuneration level of employees. At the same time, the Company 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 employee assessment and promotion mechanism are open and transparent, 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. The Company provides marriage leave, bereavement leave, maternity leave and sick leave, with basic salary paid, to fully protect the employees' rights to have rest and vacation.

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

  — The Company emphasize on building a diversified team, with relevant policies and measures regarding equal opportunity, diversity and anti-discrimination (in the case of employing people with disability) in force. The Company provides equal and fair opportunity for each employee and forbids discrimination against gender, and disability.

- **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.

2.3 Development and Training

The Group adheres to the talent concept of "respecting people, relying on people, developing people, and satisfying people", focus on cultivating high-level and compound talents, improve the mechanism for selecting, cultivating, using, and gathering talent. As the Company develops, the employees' needs for development are also satisfied through the construction of multi-tiered and multi-dimensional training system, enriching training contents, and innovating training approaches. The Company strives to incorporate training throughout the career of employees and enhance the quality of employee to suit long term development of the Company. At the same time, the Company enhances the establishment of management system for nurturing talents and establish a scientific and effective assessment and evaluation mechanism to form a smooth talent growth channel. The Company vigorously cultivate high-quality talents, continue to optimise its talent structure, establish an effective mechanism for the flow of talents and gradually optimise the talent growth channel. The Company adopts the "bringing in, going global" mode of training to build a team of talents with suitable scale, reasonable structure and high quality in areas of operation management, professional technology and skills operation.

- **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 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. Conduct assessment for middle and senior management personnel annually, and the assessment result will be an important basis of adjustment for leaders and cadres.

- **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.

Training performance from 2018 to 2020

Indicator	Unit	2020	2019	2018
Total number of employee trainings	Times	16	12	12
Total number of employees	Persons	5,000	3,000	2,800
Total expenditure on training	RMB ten thousand	60	35	28

The percentage of employees trained/the average hours of training for employees completed by gender and employment type from 2018 to 2020 are as follows:

	2020	2019	2018	2020	2019	2018
Type	**Person-time (%)**			**Average hours {hour/person}**		
Gender						
Male	4,300 (86.0%)	2,400 (80.0%)	2,268 (81.0%)	50	40	21.2
Female	700 (14.0%)	600 (20.0%)	532 (19.0%)	50	40	21.1
Employment type						
Ordinary employees	3,000 (60.0%)	2,775 (92.5%)	2,710 (96.8%)	50	40	21.5
Middle management	1,500 (30.0%)	180 (6.0%)	70 (2.5%)	50	24	21.7
Senior management	500 (10.0%)	45 (1.5%)	20 (0.7%)	50	16	20.0

Case: Conducting management skills enhancement and training for Middle management cadres

The Company successfully conducted "management skills enhancement and training for Middle management cadres" in June 2020, to strengthen the understanding of our management personnel on their roles and positions comprehensively and gradually improve management works and further enhance the comprehensive quality of management personnel and reserve cadre talents of the company in order to build a management team with scientific management knowledge and strong execution abilities that "dare to do with good outcome" and are competent for their responsibilities. More than 70 people, ranging from senior management personnel and reserve cadre with Master's degree or Bachelor's degree, participated in the training.

2.4 Employee care

We attach great importance to the work and life of employees as well as humanistic care and proactively conduct caring activities. Through expressing care and concerns towards employees and their families, establishment of scholarship to encourage children of employees to complete their studies, conduct of high temperature caring activities to care for the work and life of employees, and proactively solve practical difficulties for employees to improve sense of belongings and happiness of employees.

— 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. Conduct consolatory activities for important festivals such as the Spring Festival to help the children of families with difficulties to complete their studies;

— Adjust employees' entitlements and improve the salary and welfare level of the employees;

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

Cases:"Cooling" high temperature caring activities

The Company continue to conduct summer cooling high temperature caring activities. In 2020, the Company brought over 7,000kg of watermelons, herbal tea and yoghurt as a summer gift of gratitude to front lines of production workstations, with flexible working hour arrangement according to weather conditions. At the same time, measures for prevention of summer heat and cooling are implemented and the trade union conducted the summer cooling high temperature caring activities and brought the summer gift of gratitude to frontline employees, with working hours reasonably arranged, in order to show their care for frontline employees.

3. Focus on Health and Safety

Production safety is the foundation of sustainable development of the Group. 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, and adhere to the safety concept of "safety is the soul of corporate life", consolidated basis of management, fulfills the responsibility of the main body of production safety and 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 enhance level of production safety management comprehensively.

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

3.1 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, the Group have established a sound safety production management system, established a concept of safe development and consciousness of red lines, enhanced the priority of work safety efforts and reinforced duty fulfilment and accountability, in order to achieve essential safety management and promote continuous improvement on performance of work safety management with risk control as the core.

During the Reporting Period, there was a positive trend for production safety of the Group and 2 subsidiaries passed the ISO 45001 Occupational health and safety management system certification.

- **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;

- **Formulate a sound 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 Training and Management System《安全培訓管理制度》, the Special Equipment Safety Management System《特種設備安全管理制度》, the Safety Inspection Management System《安全檢查管理制度》, the Elimination, Inspection, Governance and Notice System for Potential Hazards《隱患排查治理及公示制度》thereby formulating a sound safety management system with rules to follow and establish a long-effect mechanism for production safety;

- **Strengthen the efficient operation of safety production standardisation work:** Continuous strengthening of safety production standardisation works and adoption of PDCA dynamic circulation mode and conduct self-assessment, self-rectification and self-improvement in accordance with the production safety standardisation requirements, in order to form a long-effect mechanism for safety production with continuous improvement in safety performance;

- **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;

- **Consolidate the management of special operation:** Stringent management on job tickets, strengthen supervision and inspection of special operation sites to consolidate safety measures and contingency proposals for special operations to mitigate risks arising from special operations;

- **Strengthen the management of construction safety:** Adhere to management from the sources and strict screening of construction team, with strict inspection on various aspects such as the deployment of safety personnel, safety documents, safety measures at construction sites, staff trainings and technical briefings to ensure construction safety;

- **Consolidate safety inspections:** Establish a three-in-one safety inspection mechanism of "professional safety inspections, daily inspections and seasonal comprehensive inspections", through conducting internal. By carrying out internal self-examination and mutual investigation activities, starting from various links such as equipment and facilities, instrumentation, emergency disposal and operational activities, timely track and rectify problems found to achieve closed-loop management;

- **Establish an emergency response system and emergency command platform:** 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 emergency handling cards. At the same time, operates the emergency command platform online, which, through simulated drills, can forecast the potential risk of equipment operation and inspect the usefulness of comprehensive plans, project plans, site handling plans and emergency handing cards, in order to enhance the actual capability of emergency handlings continuously.

Case: Conducting safety inspection

In 2020, the Company organised and conducted the production safety inspection before the Labour Day, and thoroughly investigated safety potential hazards and prevented safety vulnerabilities to ensure production safety and stability during the Labour Day holiday period. The inspection focused on areas such as whether production safety is properly executed and the adequacy of fire-fighting equipment, whether evacuation routes are kept clear, whether flammable or explosive substance are stored and whether relevant facilities complied with fire safety. For issues identified during the investigation, the Company demanded timely rectification and contacted person in charge of construction to post safety banners at noticeable locations to raise workers' awareness on safety precautions.

3.2 Safety education and training

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 and offline integrated approach to conduct safety education and training to further improve employees' safety awareness and skills.

During the Reporting Period, the Group carried out 1,128 safety education trainings, the total number of safety education participants reached 30,720, and the percentage of special job licenses reached 100%.

- **Strict implementation of three-level safety education:** The Group 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 regularly organizes professional safety education and training in operating skills, and can only work after obtaining a special operation permit after passing the assessment;

- **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;

- **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", conducting publicity and education activities such as themed seminars, alert of safety incidents and production emergency drills and trainings. The Company also 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, as well as signing the commitment of employee safety, and conduct activities such as "sending warming messages" in order to enhance the awareness of production safety.

Cases: Conduct production safety month activity with the theme of "eliminating potential safety hazards to consolidate the line of defence for safety"

In June 2020, the Company organised the 19th national production safety month activity with the theme of" eliminating potential safety hazards to consolidate the line of defence for safety", through multiple measures, sharing the experience of one unit to the rest to improve accountability and enhance level of safety management. The Company enhanced the safety awareness of employees and consolidated the line of defence for safety through propagation of safety culture, popularization of safety knowledge, enhancement of employee' techniques in safety operation and elimination of potential safety hazards in every area.

3.3 Occupational Health Management

The Group 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》, always adheres to the philosophy of "health and safety first" and always follows the policy of the "putting prevention first, combining of prevention and control". The Group further improved the occupational health and safety management system, strengthened prevention and control measures for occupational disease hazards 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》);

- **Defining the occupational hazard influence factors in the workplace:** For equipment in workplace that may cause occupational hazards, warning labels with detailed explanation in Chinese are posted at noticeable locations to explain potential occupational hazards and precautions for safety operations and maintenance;

- **Regular testing of occupational hazard influence factors:** Testing of occupational hazard influence factors that may arise from the production process on a regular basis and inform them to its workers truthfully;

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

- **Providing occupational health protective gears:** 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;

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

4. Supply Chain Responsibility Management

The Group adheres to the principle of fair procurement and strictly monitor the fairness of the process in choosing our supplier and promote the establishment of procurement standard and informatization construction, continuously enhances supply chain management, constantly optimizes the supply chain management system, and improves supplier management rules to implement supplier rating management and incorporate environmental and safety risk factors into assessment and evaluation of suppliers, so as to ensure the procurement process complies with the regulations and is transparent, fair and just.

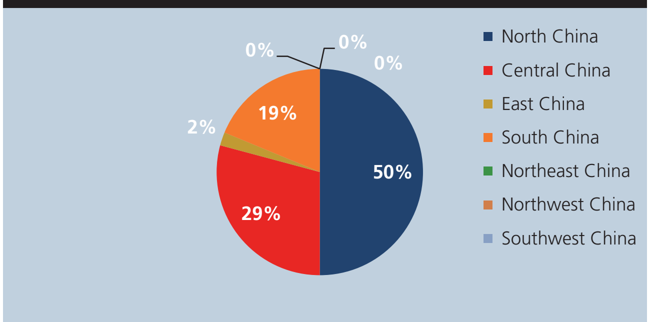
- **Improving supplier management rules:** The Group has formulated related rules such as the Material Procurement Management Rules《物資採購管理制度》, Raw Material Coal Procurement Management Rules《原料煤採購管理制度》, Credit Evaluation of Qualified Suppliers Rules《合格供方信用評價制度》and Supplier Evaluation Management Rules《供方評價管理制度》to clearly define its procurement requirements and regulate the procurement process to ensure stability and high efficiency of the supply chain;

- **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;

- **Carrying out social risk assessment of suppliers:** The Group formulated an assessment policy for suppliers and credit assessment system for qualified suppliers, established a supplier evaluation team comprised of relevant functional departments to implement dynamic evaluation management of suppliers. The Group conducted focused assessment on the suppliers' ability in taking up environmental and social responsibilities and the extent of environmental and safety influence of their products to the Company, so as to ensure the sustainability of all qualified suppliers and that they can meet the Company's demand for normal production;

- **Preferentially select energy-saving and environmentally-friendly products:** For newly revamped projects, the Group clearly define its procurement requirements and preferentially select energy-saving equipment during the procurement process for equipment and products.

The Percentage of Suppliers by Region



5. 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 Group adjusts and optimizes the product mix, enhances the added value of products, extends the industrial chain, explore room for further development of products to enhance its overall competitiveness. In 2020, the Group was ranked the 18th of Henan Top 100 Private Enterprises in the Manufacturing Industry (河南民營企業製造業100強) and the 33th of Henan Top 100 Private Enterprises (河南民營企業100 強).

5.1 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), to improve customer satisfaction of our products.

The Group 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》, and inspected the progress in achieving targets regularly;

- **Strengthening the quality control of production processes:** We have formulated the Production and Operation Outline《生產運行大綱》with regular updates 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》and we take graded measures to deal with the defective products, such as reworking, concession acceptance, scrapping or downgraded use》to ensure that products and raw materials that do not meet standards are controlled;

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

5.2 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 and was granted various municipality-level or provincial-level technology awards. At the same time, through the cooperation of university and enterprise, the Company established a R&D platform to promote production, education, research and practice, and continued to enhance industrial application of new products, new technologies and new materials.

- **Innovation in science and technology**

  The Company successively formed long-term university and enterprise cooperation relations with renowned universities such as Tsinghua University and Zhengzhou University, with efficient and clean conversion of coal into high-quality fuel, chemicals and material as the main objective of research, to enhance quality of coking coal, lower the cost of coking and enhance economic benefit and form an effective synergetic innovation system.

- **Intellectual property and privacy protection**

  The Group strictly complies with the Patent Law of the PRC (《中華人民共和國專利法》)and law and regulations of locations where we operate related to Intellectual property protection, enhances employees' awareness to keep sensitive information confidential, in order to ensure that intellectual properties of the Company are free from infringement. At the same time, the Group emphasises privacy protection and information safety and strictly complies with the requirement of the Contract Law of the PRC (《中華人民共和國合同法》) and avoids disclosure of trade secrets of contracting parties. For process involving the transformation of scientific and technological achievements, the Group complies with the Law on Promoting the Transformation of Scientific and Technological Achievements of the PRC (《中華人民共和國促進科技成果轉化法》) and technological know-how are kept secret.

6. 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 2020, the Group continued to follow the national requirement regarding anti-corruption, firmly reinforced the responsibility of anti-corruption, proactively conducted internal and external audits and formulated regulations for whistleblowing and complaints to provide a clear channel for whistleblowing. In order to raise employees' awareness in anti-corruption, the Group conducted multi-levelled probity education, which achieved good results.

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

- **In-depth probity supervision and inspection:** The Company established a disciplinary inspection committee as a permanent agency for anti-corruption work. Meanwhile, we have formulated 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》), clearly defined the details of anti-corruption works. For violations of the provisions, the Group adopted punishment measures such as dismissal and liquidation of equity and concerned parties are held responsible according to the law;

- **Conducting probity audit and supervision:** The Group continues to strengthen the audit and supervision of construction investment projects, promotes management of investment projects and formulates Project audit and management Rules 《項目審計管理規定》. For key departments, key funds and major projects, the Group conducts audit and supervision with clearly defined scope, process and result. At the same time, the Group formulates the Post-employment audit policy 《離崗審計制度》 to conduct post-employment audit to evaluate the performance of the Company and the resigned employees during their entire tenure and verify the economic responsibilities performed by the resigned employees during their entire tenure and existing potential risks and existing potential operational risks, in order to assist the resigned employees and replacements to complete the works;

- **Carrying out anti-corruption education:** The Group continues to intensify the anti-corruption themed education, consolidates the awareness of anti-corruption and actively conducts probity education and training activities for employees of all levels. The Group also organised a signature campaign to show commitment for anti-corruption to create a good atmosphere of probity and uprightness for work and entrepreneurship;

- **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;

7. Community Contribution

The Group proactively practices the corporate cultural concept of "be loyal internally, be honest externally, and be responsible toward the society", with "Giving back to the community" in mind. The Group continued to support public welfare activities including the fight against the pandemic, poverty alleviation through industrial development, community investment and charity education to actively fulfills its social responsibilities and promote harmonious development of the Community. During the Reporting Period, the Group donated RMB4.257 million.

In recognition of its outstanding performance in community contribution, the Company was granted the "Advanced Unit for Helping the Disabled "("助殘先進集體"), and "Advanced Unit for Donation for Education "("捐資助學先進單位") of Henan Province in 2020.

Fight against the pandemic

In order to respond to the novel coronavirus pandemic, the Group strictly implemented the instructions and requirement of national and local government regarding preventing the spread of the pandemic. We have formulated working groups for pandemic prevention and control to coordinate pandemic prevention and control works and convened pandemic prevention and control meeting regularly. We formulated "workflow for pandemic prevention and control"《疫情防控工作流程》 and "requirement for strengthening pandemic prevention and control during the pandemic"《疫情期間加強防控工作要求》 to fight against the pandemic. All members of the Company actively participated in donation and a total of RMB1.674 million has been donated.

In 2020, the Group was one of the 1,000 "Advanced Private Enterprise in fighting against the novel coronavirus pandemic" and was commenced by the All-China Federation of Industry and Commerce.

Targeted poverty alleviation

The Group actively responded to the national targeted poverty alleviation policy and assisted in the advancement towards a comprehensive well-off society. The Group purchased a total of RMB0.867 million of "Golden Farming" products, such as eggs and selenium-enriched flour, donated RMB0.20 million to Huaiyang County and donated RMB0.087 million during the "Charity Donation Day".

Charity education

The Group continuously paid attention and supported the development in education at Jiyuan. Since commencement of 10 Years Plan in Charity Education ("慈善助學十年規劃") in 2012, the Company provided donations to 450 university students with financial difficulties, amounting to RMB7.76 million. In 2020, the Company held the ninth "Charity Education Donation Ceremony", in which 199 rural students with financial difficulties received donations of RMB0.995 million, as well as RMB0.2 million donation to the Fund for Outstanding teaching Awards of Jiyuan No.1 Middle School.

Charity education activities

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 2020.

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 10 to 29). 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 71). 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 10 to 29), "Corporate Governance Report" (pages 30 to 45), "Environmental, Social and Governance Report" (pages 46 to 71) and this section (pages 72 to 87) 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 10 to 29).

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 2020, and extracted from the Prospectus published by the Group for 2016) are set out as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,133,700**	7,571,945	7,451,793	5,137,652	3,298,634
Cost of sales	**(6,058,672)**	(6,490,863)	(6,090,402)	(4,232,808)	(2,863,413)
Gross profit	**1,075,028**	1,081,082	1,361,391	904,844	435,221
Other income	**43,780**	45,784	8,883	6,885	4,379
Other gains and losses	**(7,396)**	(7,748)	(898)	(8,964)	29,038
Impairment losses, net of reversal	**(39,943)**	2,737	(12,513)	—	—
Selling and distribution expenses	**(143,483)**	(143,250)	(83,008)	(35,111)	(30,795)
Administrative expenses	**(115,841)**	(100,449)	(93,465)	(65,419)	(43,912)
Finance costs	**(61,705)**	(54,265)	(48,300)	(50,799)	(47,729)
Listing expenses	—	—	—	(15,930)	(5,540)
Share of result in a joint venture	**2,194**	3,949	4,614	3,418	4,001
Share of result in associates	**(40,441)**	(240)	(192)	(77)	1,374
Profit before tax	**712,193**	827,600	1,136,512	738,847	346,037
Income tax expense	**(191,023)**	(208,353)	(284,280)	(191,011)	(79,205)
Profit for the year	**521,170**	619,247	852,232	547,836	266,832
Other comprehensive expenses for the year	**1,823**	914	(1,884)	—	—
Total comprehensive income for the year	**522,993**	620,161	850,348	547,836	266,832
Total comprehensive income attributable to:					
—Owners of the Company	**487,295**	588,116	830,524	532,330	265,939
—Non-controlling interests	**35,698**	32,045	19,824	15,506	893
	522,993	620,161	850,348	547,836	266,832
Earnings per share (RMB)					
—Basic	**0.91**	1.10	1.55	1.24	0.66

Selected historical consolidated assets and liabilities data

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,947,248**	2,099,797	1,683,316	1,405,050	1,195,138
Current assets	**3,443,781**	3,387,264	2,391,446	1,557,276	1,167,178
Current liabilities	**1,993,737**	1,681,226	1,421,017	894,491	976,495
Net current assets/(liabilities)	**1,450,044**	1,706,038	970,429	662,785	190,683
Total assets less current liabilities	**4,397,292**	3,805,835	2,653,745	2,067,835	1,385,821
Equity attributable to owners of the Company	**2,900,128**	2,627,001	2,279,625	1,634,116	880,834
Total equity	**3,980,493**	3,392,225	2,377,459	1,728,326	945,934
Non-current liabilities	**416,799**	413,610	276,286	339,509	439,887
	4,397,292	3,805,835	2,653,745	2,067,835	1,385,821

The consolidated results of the Group for the year ended 31 December 2016 and the consolidated assets and liabilities of the Group for the year ended 31 December 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 2020 of RMB0.20 per share in cash to shareholders whose names appear on the register of members of the Company on 3 June 2021.

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 2021. The final dividend is expected to be distributed on or before 30 June 2021.

Tax on Dividends for H Shareholders

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

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

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

Pursuant to the applicable provisions and the implementing regulations of the Individual Income Tax Law of the PRC《中華人民共和國個人所得稅法》and the State Administration of Taxation on the Administrative Measures on Enjoying Tax Treaty Treatment by Non-resident Taxpayers (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;

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

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

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

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

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

Key customers and suppliers

For the year ended 31 December 2020, the total revenue from top 5 customers of the Group and the revenue from the largest customer of the Group accounted for 58.1% and 15.3% (2019: 55.2% and 15.4%), 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 2020, 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 34.4% and 14.9% (2019: 28.4% and 9.3%), respectively, of the total purchase amount of the Group.

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 suppliers at any time during the year.

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 19, Note 22 and Note 21 to the consolidated financial statements.

Reserves and distributable reserves

Details of movements in the reserves of the Company during the year are provided in Note 48 to the consolidated financial statements. On 31 December 2020, distributable reserves (i.e. retained profits) of the Company amounted to RMB1,471.8 million (2019: RMB1,288.5 million).

Donations

During 2020, the Group made a total of RMB4.3 million (2019: RMB1.7 million) of charitable donations, details of which are provided in the section headed "Environmental, Social and Governance Report" of this annual report (page 70).

Purchase, sale or redemption of securities of the Company

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities 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) *(Deputy Chairman)*
Mr. Qiu Quanshan (邱全山) *(resigned on 25 May 2020)*
Mr. Wang Kaibao (汪開保) *(appointed on 25 May 2020)*
Ms. Ye Ting (葉婷)

Independent Non-executive Directors:

Mr. Zheng Wenhua (鄭文華) *(deceased on 20 August 2020)*
Mr. Cao Hongbin (曹紅彬) *(appointed on 23 December 2020)*
Mr. Wu Tak Lung (吳德龍)
Mr. Meng Zhihe (孟至和) *(appointed on 25 May 2020)*
Mr. Liu Yuhui (劉煜輝) *(resigned on 25 May 2020)*

Supervisors:

Mr. Wong Tsz Leung (黃梓良)
Ms. Li Lijuan (李麗娟)
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 91 to 98).

Interests of Directors, Supervisors and Chief Executive in Securities

As at 31 December 2020, 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 2020, 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 2020 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 2020 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 2020, 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 2020 and remain so as at the date of this annual report.

Continuing Connected Transactions

For the year ended 31 December 2020, 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 2020 RMB'000	Actual Transaction Amount for 2020 RMB'000
Maanshan Steel	Maanshan 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	1,170,000	899,875
Jiangxi PXSteel and its subsidiaries and related parties	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	1,755,000	1,353,435
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	70,800	41,135
		Purchase of crude benzene	30,000	19,392
		Purchase of coal gas	32,000	20,988
		Sale of coal	150,000	1,699

Name of Connected Person	Relationship with the Group	Nature of Transaction	Annual Cap for 2020 RMB'000	Actual Transaction Amount for 2020 RMB'000
Zenith Steel and its subsidiaries and related parties	Holder of approximately 22.27% of the equity interest in Shenzhen Jinma (a subsidiary of the Company)	Sale of coke	1,548,000	1,470,012
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	1,404,000	28,036
Shanghai Luxiang and its subsidiaries and related parties	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	369,000	345,703

Sale of Coke to Maanshan Steel Group

Pursuant to the framework agreement dated 23 August 2019, entered into between the Company and Maanshan Steel (the "**Maanshan Steel Framework Agreements**"), it was agreed that sales of coke to Maanshan Steel shall continue for a term commencing from 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 2020 annual cap for such continuing connected transactions was RMB1,170.0 million, and the actual annual transaction amount for the year ended 31 December 2020 was RMB899.9 million.

Sale of Coke to Jiangxi PXSteel Group

Pursuant to the framework agreement entered into between the Company and Jiangxi PXSteel on 23 August 2019 (the "**Jiangxi PXSteel Framework Agreements**"), it was agreed that the Group shall sell coke to Jiangxi PXSteel for a term commencing from 1 January 2020 to 31 December 2022.

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 2020 annual cap for such continuing connected transactions was RMB1,755.0 million, and the actual annual transaction amount for the year ended 31 December was RMB1,353.4 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 2020 annual caps for such continuing connected transactions in relation to coal tar, crude benzene and coal gas were RMB70.8 million, RMB30.0 million and RMB32.0 million, respectively, and the actual annual transaction amounts for the year ended 31 December 2020 were RMB41.1 million, RMB19.4 million and RMB21.0 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 2020 annual cap for such continuing connected transactions was RMB150.0 million, and the actual annual transaction amount for the year ended 31 December 2020 was RMB1.7 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 2020 was RM1,548.0 million, and the actual annual transaction amount for the year ended 31 December 2020 was RMB1,470.0 million.

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 2020 was RMB1,404.0 million, and the actual annual transaction amount for the year ended 31 December 2020 was RMB28.0 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 2020 was RMB369.0 million, and the actual annual transaction amount for the year ended 31 December 2020 was RMB345.7 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 31 March 2021 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 43 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 2020, 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%
Morgan Stanley	Interests in controlled corporation (Note 15)	H shares	6,824,945(L)	5.04%	1.27%

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.

15. Morgan Stanley, a company listed on the New York Stock Exchange, has 100% indirect interest in Morgan Stanley & Co. International plc.. Accordingly, Morgan Stanley is deemed to be interested in Morgan Stanley & Co. International plc.'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 2020.

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 2020, 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 2020, the Group employed about 1,836 employees, with an average turnover of less than 4.9% 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 36 Retirement Benefit Costs to the "Consolidated Financial Statements".

Details of Directors' remuneration for 2020 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 2020 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
26 April 2021

In 2020, the Supervisory Committee of the Company had exercised supervision and inspection over the operations and financial situation of the Company, implementation of the resolutions of the general meeting of shareholders, major decision-making process of the Board of Directors (the "Board"), legality and compliance of the Company's business management activities, and duty performance of the Board and senior management of the Company in accordance with the requirements of the Company Law, Securities Law, Articles of Association, Rules of Procedures for Supervisory Committee Meetings, and relevant laws and regulations. thereby promoting the standardized operation of the Company. The Board and directors, and senior management of the Company had implemented various resolutions of the Company conscientiously and had performed obligations of honesty faithfully without any actions which were detrimental to the interests of the Company and the shareholders. All resolutions of the general meetings of shareholders and the Board had complied with the laws and regulations of the Company Law and the requirements of the Articles of Association.

1. Basic assessment on the operation, management behaviour and results of the Company in 2020

In 2020, we had strictly reviewed the Company's compliance operations, finances, internal control and related party transactions in accordance with relevant laws and regulations and the "Articles of Association" and put forward reasonable suggestions and opinions to the Board. We had made effective supervision to ensure that the decision-making and specific decisions had been in compliance with the laws and regulations of the country and the Articles of Association of the Company, and the interests of shareholders had been protected. We believed that the Board and directors, and senior management of the Company had implemented various resolutions of the Company conscientiously, and had performed obligations of honesty faithfully without any actions which were detrimental to the interests of the Company and the shareholders. All resolutions of the general meetings of shareholders and the Board had complied with the laws and regulations of the Company Law and the requirements of the Articles of Association.

2. The meetings of the supervisory committee

During the reporting period, the Supervisory Committee of the Company had convened two meetings:
On 25 March, 2020, the second meeting 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 Articles of Association. The meeting had considered and approved the following resolutions: 2019 Annual Supervisory Committee's Report of Henan Jinma Energy Company Limited, the Report for the Use of Proceeds from H-Share Listing in Hong Kong for Henan Jinma Energy Company Limited, the Annual Report 2019 for Henan Jinma Energy Company Limited (unaudited).

On 23 April, 2020, the third 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 Articles of Association. The meeting had considered and approved the following resolutions: the Audit Report 2019 for Henan Jinma Energy Company Limited, the Annual Report 2019 for Henan Jinma Energy Company Limited, the resolution on the Announcement of the Result Report 2019 for Henan Jinma Energy Company Limited.

3. Supervision Opinions of the Supervisory Committee on relevant matters of the Company in 2020:

(I) Operating the Company according to law

During the reporting period, pursuant to the requirements of relevant laws and regulations, the Listing rules and the Articles of Association, the supervisory committee conducted inspection and supervision over the procedures for convening general meetings and Board meetings of the Company, matters to be resolved, execution of resolutions passed at general meetings by the Board, the codes of conduct of senior management of the Company and internal control system of the Company by ways of attending the general meeting and the meetings of the Board. Upon inspection, the supervisory committee of the Company is of the view that the decision-making procedures on the general meetings and on Board meetings of the Company are lawful, resolutions of the general meeting and the Board can be executed effectively, and the internal control system of the Company is well established. Each of the Directors and senior management of the Company is diligent and responsible. No violation of laws, regulations, the Listing Rules and the Articles of Association has been found in the performance of duties of senior management. No act which might jeopardize the interests of the shareholders and the Company was found.

(II) Financial Conditions of the Company

During the reporting period, the supervisory committee of the Company conducted effective supervision and inspection over the performance of the Company's financial system. Upon inspection, the supervisory committee is of the view that the financial operation of the Company was conducted in strict compliance with the financial management and the internal control system of the Company. Through the inspection over various auditing material (including the financial information) provided by the Company, the Company has basically built a sound financial internal control system, which could guarantee the efficient operation of corporate funding and the safety and integrity of the Company's properties. The Company has neither acted against the wishes of the shareholders nor violated the internal control system of the Company during the course of business. The utilisation of fund is in the interests of the shareholders and is appropriate for the principle of maximising the Company's benefits. The financial position of the Company was solid with true financial data, and there is no false record, misrepresentations, or major omissions. There exists no guarantee in violation of rules nor any guaranteed matters which should be disclosed but have not been disclosed yet.

(III) Related Party Transactions

During the reporting period, the related party transactions of the Company in 2020 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. In the course of considering the related party transactions by the Board of the Company, the approval process was conducted in accordance with laws and regulations, fairness and justness, and was not detrimental to the interests of the minority shareholders.

4. Comprehensive Opinions of the Supervisory Committee on the Circumstances of the Company in 2020

(I) During the reporting period, members of the Supervisory Committee supervised the duty performance and the execution of corporate decision-making process on important issues in accordance with the Company Law and the Articles of Association through attending the general meetings and Board meetings. Meanwhiles, 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 different 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. The Board and the management coordinated under the authorities of duty to ensure the operation of the Company with high efficiency and validity.

(II) For self-evaluation opinions, the development and operation of the internal control regarding the Board of the Company in 2020, the Supervisory Committee has performed a review, and considered that, the Company's current internal control system is relatively complete, reasonable and effective, which can meet the management requirement and development needs of the Company; better assure the truthfulness, validity and completeness of the Company's accounting information; ensure the safety and intactness of the Company's assets; and truly, accurately, completely and timely submit and disclose information with content and format in strict compliance with the requirement of laws, regulations and Articles of Associations.

5. Supervisory Committee's Outlook of Work in 2021

In 2021, the Supervisory Committee of the Company will continue to stringently implement the requirement of laws and regulation such as the Company Law and the Securities Law as well as the Articles of Association, diligently and conscientiously supervise and review various activities of the Board and senior management pursuant to the law and effectively safeguard and protect the interest of the Company and shareholders. Members of the Supervisory Committee of the Company will further strengthen their self-learning and facilitate the refinement of the corporate governance structure of the Company while promoting the regulated operation of the Company together with the Board and all shareholders, ensuring the effective implementation of internal control measures of the Company, preventing and reducing the risk faced by the Company and safeguarding the legal interest of the Company and all shareholders.

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 term of office of all Directors (of the current session of the Board) shall end at the conclusion of the annual general meeting for the year ending 31 December 2021, and the Directors 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 52, 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 57, 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 56, 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 has been serving as the vice president of the Henan Society for Metals* since June 2015, was appointed as 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 58, 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. Wang Kaibao (汪開保), aged 49, was appointed as a non-executive Director of the Company in May 2020. Mr. Wang is mainly responsible for participating in the formulation of the Group's corporate and operational strategies.

Mr. Wang joined the coking factory headquarters of 馬鞍山鋼鐵股份有限公司 (Maanshan Iron & Steel Company Limited*) in February 2018 and is currently the Party committee secretary, the factory director and the chief engineer of the coking factory headquarters of Maanshan Iron & Steel Company Limited*. Mr. Wang previously worked in various positions for 馬鞍山鋼鐵股份有限公司煤焦化公司 (the coal-coking company of Maanshan Iron & Steel Company Limited*) from August 1996 to February 2018, including positions such as the deputy general manager and the chief engineer from March 2015 to February 2018.

Mr. Wang graduated from 武漢冶金科技大學(Wuhan Metallurgy University of Science and Technology*) (now known as 武漢科技大學 (Wuhan University of Science and Technology*)) with a bachelor's degree in coal chemical technology in July 1996. Mr. Wang is qualified as a senior engineer.

Ms. Ye Ting (葉婷), aged 34, 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. Wu Tak Lung (吳德龍), aged 55, was appointed as an independent non-executive Director of the Company in September 2017. He is responsible for supervising the compliance and corporate governance issues of the Group and providing independent opinion and advice to the Board of the Group. 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), Zhongguancun Science-Tech Leasing Co., Ltd. (stock code:1601), Minth Group Limited (stock code: 425) and Sinopharm Group Co., Ltd. (stock code: 1099).

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), Beijing Media Corporation Limited, a company listed in Hong Kong (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.

Mr. Meng Zhihe (孟至和), aged 66, was appointed as an independent non-executive Director of the Company in May 2020. He is responsible for supervising the compliance and corporate governance issues of the Group and providing independent opinion and advice to the Board of the Group.

Mr. Meng is currently the vice president of 清華大學老科學技術工作者協會(Tsinghua University Association of Senior Scientists and Technicians*). Mr. Meng had held various positions in 清華大學企業集團(Tsinghua University Corporation*) (now known as 清華控股有限公司(Tsinghua Holdings Co., Ltd.*)) from 1997 to 2003, including the secretary to the board of directors, the assistant to the chief executive and the director of the chief executive's office, the head of investment development department and the head of corporate management department. He was the financial director of 清華大學繼續教育學院(School of Continuing Education, Tsinghua University*) from 2003 to 2006. Mr. Meng was the associate dean of School of Continuing Education, Tsinghua University* from 2006 to 2015.

Mr. Meng graduated from Tsinghua University with a bachelor's degree in engineering in 1983 and obtained a master's degree in engineering from Tsinghua University in 1986. He is qualified as a senior engineer.

Mr. Cao Hongbin (曹紅彬), aged 53, was appointed as an independent non-executive Director of the Company in December 2020. He is responsible for supervising the compliance and corporate governance issues of the Group and providing independent opinion and advice to the Board of the Group.

Mr. Cao joined the group of 北京首鋼股份有限公司(Beijing Shougang Co., Ltd.*), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000959), in August 1990 and served various positions in the group until March 2011, including the deputy division head of the technical department of the coking plant, the deputy manager of the 還焦工程部(engineering department) and the chief of the recycling section of the coking plant. Mr. Cao joined the China Coking Industry Association in April 2011 and is currently appointed as the deputy secretary.

Mr. Cao obtained a bachelor's degree in environmental engineering from Hefei University of Technology and a master's degree in environmental engineering from Beijing University of Technology. Mr. Cao was qualified as a senior engineer.

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 57, 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 50, 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 50, 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 Wealthking Investments Limited (formerly known as OP Financial 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 over 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 33, 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 47, 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 45, 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 was the director of the coking workstation from 2014 to 2019 and the head of the production department from July 2019 to January 2020 of the Company. He has been the director and general manager of Xinyang Steel, a subsidiary of the Company, since October 2020. 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 91 of this section.

Mr. Tang Jianfa (唐建發), aged 55, 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 54, joined the Group in March 2005 as the Group's deputy general manager. He was the general manager of Jinyuan Chemicals, a subsidiary of the Company, between January 2015 and January 2018. He has also been an executive Director of that Company from January 2018 to November 2020. 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 45, 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 was a Director and the chairman of the board of Directors of Shanghai Jinma, a subsidiary of our Company. Mr. Ju has served as a director of Shaanxi Jinma, a subsidiary of our Company, since April 2020, the chairman of Yan'an Jinneng, a subsidiary of our Company, since May 2020 and an executive director of Liyuan Railway, a subsidiary of our Company, since June 2020. 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 45, 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 48, joined the Group in December 2004, and was appointed as the deputy general manager in March 2018. Mr. Li is also a Supervisor of Jinrui Energy and Jinrui Gas, subsidiaries of the Company. He has served in various positions, including the deputy administrative manager and the head of the corporate governance department. He is currently the deputy general manager and member of the party committee of the Company. Mr. Li is the chairman of Jinjiang Refinery, a joint venture of the Company. Mr. Li has also served as the deputy chairman of Yilong Coal, an associate of the Company since January 2015.

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

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

Mr. Wang Zengguang (王增光), aged 40, 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. Mr. Wang has also been an executive director of that Company since November 2020. 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 44, 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. Since May 2020, Mr. Wang served as a director of Yan'an Jinneng, a subsidiary of our Company, and the deputy chairman of Yan'an Railway, an associate of the Company.

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 68, 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 104 to 202, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 International Auditing and Assurance Standards Board. 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 judgement, 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 advance to an associate	
We identified the impairment of advance to an associate, Huozhou Coal Power Group Hongtong Yilong Co., Ltd. ("Yilong Coal") as a key audit matter due to the financial significance of the balance to the consolidated financial statements as a whole and the involvement of subjective judgement and management estimates in evaluating the expected credit loss of advance to an associate at the end of the reporting period. As at 31 December 2020, the carrying amount of advance to Yilong Coal is RMB15,000,000 after recognising an impairment of RMB45,940,000 during the year as disclosed in Notes 8 and 45 to the consolidated financial statement. As disclosed in Note 3 to the consolidated financial statements, impairment assessment of advance to this associate is performed under expected credit loss model. Such impairment assessment requires the management of the Company to exercise significant estimation based on historical credit loss experience, and factors that are specific to Yilong Coal, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. Management's disclosures with regard to the estimation are set out in Note 4 to the consolidated financial statements.	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, including the valuation model adopted, and assumptions used; • Assessing the reasonableness of the management's basis and judgement in determining the expected loss allowance for the advance to an associate by taking into account of historical data and forward-looking information including relevant industry factors and available market data that have been taken into consideration by the management; • Assessing the reasonableness of probability of default and loss given default rates used in the expected credit loss assessment on advance to an associate; and • Performing retrospective review of the management's estimation by comparing the expected losses provided at 31 December 2019 to actual losses incurred during the year ended 31 December 2020.

Key Audit Matters (continued)

Key Audit Matters (continued)

Accounting for business combination

We identified the accounting for business combination in connection with acquisition of Yan'an Liyuan Minerals Railway Logistics Co., Ltd. ("Liyuan Railway") for the year ended 31 December 2020 and the purchase price allocation exercise completed during the year, as a key audit matter due to the inherent complexity underlying the transactions and level of estimation uncertainty associated with forecasting future cash flows and the discount rates applied in valuations that affect the purchase price allocation.

The Group appointed an independent qualified professional valuer who is not connected with the Group (the "Valuer") to aid the purchase price allocation process.

Management's disclosures with regard to the judgements and estimations are set out in Note 4 to the consolidated financial statements and the details relating to the acquisition is set out in Note 39 to the consolidated financial statements.

How our audit addressed the key audit matter (continued)

Our procedures in relation to the business combination included:

- Understanding the key terms and rationale for the transaction through inspection of purchase agreements for terms that may impact the accounting for the acquisitions;
- Evaluating the Valuer's competence, capabilities and objectivity;
- Evaluating the appropriateness of the underlying valuation methodology;
- Evaluating key assumptions, such as expected cash flow streams, discount rate and growth rates underlying in the valuations of Liyuan Railway by comparing them to the historical results and relevant industry forecasts;
- Involving our internal valuation specialist in assessing the key assumptions to the extent necessary;
- Performing sensitivity analysis; and
- Assessing whether the disclosures of the business combinations in the consolidated financial statements are sufficient and appropriate.

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.

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 judgement 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, actions taken to eliminate threats or safeguards applied.

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
31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	Year ended 31/12/2020	Year ended 31/12/2019
		RMB'000	RMB'000
Revenue	5	**7,133,700**	7,571,945
Cost of sales		**(6,058,672)**	(6,490,863)
Gross profit		**1,075,028**	1,081,082
Other income	6	**43,780**	45,784
Other gains and losses	7	**(7,396)**	(7,748)
Impairment losses under expected credit loss model ("ECL"), net of reversal	8	**(39,943)**	2,737
Selling and distribution expenses		**(143,483)**	(143,250)
Administrative expenses		**(115,841)**	(100,449)
Finance costs	9	**(61,705)**	(54,265)
Share of result in a joint venture		**2,194**	3,949
Share of result in associates		**(40,441)**	(240)
Profit before tax	10	**712,193**	827,600
Income tax expense	11	**(191,023)**	(208,353)
Profit for the year		**521,170**	619,247
Other comprehensive income:	12		
Item that may be reclassified subsequently to profit or loss:			
Fair value gain on			
bills receivables at fair value through other comprehensive income ("FVTOCI")		**1,823**	914
Total comprehensive income for the year		**522,993**	620,161
Profit for the year attributable to:			
– Owners of the Company		**485,472**	587,202
– Non-controlling interests		**35,698**	32,045
		521,170	619,247
Total comprehensive income for the year attributable to:			
– Owners of the Company		**487,295**	588,116
– Non-controlling interests		**35,698**	32,045
		522,993	620,161
Earnings per share			
– Basic (RMB)	15	**0.91**	1.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	31/12/2020	31/12/2019
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	2,390,900	1,575,027
Right-of-use assets	17	227,484	141,664
Intangible assets	18	61,658	70,871
Goodwill	20	38,294	8,902
Interest in a joint venture	21	56,168	53,974
Interest in associates	22	2,260	40,951
Advance to an associate	22	15,000	60,940
Financial assets at fair value through profit or loss ("FVTPL")	23	—	36,233
Deferred tax assets	24	31,158	13,721
Deposit for acquisition of property, plant and equipment		124,326	97,514
		2,947,248	2,099,797
CURRENT ASSETS			
Inventories	25	370,945	314,037
Trade and other receivables	26	298,118	331,110
Amount due from a shareholder	27	11,770	20,202
Amounts due from related parties	28	113,260	21,859
Financial assets at FVTPL	23	59,807	—
Bills receivables at FVTOCI	29	842,274	927,353
Restricted bank balances	30	392,458	74,887
Bank balances and cash	30	1,355,149	1,697,816
		3,443,781	3,387,264
CURRENT LIABILITIES			
Borrowings	31	501,700	677,600
Trade and other payables	32	1,407,029	909,372
Amounts due to related parties	33	1,211	197
Contract liabilities	34	49,851	66,219
Lease liabilities	35	2,962	1,640
Tax payable		30,984	26,198
		1,993,737	1,681,226
NET CURRENT ASSETS		1,450,044	1,706,038
TOTAL ASSETS LESS CURRENT LIABILITIES		4,397,292	3,805,835

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	31/12/2020	31/12/2019
		RMB'000	RMB'000
CAPITAL AND RESERVES			
Share capital	37	535,421	535,421
Reserves		2,364,707	2,091,580
Equity attributable to owners of the Company		2,900,128	2,627,001
Non-controlling interests		1,080,365	765,224
TOTAL EQUITY		3,980,493	3,392,225
NON-CURRENT LIABILITIES			
Borrowings	31	360,000	365,920
Lease liabilities	35	6,934	4,016
Deferred revenue	38	21,876	23,976
Deferred tax liabilities	24	27,989	19,698
		416,799	413,610
		4,397,292	3,805,835

The consolidated financial statements on pages 104 to 202 were approved and authorised for issue by the Board of Directors on 31 March 2021 and are signed on its behalf by:

Yiu Chiu Fai	**Wang Mingzhong**
DIRECTOR	*DIRECTOR*

	Attributable to owners of the Company								
	Share capital	Capital reserve	FVTOCI reserve	Statutory surplus reserve fund	Retained profits	Special Reserve	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000 (Note ii)	RMB'000	RMB'000 (Note iii)	RMB'000	RMB'000	RMB'000
At 1 January 2019	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	—	199	—	—	—	—	199	(5,785)	(5,586)
Dividends recognised as distribution (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
Profit for the year	—	—	—	—	485,472	—	485,472	35,698	521,170
Other comprehensive income for the year	—	—	1,823	—	—	—	1,823	—	1,823
Total comprehensive income for the year	—	—	1,823	—	485,472	—	487,295	35,698	522,993
Capital contributions from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	210,000	210,000
Acquisition of a subsidiary	—	—	—	—	—	—	—	79,243	79,243
Dividends recognised as distribution (Note 13)	—	—	—	—	(214,168)	—	(214,168)	(9,800)	(223,968)
Transfer	—	—	—	42,473	(45,695)	3,222	—	—	—
At 31 December 2020	535,421	386,695	(7,473)	242,311	1,719,926	23,248	2,900,128	1,080,365	3,980,493

Notes:

(i) The balance mainly comprises (i) reserves arose from shareholding reform of the Company prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in year 2016 and (ii) the difference between the carrying amount of consideration paid and 25% of the net assets value of Shanghai Jinma Energy Co., Ltd. ("Shanghai Jinma") 上海金馬能源有限公司, a non-wholly owned subsidiary, when acquiring the non-controlling interest of Shanghai Jinma in year 2019.

(ii) 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.

(iii) 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 2020

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**712,193**	827,600
Adjustments for:		
Interest income on bank deposits	**(12,568)**	(12,795)
Interest income on bills receivables at FVTOCI	**(21,439)**	(23,776)
Loss (gain) on disposal of property, plant and equipment	**1,152**	(822)
Depreciation of property, plant and equipment	**132,907**	110,151
Depreciation of right-of-use assets	**7,637**	4,445
Amortisation of intangible assets	**16,164**	15,333
Impairment losses under ECL model, net of reversal	**39,943**	(2,737)
Impairment loss on property, plant and equipment	**8,457**	—
Impairment loss on goodwill	**—**	2,167
Reversal of allowance for inventories, net	**(1,490)**	(9,872)
Share of result in associates	**40,441**	240
Share of result in a joint venture	**(2,194)**	(3,949)
Finance costs	**61,705**	54,265
Release of assets-related government subsidies	**(2,100)**	(1,822)
Fair value changes from financial assets at FVTPL	**(27,202)**	(24,686)
Dividends from financial assets at FVTPL	**(3,050)**	—
Net foreign exchange (gain) loss	**(972)**	1,555
Operating cash flows before movements in working capital	**949,584**	935,297
Increase in inventories	**(53,142)**	(22,207)
Decrease in bills receivables at FVTOCI	**108,948**	181,439
Decrease in financial assets at FVTPL	**3,050**	58,453
Decrease (increase) in trade and other receivables	**77,143**	(89,224)
Decrease (increase) in amount due from a shareholder	**8,432**	(20,006)
(Increase) decrease in amounts due from related parties	**(91,401)**	18,903
Increase in trade and other payables	**416,310**	290,883
Increase (decrease) in amounts due to related parties	**1,014**	(212)
Decrease in contract liabilities	**(18,137)**	(22,333)
Cash generated from operations	**1,401,801**	1,330,993
Income tax paid	**(189,610)**	(259,302)
NET CASH FROM OPERATING ACTIVITIES	**1,212,191**	1,071,691

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
INVESTING ACTIVITIES		
Interest on bank balances received	12,568	12,795
Assets related government subsidies received	—	19,132
Dividend received from a joint venture	—	4,900
Proceeds from disposal of financial assets at FVTPL	31,628	—
Investment in financial assets at FVTPL	(28,000)	—
Purchase of property, plant and equipment	(798,989)	(405,534)
Payments for right-for-use assets	—	(22,518)
Net cash outflow on acquisition of a subsidiary/ business (Note 39)	(96,653)	(28,467)
Deposit paid for acquisition of property, plant and equipment	(97,433)	(97,514)
Payment for acquisition of a subsidiary/business in prior year	(1,250)	(7,357)
Placement of restricted bank balances	(656,835)	(386,922)
Withdrawal from restricted bank balances	339,264	402,956
Proceeds from disposal of property, plant and equipment	1,196	2,421
Capital contribution paid in associate	(1,750)	—
NET CASH USED IN INVESTING ACTIVITIES	(1,296,254)	(506,108)
FINANCING ACTIVITIES		
Interest paid	(61,705)	(52,710)
New borrowings raised	622,400	1,024,650
Repayment of borrowings	(804,220)	(814,750)
Repayment of lease liabilities	(2,540)	(1,164)
Capital contributions from non-controlling shareholders of subsidiaries (Note 19)	210,000	660,000
Acquisition of non-controlling interest of a subsidiary	—	(5,586)
Dividends paid	(213,262)	(242,369)
Dividends paid to non-controlling shareholders of subsidiaries	(9,800)	(18,870)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(259,127)	549,201
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(343,190)	1,114,784
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,697,816	583,157
Effect of foreign exchange rate changes	523	(125)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY		
Bank balances and cash	1,355,149	1,697,816

1. GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (Note 19) (the "Group") are mainly engaged in the production and sales of coke, coking by-products and derivative chemical products, coal gas, liquefied natural gas ("LNG"), trading of coke and coal and provision of other services including but not limited to railway related storage and logistics services, provision of water, catering and fire prevention and management services ("Other Services").

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. 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 Company issued 133,334,000 H shares and were listed on the Stock Exchange on 10 October 2017. 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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 and the related Amendments[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs Standards	Annual Improvements to IFRSs Standards 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in IFRS 3 "Business Combinations" so that it refers to the Conceptual Framework for Financial Reporting issued by IASB in March 2018 (the "Conceptual Framework") instead of the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or IFRIC-21 "Levies", an acquirer applies IAS 37 or IFRIC-21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 "Financial Instruments: Disclosures" to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16 "Lease" ("IFRS 16"); and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Loan Prime Rate bank loans which will or may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

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

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

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 "Inventories".

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 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.

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", leasing transactions that are accounted for in accordance with 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies

Basis of consolidation

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

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

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

Changes in the Group's 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010).

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, 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

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.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

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

Right-of-use assets

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; and
- any initial direct costs incurred by the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

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 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 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

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

- the lease term has changed 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.

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.

Foreign currencies

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Borrowing costs

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

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 capitalisation.

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

Government grants

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

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

Government grants related to income 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. Such grants are presented under "other income".

Employee benefits

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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation

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

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

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

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

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

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

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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.

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 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 and structures, machinery and equipment and office equipment 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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.

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 testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units ("CGUs") to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of CGUs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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

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 CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 CGUs. 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 CGUs. An impairment loss is recognised immediately in profit or loss.

Inventories

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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.

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 initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 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 classified as 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 excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under ECL 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 assessment 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, and 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 ("Trade-related Receivables").

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case 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;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

- 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.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 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 reorganisation.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Lifetime ECL for Trade-related Receivables which are not credit-impaired are assessed on a collective basis, whereas debtors which is considered credit-impaired are assessed on individual basis, taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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.

Financial liabilities at amortised cost

Financial liabilities (including borrowings, trade and other payables, amounts due to a shareholder/related parties and long-term payables) 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.

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 JUDGEMENTS 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 judgements, 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 judgements in applying accounting policies

The following are the critical judgements, 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 some of 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 an amount it expects to be entitled as specified in the contracts.

During the year ended 31 December 2020, the Group recognised fee revenue relating to trading of coal and coke amounted to RMB78,376,000 (2019: RMB82,806,000).

Key sources of estimation uncertainty

The followings are the 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 advance to an associate

For the advance to Yilong Coal, an impairment loss is recognised based on either 12m ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on the advance to Yilong Coal since initial recognition. The ECL is measured by 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.

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, and forward-looking information including relevant industrial factors and available market data. The provision of ECL is sensitive to changes in estimates based on historical credit condition, and factors that are specific to Yilong Coal, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

As at 31 December 2020, the carrying amount of the advance to an associate is RMB15,000,000 after recognising an impairment of RMB45,940,000 during the year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Business combination

For the year ended 31 December 2020, the Group has completed the purchase price allocation for acquisition of Liyuan Railway (as defined in Note 39). The purchase price allocation exercises require judgement to be exercised by the directors in identifying assets and liabilities of the acquirees that exist as at the date of acquisition and measured at fair value. In particularly, the judgements result in the recognition of intangible assets and goodwill.

In accounting for the business combination, the amounts derived in arriving at the fair values of the identified assets and recognised liabilities are sensitive to the underlying assumptions around forecasted future cash flows, and the discount rates applied in valuations.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; and (ii) whether the carrying value of an asset can be supported by the recoverable amount, which is higher of value in use and fair value less costs of disposal.

In the case of value in use, the net present value of future cash flows are estimated based upon the continuing use of the asset. The appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. 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 or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

In the case of fair value less costs of disposal for assets to be sold, the price that would be received to sell an asset in an orderly transaction between market participants and the disposal costs are estimated based upon the bidding price from third parties through an open tender for the relevant assets.

When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the management of the Group estimates the recoverable amount of the CGUs to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amount for the purpose of impairment assessment.

As at 31 December 2020, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were RMB2,390,900,000 (2019: RMB1,575,027,000) and RMB227,484,000 (2019: RMB141,664,000), respectively. Due to the phasing-out of two 4.3 metres high furnaces in support of environmental protection measures in December 2020, an impairment loss of RMB8,457,000 (2019: nil) was recognised against the carrying amount of property, plant and equipment in the profit or loss during the year ended 31 December 2020. No impairment loss is considered necessary on the CGU of the Company to which coke dry quenching and related facilities belongs. Details of the impairment assessment on property, plant and equipment are disclosed in Note 16.

4. CRITICAL ACCOUNTING JUDGEMENTS 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 CGU (or group of CGUs) 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 CGU (or a group of CGUs) 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 or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As at 31 December 2020, the carrying amount of goodwill is RMB38,294,000 (2019: RMB8,902,000) (net of accumulated impairment loss of RMB2,167,000 (2019: RMB2,167,000)). Details of the recoverable amount calculation are disclosed in Note 20.

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 2020, inventory allowance of RMB2,118,000 (2019: RMB11,990,000) were derecognised upon realisation of sales and an additional allowance of RMB628,000 (2019: RMB2,118,000) was recognised based on estimated net realisable value.

As at 31 December 2020, the carrying amount of inventories is RMB370,945,000 (2019: RMB314,037,000) (net of allowance for inventories of RMB628,000 (2019: RMB2,118,000)).

Fair value measurement of financial instruments

As at 31 December 2020, the Group's financial assets at FVTPL and bills receivables at FVTOCI amounting to RMB902,081,000 (2019: RMB963,586,000) are measured at fair values with fair values being determined based on observable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques which is reflective of the current market conditions and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Details of fair value measurement of financial instruments are set out in Note 45.

Provision of ECL for Trade-related Receivables

Lifetime ECL for Trade-related Receivables which are not credit-impaired are assessed on a collective basis based on the Group's internal credit ratings, whereas debtors which considered credit-impaired are assessed on individual basis, taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. The internal credit ratings assigned and the loss rate determined is based on the creditors' 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-related Receivables are disclosed in Note 45.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

Segments*	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Other services	Total
	For the year ended 31 December 2020						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service							
Sales of goods							
Coke	3,586,692	—	—	—	1,224,104	—	4,810,796
Ammonium sulphater	—	11,589	—	—	—	—	11,589
Benzene based chemicals	—	70,872	584,718	—	—	—	655,590
Coal tar based chemicals	—	165,135	408,177	—	—	—	573,312
Coal gas	—	—	—	581,592	—	—	581,592
LNG	—	—	—	230,020	30,359	—	260,379
Coal	—	—	—	—	711,775	—	711,775
Refined oil	—	—	—	—	36,732	—	36,732
Others	—	12,198	—	5,761	29,431	1,046	48,436
	3,586,692	259,794	992,895	817,373	2,032,401	1,046	7,690,201
Providing services							
Trading agency	—	—	—	—	78,376	—	78,376
Railway related storage and logistics	—	—	—	—	—	31,397	31,397
Energy supply	—	—	—	20,547	—	98,370	118,917
Others	—	—	—	—	—	8,310	8,310
	—	—	—	20,547	78,376	138,077	237,000
Total	3,586,692	259,794	992,895	837,920	2,110,777	139,123	7,927,201

* Each of segments are defined in segment information as follows.

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Segment revenue	Eliminations	Consolidated
	For the year ended 31 December 2020		
	RMB'000	RMB'000	RMB'000
Coke	3,586,692	—	3,586,692
Coking by-products	259,794	(236,006)	23,788
Refined chemicals	992,895	(15,267)	977,628
Energy products	837,920	(396,009)	441,911
Trading	2,110,777	(25,829)	2,084,948
Other services	139,123	(120,390)	18,733
Revenue from contracts with customers	7,927,201	(793,501)	7,133,700

5. REVENUE AND SEGMENT INFORMATION (continued)

Disaggregation of revenue from contracts with customers (continued)

	For the year ended 31 December 2019						
Segments	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Other services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service							
Sales of goods							
Coke	3,786,355	—	—	—	1,906,502	—	5,692,857
Ammonium sulphater	—	13,826	—	—	—	—	13,826
Benzene based chemicals	—	91,034	693,878	—	—	—	784,912
Coal tar based chemicals	—	237,200	533,216	—	—	—	770,416
Coal gas	—	—	—	544,979	—	—	544,979
LNG	—	—	—	232,588	43,017	—	275,605
Coal	—	—	—	—	387,909	—	387,909
Refined oil	—	—	—	—	34,149	—	34,149
Others	—	—	—	5,382	176,332	970	182,684
	3,786,355	342,060	1,227,094	782,949	2,547,909	970	8,687,337
Providing services							
Trading agency	—	—	—	—	82,806	—	82,806
Railway related storage and logistics	—	—	—	—	—	—	—
Energy supply	—	—	—	20,475	—	86,738	107,213
Others	—	—	—	—	—	1,218	1,218
	—	—	—	20,475	82,806	87,956	191,237
Total	3,786,355	342,060	1,227,094	803,424	2,630,715	88,926	8,878,574

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2019		
	Segment revenue	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000
Coke	3,786,355	—	3,786,355
Coking by-products	342,060	(328,234)	13,826
Refined chemicals	1,227,094	(12,821)	1,214,273
Energy products	803,424	(352,564)	450,860
Trading	2,630,715	(535,837)	2,094,878
Other services	88,926	(77,173)	11,753
Revenue from contracts with customers	8,878,574	(1,306,629)	7,571,945

5. REVENUE AND SEGMENT INFORMATION (continued)

Performance obligations for contracts with customers

The Group is mainly engaged the production and sales of coke, coking by-products and derivative chemical products, coal gas, LNG, trading of coke and coal and provision of Other Services for which revenue is recognised at point in time.

For sales of and trading as a principal 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 and coal as an agent, revenue is recognised at a point in time when the agent service has been completed, being when the goods have been delivered from the suppliers to the customers, and collectability of the related receivables is reasonably assured.

For railway related storage and logistics services provided, revenue is recognised at a point in time when the train loading service has been completed at the platform, being when the goods are noticed by customers for dispatching, and collectability of the related receivables is reasonably assured.

In general, for some customers with long-term relationships, the normal credit term is 30 to 60 days upon delivery. For other general customers, non-refundable prepayment from these customers 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 or providing services 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.

Segment information

Information reported to the executive 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) provision of other services including but not limited to railway related storage and logistics services, provision of water, catering and fire prevention and management services ("Other Services").

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results

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

	Sales of goods						
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Other services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2020							
External sales	3,586,692	23,788	977,628	441,911	2,084,948	18,733	7,133,700
Inter-segment sales	—	236,006	15,267	396,009	25,829	120,390	793,501
	3,586,692	259,794	992,895	837,920	2,110,777	139,123	7,927,201
Segment results	939,160	3,250	3,504	68,558	66,502	5,733	1,086,707
Other income							43,780
Other gains and losses							(7,396)
Impairment losses, under ECL model, net of reversal							(39,943)
Selling and distribution expenses							(143,483)
Administrative expenses							(115,841)
Finance costs							(61,705)
Share of result in a joint venture							2,194
Share of result in associates							(40,441)
Unallocated expenses							(11,679)
Profit before tax							712,193

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Sales of goods						
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Other services	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 ECL 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 associates							(240)
Unallocated expenses							(11,288)
Profit before tax							827,600

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 ECL model, net of reversal, selling and distribution expenses, administrative expenses, finance costs, share of result in a joint venture and share of result in associates. 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 chief operating decision maker.

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

	Sales of goods							
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Other services	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2020								
Amounts included in measure of segment results:								
Depreciation and amortisation	43,998	1,032	34,740	37,384	5,902	10,929	22,723	156,708

	Sales of goods							
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Other services	Unallocated	Total
	RMB'000	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	10,972	129,929

Entity-wide disclosures

Geographical information

During the years ended 31 December 2020 and 2019, all of the Group's revenue from external customers were generated from the PRC whereas all non-current assets are located in the PRC as at 31 December 2020 and 2019.

5. REVENUE AND SEGMENT INFORMATION (continued)

Entity-wide disclosures (continued)

Information about major customers

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

	Year ended	
	31/12/2020	31/12/2019
	RMB'000	RMB'000
Jiangxi PXSteel and its subsidiaries (Notes i and ii)	**1,037,643**	1,168,145
Maanshan Steel (Notes i and ii)	**899,875**	791,300
Customer A (Note i)	**1,092,667**	956,569
Customer B (Note i)	**737,187**	781,438

Notes:

(i) Revenue from sale of coke.

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

6. OTHER INCOME

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	RMB'000
Interest income on bank deposits	**12,568**	12,795
Interest income on bills receivables at FVTOCI	**21,439**	23,776
Release of asset-related government subsidies (Note 38)	**2,100**	1,822
Government grants	**4,414**	6,519
Dividends from financial assets at FVTPL	**3,050**	—
Others	**209**	872
	43,780	45,784

7. OTHER GAINS AND LOSSES

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Gain on fair value changes of financial assets at FVTPL	27,202	24,686
Net loss arising on bills receivables at FVTOCI	(24,705)	(27,836)
Impairment loss recognised in respect of		
– property, plant and equipment (Note 16)	(8,457)	—
– goodwill (Note 20)	—	(2,167)
(Loss) gain on disposal of property, plant and equipment	(1,152)	822
Foreign exchange gain (loss), net	449	(1,430)
Others	(733)	(1,823)
	(7,396)	(7,748)

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Impairment losses recognised (reversed) on:		
– trade receivables	(5,997)	(3,137)
– other receivables	—	400
– advance to an associate	45,940	—
	39,943	(2,737)

Details of impairment assessment are set out in Note 45.

9. FINANCE COSTS

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Interest expense on:		
– bank borrowings	51,186	51,318
– lease liabilities	636	325
– bills payables	10,068	1,392
– imputed interest for consideration payable for acquisition of business in prior years	—	1,230
	61,890	54,265
Less: amounts capitalised	(185)	—
	61,705	54,265
Capitalisation rate – per annum	5.08%	N/A

10. PROFIT BEFORE TAX

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Profit before tax has been arrived at after charging:		
Staff costs		
Directors' and supervisors' remuneration (Note 14)	**2,700**	2,880
Other staff costs	**127,251**	114,902
Other staffs' benefit (Note)	**13,305**	16,840
Total staff costs	**143,256**	134,622
Capitalised in inventories	**(95,595)**	(88,492)
Capitalised in property, plant and equipment	**(867)**	(4,292)
	46,794	41,838
Depreciation of property, plant and equipment	**132,907**	110,151
Capitalised in Inventory	**(122,986)**	(103,005)
	9,921	7,146
Depreciation of right-of-use assets	**7,637**	4,445
Amortisation of intangible assets (included in cost of sales)	**16,164**	15,333
Auditors' remuneration	**2,450**	2,200
Cost of inventories recognised as expenses	**6,046,993**	6,479,575

Note: During the year ended 31 December 2020, waiver of social benefits contribution was obtained from the local government of certain PRC established entities which led to a reduction against staff costs for the year.

11. INCOME TAX EXPENSE

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
PRC Enterprise Income Tax ("EIT")		
– current tax	**192,394**	209,278
– under-provision in prior years	**2,002**	985
Deferred tax (Note 24)	**(3,373)**	(1,910)
	191,023	208,353

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 established in the PRC is 25% for both years.

11. INCOME TAX EXPENSE (continued)

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 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Profit before tax	**712,193**	827,600
Tax charge at the applicable income tax rate of 25% (2019: 25%)	**178,048**	206,900
Tax effect of expenses not deductible for tax purposes	**2,145**	6,647
Tax effect of tax concessions (Notes i and ii)	**(1,226)**	(4,940)
Tax effect of share of results in associates and a joint venture	**9,562**	(927)
Tax effect of tax losses not recognised	**621**	—
Utilisation of tax losses previously not recognised	**(104)**	(285)
Under-provision in prior years	**2,002**	985
Others	**(25)**	(27)
Income tax expense	**191,023**	208,353

Notes:

(i) Pursuant to the relevant tax rules and regulation in the PRC, 10% revenue from Comprehensive Utilisation of Resources ("資源綜合利用") is eligible for tax deduction. During the year ended 31 December 2020, the Group had tax deduction under the scheme of RMB290,000 (2019: RMB4,940,000).

(ii) Pursuant to Income Tax Policy of Developing Western Region Enterprises ("西部大開發企業所得稅政策"), one of the group entities established in the PRC is subject to a reduced EIT tax rate of 15%.

12. OTHER COMPREHENSIVE INCOME

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Other comprehensive (expense) income includes:		
Items that may be reclassified subsequently to profit or loss:		
Fair value change arising from bills receivables at FVTOCI	**(128,382)**	(139,594)
Reclassification to profit or loss during the year upon derecognition of bills receivables at FVTOCI	**130,205**	140,508
	1,823	914

12. OTHER COMPREHENSIVE INCOME (continued)

Income tax effect relating to other comprehensive income

	Year ended 31/12/2020			Year ended 31/12/2019		
	Before-tax amount	Tax expense	Net-of-income tax amount	Before-tax amount	Tax expense	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 on:						
– bills receivables at FVTOCI	**2,430**	**(607)**	**1,823**	1,219	(305)	914

13. DIVIDENDS

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 Interim – RMB0.10 (2019: 2019 interim dividend RMB0.10) per share	**53,542**	53,542
2019 Final – RMB0.30 (2019: 2018 final dividend RMB0.35) per share	**160,626**	187,397
	214,168	240,939

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB0.20 per share (2019: RMB0.30 per share), in an aggregate amount of RMB107,084,000 (2019: 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.

The dividends declared by subsidiaries of the Company to the non-controlling shareholders amounted to RMB9,800,000 (2019: RMB18,870,000) during the year ended 31 December 2020.

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 are for services rendered as directors of the Company and its subsidiaries 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 2020					
Executive directors:					
Mr. Yiu Chiu Fai	—	—	—	—	—
Mr. Wang Mingzhong	—	541	300	24	865
Mr. Li Tianxi	—	370	200	24	594
Non-executive directors:					
Mr. Hu Xiayu	—	—	—	—	—
Mr. Qiu Quanshan (Note i)	—	—	—	—	—
Ms. Ye Ting	—	—	—	—	—
Mr. Wang Kaibao (Note i)	—	—	—	—	—
Independent non-executive directors:					
Mr. Wu Tak Lung	280	—	—	—	280
Mr. Liu Yuhui (Note ii)	50	—	—	—	50
Mr. Meng Zhihe (Note ii)	120	—	—	—	120
Mr. Cao Hongbin (Note iii)	—	—	—	—	—
Supervisors:					
Mr. Wong Tsz Leung	—	—	—	—	—
Mr. Zhang Wujun	—	227	70	15	312
Ms. Li Lijuan	—	—	—	—	—
Mr. Zhou Tao David	80	—	—	—	80
Ms. Tian Fangyuan	80	—	—	—	80
Ms. Hao Yali	—	204	100	15	319
	610	1,342	670	78	2,700

Notes:

(i) Mr. Qiu Quanshan tendered his resignation as a non-executive director with effect from 25 May 2020 whereas Mr. Wang Kaibao was appointed as a non-executive director on the same day.

(ii) Mr. Liu Yuhui tendered his resignation as an independent non-executive director with effect from 25 May 2020 whereas Mr. Meng Zhihe was appointed as an independent non-executive director on the same day.

(iii) Mr. Cao Hongbin was appointed as an independent non-executive director of the Company on 23 December 2020.

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 2019					
Executive directors:					
Mr. Yiu Chiu Fai	—	—	—	—	—
Mr. Wang Mingzhong	—	520	425	26	971
Mr. Li Tianxi	—	350	300	26	676
Non-executive directors:					
Mr. Hu Xiayu	—	—	—	—	—
Mr. Qiu Quanshan	—	—	—	—	—
Ms. Ye Ting	—	—	—	—	—
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

Certain executive directors and supervisors who did not receive emoluments during the reporting periods, also held 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 emoluments of executive directors shown above were mainly for their services in connection with the management of the affairs of the Company and the Group whereas those paid to non-executive director and independent non-executive directors were for their services as directors of the Company.

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)

Five individuals with the highest emoluments

Of the five individuals with the highest emoluments in the Group two (2019: two) were directors of the Company for the year ended 31 December 2020, whose emoluments are included in the disclosures above. The emoluments of the remaining individuals are as follows:

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Salaries, wages and allowance	1,767	1,779
Performance related bonuses	908	699
Retirement benefit	89	91
	2,764	2,569

The five individuals with the highest emoluments were within the following bands:

	Number of employees	
	2020	2019
Nil to Hong Kong Dollar ("HK$") 1,000,000	3	3
HK$1,000,001 to HK$1,500,000	2	2

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. None of the 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 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	485,472	587,202
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	535,421	535,421

15. EARNINGS PER SHARE (continued)

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

No diluted earnings per share is presented as there was not dilutive potential ordinary share in issue for the years ended 31 December 2020 and 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 2019	609,515	1,250,950	17,889	72,834	159,208	2,110,396
Addition on acquisition of business (Note 39)	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
Addition on acquisition of business (Note 39)	255,197	40,032	—	444	—	295,673
Additions	15,546	16,005	4,875	2,495	624,991	663,912
Transfer	20,577	148,525	—	4,708	(173,810)	—
Disposals	(1,999)	(4,010)	(3,054)	(78)	—	(9,141)
At 31 December 2020	**968,192**	**1,695,068**	**20,604**	**89,433**	**654,350**	**3,427,647**
Depreciation and impairment						
At 1 January 2019	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
Provided for the year	34,356	91,011	2,474	5,066	—	132,907
Impairment loss recognised in profit or loss	5,555	2,902	—	—	—	8,457
Eliminated on disposals	(486)	(3,339)	(2,906)	(62)	—	(6,793)
At 31 December 2020	**318,152**	**662,340**	**10,189**	**46,066**	**—**	**1,036,747**
Carrying values						
At 31 December 2020	**650,040**	**1,032,728**	**10,415**	**43,367**	**654,350**	**2,390,900**
At 31 December 2019	400,144	922,750	8,162	40,802	203,169	1,575,027

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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	6%-24%
Office equipment	6%-32%

Impairment assessment

On 9 December 2020, the Group initiated the phasing-out of two 4.3 metres high furnaces in support of environmental protection measures promulgated by the PRC government. The two furnaces and related facilities with carrying amount of RMB31,997,000 before impairment were ceased to use. Also, coke dry quenching, which under construction, and some coke related facilities with carrying amount of RMB165,221,000 could not achieve their original intended uses due to environmental protection measures as mentioned above. The management of the Group concluded there was indication for impairment and conducted impairment assessment on estimating the recoverable amounts of the aforementioned property, plant and equipment.

In January 2021, the Group sought to sell the two furnaces through an open bidding. The recoverable amount of these property, plant and equipment was estimated based on fair value less disposal cost by reference to the hammer price at auction of RMB23,540,000 as announced in March 2021, and thus an impairment loss of RMB8,457,000 was recognised against the carrying amount of property, plant and equipment during the year ended 31 December 2020 (2019: Nil).

The Group estimates the recoverable amount of the CGU of the Company to which the Coke dry quenching and related facilities belongs, when it is not possible to estimate the recoverable amount of these assets individually. The recoverable amount of the CGU of the Company to which the coke dry quenching and related facilities belongs, has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management of the Group covering a 5-year period with a pre-tax discount rate of 14.5%. The cash flows beyond the 5-year period are extrapolated using 3% growth rate and the forecast period is based on the expected remaining useful life of the CGU. Another key assumption underlying the value in use calculation is the budgeted gross margin, which is determined based on the CGUs' past performance and management expectations for the market development. Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU of RMB1,321,036,000 is higher than the carrying amount of RMB1,117,228,000 and no impairment loss is considered necessary on the CGU.

The management of the Group performed sensitivity analysis on key assumptions underlying the value in use calculation. The sensitivity analysis results are as follows:

Sensitivity analysis on pre-tax discount rate

	Assumption	Recoverable amount of the CGU	Impairment loss
		RMB'000	RMB'000
Basic scenario	14.5%	1,321,036	—
Sensitivity scenario	17.5%	1,190,698	—

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment assessment (continued)

The pre-tax discount rate for sensitivity scenario is determined based on an weighted average cost of capital adjusted from data of comparable companies.

Sensitivity analysis on budgeted gross margin

	Assumption	Recoverable amount of the CGU	Impairment loss
		RMB'000	RMB'000
Basic scenario	22.1%	1,321,036	—
Sensitive scenario	21.9%	1,291,755	—

The budgeted gross margins for sensitivity scenarios are determined based on the performance of the Company during the past four years.

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	120,033	1,501	121,534
Additions	22,517	1,543	24,060
Addition on acquisition of business (Note 39)	194	—	194
Lease modification	—	321	321
Depreciation charged during the year	(3,607)	(838)	(4,445)
As at 31 December 2019	139,137	2,527	141,664
Additions	336	3,794	4,130
Addition on acquisition of business (Note 39)	89,387	—	89,387
Lease modification	(60)	—	(60)
Depreciation charged during the year	(5,548)	(2,089)	(7,637)
As at 31 December 2020	**223,252**	**4,232**	**227,484**

17. RIGHT-OF-USE ASSETS (continued)

The above items of right-of-use-assets are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

Leasehold lands	2.0%-20%
Office premises	20%-50%

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Expense relating to short-term leases (Note i)	323	27
Expense relating to variable lease payment (Note ii)	244	256
Total cash outflow for leases	92,886	23,760

Notes:

(i) The short-term leases are mainly apartments rented for staff and office premises. The Group has elected the recognition exemption on short-term leases and recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term leases expenses disclosed above.

(ii) The expense relating to variable lease payment is included in the measurement of lease liabilities since the lease payments depend on an index.

For both years, the Group leases offices for its operations. Lease contracts are entered into for fixed term of 12 months to 50 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 six (2019: three) leasehold lands with carrying amount of RMB6,538,000 (2019: RMB3,093,000) 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 for production of coke. 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 the land is calculated by the purchase price of 550 kilogram of wheat. After the adjustment in 2020 (2019: 2015), the lease price is RMB244,000 (2019: RMB256,000) per year. It is expected the next price adjustment will be in the year of 2025.

Restrictions or covenants on leases

In addition, lease liabilities of RMB9,896,000 are recognised with related right-of-use assets of RMB10,770,000 as at 31 December 2020 (2019: lease liabilities of RMB5,656,000 and related right-of-use assets of RMB5,620,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. INTANGIBLE ASSETS

	Franchise right	Operating license	Total
	RMB'000	RMB'000	RMB'000
Cost			
At 1 January 2019	93,502	—	93,502
Addition on acquisition of business (Note 39)	—	22,384	22,384
At 31 December 2019	93,502	22,384	115,886
Addition on acquisition of business (Note 39)	6,951	—	6,951
At 31 December 2020	100,453	22,384	122,837
Amortisation			
At 1 January 2019	29,682	—	29,682
Charge for the year	14,841	492	15,333
At 31 December 2019	44,523	492	45,015
Charge for the year	15,045	1,119	16,164
At 31 December 2020	59,568	1,611	61,179
Carrying values			
At 31 December 2020	40,885	20,773	61,658
At 31 December 2019	48,979	21,892	70,871

The above intangible assets have finite useful lives, amortised on a straight-line basis over the following periods:

Franchise right	
– sales of coal gas	6.3 years
– railway transportation	50 years
Operating license of refined oil	20 years

19. 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
		2020	2019		
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
Shanghai Jinma	PRC	**100%**	100%	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
Shenzhen Jinma (Note i)	PRC	**51%**	51%	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.) (Note ii)	PRC	**60%**	60%	Nil/RMB10,000,000	Research and development of environmental protection technology
信陽鋼鐵金港能源有限公司 (Xinyang Steel Jingang Energy Co., Ltd.) ("Xinyang Steel") (Note iii)	PRC	**70%**	N/A	RMB200,000,000/ RMB1,000,000,000	Production and sale of coke, electricity and heat energy
Indirectly held:					
河南金瑞燃氣有限公司 (Henan Jinrui Gas Co., Ltd.)	PRC	**100%**	100%	RMB25,500,000	Sales and retail of LNG 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%**	100%	RMB500,000	Sales and retail of refined oil
武陟縣金瑞燃氣有限公司 (Wuzhi Jinrui Gas Co., Ltd.) (Note iv)	PRC	**N/A**	90%	Nil	N/A

19. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary*	Place of establishment and operations	Equity interest attributable to the Group		Paid up/ registered capital	Principal activities
		2020	2019		
河南金馬中東能源有限公司 (Henan Jinma Zhongdong Energy Co., Ltd.) ("Zhongdong Energy")	PRC	**100%**	100%	RMB1,347,000,000	Manufacturing and sale of coke
陝西金馬能源有限公司 (Shaanxi Jinma Energy Sources Co., Ltd.) ("Shaanxi Jinma") (Note iii)	PRC	**52.38%**	N/A	RMB180,000,000/ RMB210,000,000	Energy project investment and logistic project Investment
延安金能鐵路物流科技有限公司 (Yan'an Jinneng Railway Logistics Technology Co., Ltd.) ("Yan'an Jinneng") (Note iii)	PRC	**51%**	N/A	RMB320,000,000/ RMB400,000,000	Energy project investment, domestic trading, wholesale of coal and railway freight transportation
Liyuan Railway	PRC	**80%**	N/A	RMB431,975,000	Provision of multimodal transportation, warehouse and distribution services for coal products

* English name for identification only

Notes:

(i) Shenzhen Jinma was incorporated on 21 May 2019 and received RMB660,000,000 as capital contribution from its non-controlling shareholders during the year ended 31 December 2019.

(ii) This company is inactive since its incorporation on 2 August 2019.

(iii) These companies are established during the year ended 31 December 2020, and the registered capital of these companies have not been fully paid up by respective non-controlling shareholders. The committed capital contribution from each of shareholders is not in proportion to equity interest held by respective shareholder. The table below details the capital contribution from shareholders as at 31 December 2020.

	Capital contribution from		
	The Group	Non-controlling shareholders	Total
	RMB'000	RMB'000	RMB'000
Xinyang Steel	200,000	—	200,000
Shaanxi Jinma	110,000	70,000	180,000
Yan'an Jinneng	180,000	140,000	320,000
Total	490,000	210,000	700,000

(iv) This company was deregistered on 7 August 2020.

All the subsidiaries of the Company are domestic limited liability companies. None of the subsidiaries had any debt securities outstanding at 31 December 2020 and 2019 or at any time during both years.

19. PARTICULARS OF SUBSIDIARIES (continued)

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	
	2020	2019	**2020**	2019	**2020**	2019
	%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Shanghai Jinma	**N/A**	—	**N/A**	3,370	—	N/A
Jinning Energy	**49**	49	**14,664**	16,128	**66,575**	61,711
Jinrui Energy	**29**	29	**878**	5,669	**37,513**	36,635
Shenzhen Jinma	**49**	49	**10,009**	6,878	**676,887**	666,878
Xinyang Steel	**30**	N/A	**(35)**	N/A	**(35)**	N/A
Shaanxi Jinma	**47.62**	N/A	**1**	N/A	**70,001**	N/A
Yan'an Jinneng	**49**	N/A	**2,440**	N/A	**142,440**	N/A
Liyuan Railway	**20**	N/A	**7,741**	N/A	**86,984**	N/A
			35,698	32,045	**1,080,365**	765,224

Change in ownership interest in a subsidiary

During the year ended 31 December 2019, 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 intragroup eliminations.

Jinning Energy

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Current assets	**43,914**	52,913
Non-current assets	**119,938**	98,191
Current liabilities	**19,450**	12,919
Non-current liabilities	**8,534**	12,244
Net equity	**135,868**	125,941
Equity attributable to owners of the Company	**69,293**	64,230
Equity attributable to non-controlling interests	**66,575**	61,711

19. PARTICULARS OF SUBSIDIARIES (continued)

Jinning Energy (continued)

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Revenue	**326,463**	311,351
Expenses	**296,536**	278,438
Profit for the year	**29,927**	32,913
Profit and total comprehensive income attributable to		
– owners of the Company	**15,263**	16,785
– non-controlling interests	**14,664**	16,128
Profit for the year	**29,927**	32,913
Dividends declared and paid to non-controlling interests	**9,800**	14,700
Net cash inflow from operating activities	**47,315**	48,496
Net cash outflow from investing activities	**(38,492)**	(7,397)
Net cash outflow from financing activities	**(20,000)**	(30,000)
Net cash (outflow) inflow	**(11,177)**	11,099

Shenzhen Jinma and subsidiary

	31/12/2020 RMB'000	31/12/2019 RMB'000
Current assets	**1,205,962**	1,308,210
Non-current assets	**502,316**	104,485
Current liabilities	**326,508**	51,659
Non-current liabilities	**307**	—
Net equity	**1,381,463**	1,361,036
Equity attributable to owners of the Company	**704,576**	694,158
Equity attributable to non-controlling interests	**676,887**	666,878

19. PARTICULARS OF SUBSIDIARIES (continued)

Shenzhen Jinma and subsidiary (continued)

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Revenue	**2,574**	—
Other income and expense	**17,853**	14,036
Profit for the year	**20,427**	14,036
Profit and total comprehensive income attributable to		
– owners of the Company	**10,418**	7,158
– non-controlling interests	**10,009**	6,878
Profit for the year	**20,427**	14,036
Net cash (outflow) inflow from operating activities	**(22,184)**	8,813
Net cash outflow from investing activities	**(118,844)**	(88,519)
Net cash inflow from financing activities	**—**	1,347,000
Net cash (outflow) inflow	**(141,028)**	1,267,294

Yan'an Jinneng

	31/12/2020 RMB'000
Current assets	**255,600**
Non-current assets	**349,800**
Current liabilities	**280,865**
Non-current liabilities	**1,205**
Net equity	**323,330**
Equity attributable to owners of the Company	**180,890**
Equity attributable to non-controlling interests	**142,440**

19. PARTICULARS OF SUBSIDIARIES (continued)

Yan'an Jinneng (continued)

	Seven months ended 31/12/2020
	RMB'000
Revenue	738,371
Expense	735,041
Profit for the year	3,330
Profit and total comprehensive income attributable to	
– owners of the Company	890
– non-controlling interests	2,440
Profit for the year	3,330
Net cash outflow from operating activities	(173,617)
Net cash outflow from investing activities	(98,297)
Net cash inflow from financing activities	320,000
Net cash inflow	48,086

Liyuan Railway

	31/12/2020
	RMB'000
Current assets	27,114
Non-current assets	390,287
Current liabilities	8,582
Non-current liabilities	2,761
Net equity	406,058
Equity attributable to owners of the Company	319,074
Equity attributable to non-controlling interests	86,984

19. PARTICULARS OF SUBSIDIARIES (continued)

Liyuan Railway (continued)

	Seven months ended 31/12/2020
	RMB'000
Revenue	31,397
Other income and expense	21,552
Profit for the year	9,845
Profit and total comprehensive income attributable to	
– owners of the Company	2,104
– non-controlling interests	7,741
Profit for the year	9,845
Net cash inflow from operating activities	426
Net cash outflow from investing activities	(286)
Net cash inflow from financing activities	—
Net cash inflow	140

20. GOODWILL

	Jinning Energy	Liyuan Railway	Gas Stations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January 2019	8,001	—	—	8,001
Addition on acquisition of business (Note 39)	—	—	3,068	3,068
At 31 December 2019	8,001	—	3,068	11,069
Addition on acquisition of business (Note 39)	—	29,392	—	29,392
At 31 December 2020	8,001	29,392	3,068	40,461
Impairment				
At 1 January 2019	—	—	—	—
Impairment loss recognised in the year	—	—	(2,167)	(2,167)
At 31 December 2019 and 2020	—	—	(2,167)	(2,167)
Carrying values				
At 31 December 2020	8,001	29,392	901	38,294
At 31 December 2019	8,001	—	901	8,902

20. GOODWILL (continued)

Impairment assessment on goodwill

For the purposes of impairment testing, goodwill has been allocated to four (2019: three) individual CGUs, comprising one subsidiary engaged in distribution and sales of coal gas, one subsidiary engaged in railway related storage and logistics services 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	
	31/12/2020	31/12/2019
	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**	253
Retail of refined oil – Liandong Gas Station (Unit C)	**648**	648
Railway related storage and logistics services – Liyuan Railway (Unit D)	**29,392**	N/A
	38,294	8,902

In addition to goodwill above, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment. The carrying values of the operating license of refined oil are determined and allocated to Unit B and Unit C based on the purchase price allocation exercise.

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 (2019: 5-year period).

Impairment testing on goodwill

The following table sets out the key assumptions for the value in use calculation of the CGUs that have impact on valuation of goodwill.

	Unit A	Unit B	Unit C	Unit D
Pre-tax discount rate				
31 December 2020	**28.5%**	**19.4%**	**19.7%**	**10.80%**
31 December 2019	28.5%	19.4%	19.7%	N/A
Long-term growth rate				
31 December 2020	**2%**	**3%**	**3%**	**2.7%**
31 December 2019	2%	3%	3%	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.

20. GOODWILL (continued)

Impairment testing on goodwill (continued)

Cash flows beyond the 5-year period (2019: 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 2020, management of the Group determines that there is no impairment on Unit B (2019: RMB2,167,000). The recoverable amount of Unit B exceeds its carrying amount by RMB1,386,000. If the discount rate had been changed to 20.8%, while other parameters remain constant, the recoverable amount of Unit B would equal its carrying amount.

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 2020, management of the Group determines that there is no impairment on Unit C (2019: nil). The recoverable amount of Unit C exceeds its carrying amount by RMB1,511,000 (2019: RMB575,000). If the discount rate had been changed to 22.0% (2019: 20.1%), while other parameters remain constant, the recoverable amount of Unit C would equal its carrying amount.

During the year ended 31 December 2020, management of the Group determines that there is no impairment on Unit D. The recoverable amount of Unit D exceeds its carrying amount by RMB118,521,000. If the discount rate had been changed to 13.1%, while other parameters remain constant, the recoverable amount of Unit D would equal its carrying amount.

21. INTEREST IN A JOINT VENTURE

	31/12/2020	31/12/2019
	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	7,168	4,974
	56,168	53,974

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
			2020	2019	
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

21. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information in respect of the Group's joint venture is set out below. The summarised 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.

	31/12/2020 RMB'000	31/12/2019 RMB'000
Current assets	18,039	26,510
Non-current assets	135,541	146,966
Current liabilities	28,135	32,266
Non-current liabilities	10,817	31,059
The above amounts of assets and liabilities include the followings:		
Cash and cash equivalents	8,629	9,950
Non-current financial liabilities (excluding trade and other payables)	10,000	20,000

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Revenue	151,440	153,280
Profit and total comprehensive income for the year	4,477	8,058
Dividend receivable from the joint venture	4,900	4,900

The above profit for the year includes the following:

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Depreciation	16,438	16,282
Interest income	18	69
Interest expense	1,139	2,047
Income tax expense (Note)	—	—

Note: Pursuant to the relevant tax rules and regulation in the PRC, revenue from Comprehensive Utilisation of Resources is eligible for tax deduction.

21. INTEREST IN A JOINT VENTURE (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in consolidated financial statements.

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Net assets	114,628	110,151
Proportion of the Group's ownership interest in the joint venture	49%	49%
Carrying amount of the Group's interest in the joint venture	56,168	53,974

22. INTERESTS IN ASSOCIATES/ADVANCE TO AN ASSOCIATE

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Cost of unlisted investment in associates	43,210	41,460
Share of post-acquisition results	(40,950)	(509)
	2,260	40,951
Advance to an associate (Note)	15,000	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 impairment assessment of advance to an associate are set out in Note 45.

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	Registered capital	Proportion of ownership interest/voting rights attributable to the Group 2020	2019	Principal activities
Yilong Coal	PRC	RMB80,000,000	33%	33%	Mining and sale of coal
Yan'an Energy Railway Transportation Co., Ltd. ("Yan'an Railway") 延安能源鐵路運銷有限公司	PRC	RMB50,000,000	35%	N/A	Energy project investment, domestic trading and wholesale of coal

* English name for identification only

Yan'an Railway was established in 21 May 2020, and the proportion of ownership interest in Yan'an Railway by Shanghai Jinma is 35%. Yan'an Railway is mainly engaged in coal trading business.

22. INTERESTS IN ASSOCIATES/ADVANCE TO AN ASSOCIATE (continued)

As at 31 December 2020, Yilong Coal has operated for one year and achieved its target mining yield. However due to high mining costs and staff cost, Yilong Coal was loss-making during the year ended 31 December 2020. Based on the operation results, impairment loss on property, plant and equipment, right-of-use assets, and intangible assets was recognised by Yilong Coal.

Summarised financial information in respect of the Group's associates are set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs.

The associates are accounted for using the equity method in the consolidated financial statements.

Yilong Coal

	31/12/2020 RMB'000	31/12/2019 RMB'000
Current assets	40,579	20,350
Non-current assets	19,067	1,446,562
Current liabilities	1,231,787	1,363,042
Non-current liabilities	765	25,412

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Revenue	182,411	—
Impairment loss recognised in respect of non-current assets	(1,209,373)	—
Loss and total comprehensive expenses for the year	(1,251,363)	(727)

Reconciliation of the above summarised financial information of the carrying amount of the interest in Yilong Coal recognised in the consolidated financial statements.

	31/12/2020 RMB'000	31/12/2019 RMB'000
Net (liabilities) assets	(1,172,906)	78,458
Proportion of the Group's ownership interest in the associate	33%	33%
	(387,059)	25,891
Additional investment cost in the associate	15,060	15,060
Carrying amounts of the Group's interest in the associate	—	40,951

22. INTERESTS IN ASSOCIATES/ADVANCE TO AN ASSOCIATE (continued)

Yilong Coal (continued)

During the year ended 31 December 2020, the Group recognised result of Yilong Coal using the equity method of accounting and up to the losses at its proportional ownership interest in the associate. The Company recognised share of loss in Yilong Coal of RMB40,951,000 for the year (2019: RMB240,000), and unrecognised loss exceeding the proportional ownership interest in Yilong Coal for the year is RMB371,999,000 (2019: nil).

Yan'an Railway

	31/12/2020 RMB'000
Current assets	101,144
Non-current assets	422
Current liabilities	95,809
Non-current liabilities	—

	Year ended 31/12/2020 RMB'000
Revenue	2,942
Profit and total comprehensive income for the year	1,457

22. INTERESTS IN ASSOCIATES/ADVANCE TO AN ASSOCIATE (continued)

Yan'an Railway (continued)

Reconciliation of the above summarised financial information of the carrying amount of the interest in Yan'an Railway recognised in the consolidated financial statements.

	31/12/2020
	RMB'000
Net assets	5,757
Proportion of the Group's ownership interest in the associate	35%
	2,015
Others (note)	245
Carrying amounts of the Group's interest in the associate	2,260

Note: Adjustment was made for committed capital from other investors which have not been fully paid up to 31 December 2020.

23. FINANCIAL ASSETS AT FVTPL

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Financial assets measured at FVTPL:		
Listed securities held through a trust		
– Equity securities listed in the Stock Exchange (Note i)	31,751	36,233
Financial assets at FVTPL		
– Structured deposits (Note ii)	28,056	—
	59,807	36,233
Analysed for reporting purposes as:		
Current assets	59,807	—
Non-current assets	—	36,233
	59,807	36,233

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 through a trust with sole investment. The investee company is engaged in the production and sales of coke and coking products. Subsequent to the end of reporting period, the entire investment was disposed by the trust under the Company's instruction and the total consideration is expected to be received by the Group within 12 months.

(ii) The balance comprising (a) RMB16,014,000 placed in the bank with the expected yield rate stipulate in the contract which set at floating and linked with the spot exchange rate of the United States dollar against Canadian dollar; (b) RMB12,042,000 with a flexible maturity period for no more than one year with the yield rate stipulate in the contract which set at floating and linked with performance of the underlying assets.

24. 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	Accelerated tax depreciation and temporary difference on deductible expenses	Fair value change of bills receivables at FVTOCI and assets at FVTPL	Unrealised profits	Fair value adjustments upon acquisition of business	Deferred revenue	Impairment of property, plant and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	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)	(1,109)	(1,343)	4,693	4,327	—	1,910
Charge to other comprehensive income	—	—	—	(305)	—	—	—	—	(305)
Acquisition	—	—	—	—	—	(433)	—	—	(433)
At 31 December 2019	530	1,812	—	1,989	1,418	(17,720)	5,994	—	(5,977)
(Charge) credit to profit or loss	(373)	9,995	(12,932)	1,373	574	3,147	(525)	2,114	3,373
Charge to the comprehensive income	—	—	—	(607)	—	—	—	—	(607)
Acquisition (note 39(a))	—	—	—	—	—	6,380	—	—	6,380
At 31 December 2020	**157**	**11,807**	**(12,932)**	**2,755**	**1,992**	**(8,193)**	**5,469**	**2,114**	**3,169**

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:

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Deferred tax assets	**31,158**	13,721
Deferred tax liabilities	**(27,989)**	(19,698)
	3,169	(5,977)

As at 31 December 2020, the Group had unused tax losses of RMB2,484,000 (2019: RMB416,000) 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 (2019: 5 years) from the year of origination.

At 31 December 2020 and 2019, the Group had no other material unrecognised deductible temporary differences.

25. INVENTORIES

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Raw materials	262,401	205,242
Finished goods	108,544	108,795
	370,945	314,037

26. TRADE AND OTHER RECEIVABLES

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Trade receivables – contract with customers	93,573	131,821
Less: Allowance for ECL	(1,288)	(7,285)
	92,285	124,536
Other receivables	7,018	10,245
Less: Allowance for ECL	—	—
	7,018	10,245
Prepayments to suppliers	103,976	72,056
Prepaid other taxes and charges	88,488	56,477
Refundable deposits	1,451	62,896
Dividend receivable from a joint venture	4,900	4,900
	298,118	331,110

As at 1 January 2019, the carrying amount of trade receivables net of allowance for ECL from contracts with customers amounted to RMB78,024,000.

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:

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Within 90 days	70,504	95,549
91 – 180 days	21,781	28,987
	92,285	124,536

26. TRADE AND OTHER RECEIVABLES (continued)

The normal credit term to the customers is ranged between 30 to 60 days. As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB21,781,000 (2019: RMB35,677,000) which are past due as at the reporting date. Out of the past due balances, RMB1,288,000 (2019: RMB6,827,000) 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.

Details of impairment assessment of trade and other receivables are set out in Note 45.

27. AMOUNT DUE FROM A SHAREHOLDER

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Trade nature		
Maanshan Steel	**11,770**	20,202

The amounts in trade nature are receivables from contracts with customers.

The balance at 1 January 2019 amounted to RMB196,000.

The normal credit term is 30 to 60 days. The amount due from a shareholder in trade nature is aged within 90 days based on invoice date, none of the balance is past due as at 31 December 2020 and 2019.

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 45.

28. AMOUNTS DUE FROM RELATED PARTIES

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Trade nature		
Jiangxi PXSteel's subsidiaries	8,095	13,413
Jiyuan Fangsheng Chemicals Co., Ltd.* ("Fangsheng Chemicals") 濟源市方升化學有限公司 (Note i)	3	21
Jiyuan Yungong Logistics Co., Ltd.* ("Yungong Logistics") 濟源雲工物流有限責任公司 (Note ii)	N/A	8,425
Yan'an Railway (Note iii)	105,162	N/A
	113,260	21,859

* English name for identification only

Notes:

(i) The entity is controlled by a shareholder of the Company. The balance is prepayment for purchase of materials.

(ii) As at 31 December 2019, the key management personnel of the entity was one of key management personnel of the Company. The directors of the Company were of opinion that the entity was a related party of the Group. During the year ended 31 December 2020, due to personnel changes, Yungong Logistics ceased to be a related party of the Group as at 31 December 2020. The balance at 31 December 2019 included prepayment for provision of shipping services amounted to RMB3,899,000.

(iii) Yan'an Railway is mainly engaged in the provision of services in trading of coal as an agent. The amounts due from Yan'an Railway are trade receivables to be collected from end customers through the agent.

The balance at 1 January 2019 amounted to RMB40,762,000.

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 and provision of shipping services), presented based on invoice date at the end of the reporting period.

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Within 90 days	113,257	15,687
91-180 days	—	1,110
181 – 360 days	—	1,142
	113,257	17,939

The normal credit term to the customers is ranged between 30 to 60 days. None of the balance is past due as at 31 December 2020 and 2019.

The Group does not hold any collateral over these balances.

Detail of impairment assessment of amounts due from related parties are set out in Note 45.

29. BILLS RECEIVABLES AT FVTOCI

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Bills receivables	842,274	927,353

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 2020 and 2019, 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 ECL are considered as insignificant.

Details of impairment assessment are set out in Note 45.

30. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

Restricted bank balances and bank balances carry interest at prevailing market interest rates ranging from 0.30% to 2.70% (2019: from 0.35% to 3.05%) per annum as at 31 December 2020.

The Group's restricted bank balances were pledged to banks for issuing bills.

31. BORROWINGS

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Bank borrowings	861,700	1,043,520
Secured	8,200	132,020
Unsecured	853,500	911,500
	861,700	1,043,520
Fixed-rate borrowings	562,200	559,000
Floating-rate borrowings	299,500	484,520
	861,700	1,043,520
Carrying amount repayable: (based on scheduled payment terms)		
Within one year	501,700	677,600
More than one year, but not more than two years	255,000	90,100
More than two years, but not more than five years	105,000	275,820
	861,700	1,043,520
Less: Amount due for settlement within 12 months shown under current liabilities	(501,700)	(677,600)
Amount due for settlement after 12 months shown under non-current liabilities	360,000	365,920

The ranges of effective interest rate of the Group's borrowings are:

	31/12/2020	31/12/2019
Effective interest rate per annum:		
– Fixed-rate borrowings	4.61%-6.30%	4.61%-6.75%
– Floating-rate borrowings	3.72%-6.30%	4.79%-6.30%

32. TRADE AND OTHER PAYABLES

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Trade payables	299,593	377,381
Bills payables	549,953	253,530
	849,546	630,911
Salaries and wages payables	29,166	23,918
Other tax payables	18,211	6,058
Consideration payable for purchase of property, plant and equipment	241,205	230,224
Accruals	5,801	5,753
Consideration payable for acquisition of business	252,267	4,472
Refundable deposit from suppliers	4,230	2,303
Other payables	6,603	5,733
	557,483	278,461
	1,407,029	909,372

The normal credit term to the Group is ranged between 30 to 60 days.

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

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Within 90 days	799,469	611,438
91 – 180 days	15,430	9,995
181 – 365 days	11,356	4,452
Over 1 year	23,291	5,026
	849,546	630,911

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 at FVTOCI.

33. AMOUNTS DUE TO RELATED PARTIES

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Trade nature		
Yungong Logistics	N/A	89
Jinjiang Refinery	114	108
Jiyuan Mingtai Industrial Co., Ltd* ("Jiyuan Mingtai") 濟源銘泰實業有限公司 (Note)	760	—
Fangsheng Chemicals	337	—
	1,211	197

* English name for identification only.

Note: A close family member of a key management personnel of the Company has significant influence over this entity.

33. AMOUNTS DUE TO RELATED PARTIES (continued)

The normal credit term to the Group is ranged between 30 to 60 days.

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:

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Within 90 days	451	108
181 - 365 days	760	—
Over 365 days	—	89
	1,211	197

34. CONTRACT LIABILITIES

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Sales of goods	49,851	66,219

As at 1 January 2019, contract liabilities amounted to RMB87,967,000.

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.

The significant decrease (2019: decrease) in contract liabilities in the current year is the result of the decrease (2019: decrease) in number of unsatisfied contracts at the end of the year.

35. LEASE LIABILITIES

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Within one year	2,962	1,640
Within a period of more than one year but not more than two years	3,304	1,455
Within a period of more than two years but not more than five years	1,860	673
Within a period of more than five years	1,770	1,888
	9,896	5,656
Less: Amount due for settlement within 12 months shown under current liabilities	(2,962)	(1,640)
Amount due for settlement after 12 months shown under non-current liabilities	6,934	4,016

The weighted average incremental borrowing rates applied to lease liabilities range from 5.51% to 5.96% (2019: from 5.88% to 5.96%) per annum.

36. RETIREMENT BENEFIT COSTS

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised 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 2020 are RMB5,531,000 (2019: RMB8,445,000).

37. SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	**2020**	2019
	'000	'000	**RMB'000**	RMB'000
Issued and fully paid				
Ordinary shares of RMB1 each				
At beginning and end of year	**535,421**	535,421	**535,421**	535,421

38. DEFERRED REVENUE

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Assets-related government subsidies	**21,876**	23,976

During the year ended 31 December 2019, the Group received RMB19,132,000 in relation to incentives for certain plants and equipment acquired by the Group. The amounts were recorded as deferred revenue and released to profit or loss on a systematic basis over the useful lives of the relevant assets. During the year ended 31 December 2020, no subsidy was received by the Group whilst subsidy income of approximately RMB2,100,000 (2019: RMB1,822,000) was released to profit or loss.

39. ACQUISITION OF A SUBSIDIARY/BUSINESS

(a) Acquisition of Liyuan Railway

On 31 May 2020, the Group acquired 80% interest in Liyuan Railway from an independent third party for cash consideration of RMB346,363,000. Liyuan Railway is principally engaged in railway related storage and logistics services and was acquired with the objective of improving the Group's downstream distribution. The acquisition was completed on 31 May 2020, also the date the Group obtained the control of Liyuan Railway. The acquisition has been accounted for as acquisition of business using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB29,392,000.

Acquisition-related costs amounting to RMB604,000 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.

Fair value of assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Current assets	
Inventories	2,276
Trade and other receivables	38,154
Bank balances and cash	665
Non-current assets	
Property, plant and equipment	295,673
Right-of-use assets	89,387
Intangible assets – franchise right of railway transportation	6,951
Deferred tax assets	6,380
Current liabilities	
Trade and other payables	32,565
Payables to a non-controlling shareholder	6,228
Contract liabilities	1,769
Lease liabilities	49
Non-current liabilities	
Lease liabilities	2,661
	396,214

The trade and other receivables acquired (which principally comprised trade receivable) with a fair value of RMB38,154,000 at the date of acquisition had gross contractual amounts of RMB38,154,000. It was estimated that the fair value and the gross contractual cash flows were expected to be collected.

Non-controlling interests

The non-controlling interests (20%) in Liyuan Railway recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Liyuan Railway and amounted to RMB79,243,000.

39. ACQUISITION OF A SUBSIDIARY/BUSINESS (continued)

(a) Acquisition of Liyuan Railway (continued)

Goodwill arising on acquisition

	RMB'000
Consideration at fair value:	
– cash transferred	97,318
– included in trade and other payables (Note)	249,045
	346,363
Plus: non-controlling interests (20% in Liyuan Railway)	79,243
Less: recognised amount of identifiable net assets acquired	(396,214)
Goodwill arising on acquisition	29,392

Note: The directors of the Company are of view that the consideration payable will be settled within 12 months from the date of the end of the reporting period.

Goodwill arose on the acquisition of Liyuan Railway because the railway related business can improve performance of Trading segment of the Group and bring in integration effect, considering the location and storage capacity which connect and provide convenience for suppliers in the Northwestern region of the PRC. 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 outflow on acquisition of Liyuan Railway

	RMB'000
Cash consideration paid	97,318
Less: cash and cash equivalent balances acquired	(665)
	96,653

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB9,845,000 attributable to the additional business generated by Liyuan Railway. Revenue for the year includes RMB31,397,000 generated from Liyuan Railway.

Had the acquisition of Liyuan Railway been completed on 1 January 2020, revenue for the year of the Group would have been RMB7,151,548,000, and profit for the year of the Group would have been RMB527,204,000. The "pro-forma" information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had Liyuan Railway been acquired at the beginning of the current year, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

39. ACQUISITION OF A SUBSIDIARY/BUSINESS (continued)

(b) Acquisition of Ouya Gas Station

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.

Fair value of 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 payables	(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.

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

39. ACQUISITION OF A SUBSIDIARY/BUSINESS (continued)

(b) Acquisition of Ouya Gas Station (continued)

Goodwill arising on acquisition (continued)

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 were 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 was 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 ended 31 December 2019 was loss of RMB2,763,000 attributable to Ouya Gas Station. Revenue for the year ended 31 December 2019 included RMB13,120,000 generated from Ouya Gas Station.

(c) Acquisition of Liandong Gas Station

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.

39. ACQUISITION OF A SUBSIDIARY/BUSINESS (continued)

(c) Acquisition of Liandong Gas Station (continued)

Fair value of 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 were 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 was 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 ended 31 December 2019 was RMB958,000 loss attributable to the additional business generated by Ouya Gas Station. Revenue for the year ended 31 December 2019 included RMB2,729,000 generated from Liandong Gas Station.

40. CAPITAL COMMITMENTS

	31/12/2020	31/12/2019
	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	897,930	462,836

41. 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, including banks borrowings and bills payables granted to the Group:

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Right-of-use assets	800	18,557
Restricted bank balances	392,458	74,887
Bills receivables at FVTOCI	102,996	109,102
	496,254	202,546

42. 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:

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Endorsed bills for settlement of payables	2,430,853	2,685,318
Discounted bills for raising cash	183,633	180,846
Outstanding endorsed and discounted bills receivables with recourse	2,614,486	2,866,164

The outstanding endorsed and discounted bills receivables are with maturities no more than 6 months.

43. RELATED PARTIES' AND CONNECTED PARTIES' 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 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Sales of products and services to:		
Jiangxi PXSteel's subsidiaries	**1,037,643**	1,168,145
Maanshan Steel	**899,875**	791,300
Jinjiang Refinery	**118,049**	83,165
Yilong Coal	**270**	—
Fangsheng Chemicals	**21**	24
Yungong Logistics	**N/A**	10,872
Purchase of raw materials and services from:		
Fangsheng Chemicals	**6,001**	5,950
Jiyuan Mingtai	**5,982**	—
Jinjiang Refinery	**5,523**	4,833
Yan'an Railway	**2,942**	N/A
Yungong Logistics	**N/A**	74

43. RELATED PARTIES' AND CONNECTED PARTIES' TRANSACTIONS (continued)

(b) Compensation of key management personnel

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

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	RMB'000
Salaries and allowance	3,923	3,699
Performance related bonuses	2,128	2,499
Retirement benefit	234	235
	6,285	6,433

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.

44. 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 optimisation 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.

45. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Financial assets		
Financial assets at FVTPL		
– Listed securities held through trust	**31,751**	36,233
– Structured deposits	**28,056**	—
Bills receivables at FVTOCI	**842,274**	927,353
Financial assets at amortised cost		
– Bank balances and cash	**1,355,149**	1,697,816
– Restricted bank balances	**392,458**	74,887
– Trade and other receivables*	**105,654**	202,577
– Amount due from a shareholder	**11,770**	20,202
– Amounts due from related parties**	**113,257**	17,939
– Advance to an associate	**15,000**	60,940

* Excluded prepayments to suppliers and prepaid other taxes and charges.

** Excluded prepayments.

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Financial liabilities		
Amortised cost		
– Borrowings	**861,700**	1,043,520
– Trade and other payables*	**1,353,851**	873,643
– Amounts due to related parties	**1,211**	197

* Excluded salaries and wages payables, other tax payables, accruals.

45. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include advance to an associate, trade and other receivables, amounts due from/to a shareholder/related parties, financial assets at FVTPL, bills receivables at FVTOCI, restricted bank balances, bank balances, trade and other payables, dividend receivable from a joint venture 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.

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 certain interest-bearing restricted bank balances, bills receivables at FVTOCI and borrowings and lease liabilities, all bear fixed interest rates. The Group is also exposed to cash flow interest rate risk in relation to certain bank balances and borrowings at floating interest rates. The Group currently does not have an interest rate hedging policy. There are no concentration on the Group's interest rate risks. 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 RMB1,123,000 (2019: RMB1,817,000) for the year ended 31 December 2020. This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings as at 31 December 2020 and 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 directors' 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.

45. FINANCIAL INSTRUMENTS (continued)

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 RMB320,000 (2019: RMB1,358,000) for the year ended 31 December 2020.

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.

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:

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Assets		
Bank balances and cash – HK$	9,664	10,190

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 31/12/2020	Year ended 31/12/2019
	RMB'000	RMB'000
Increase in post-tax profit	362	382

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.

45. FINANCIAL INSTRUMENTS (continued)

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. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade-related Receivables arising from contracts with customers

The Group mainly conducts 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 2020, the Group has concentration of credit risk resulting from the Group's the five largest customers contributed to the Group's revenue during the year. The percentage of Trade-related Receivables attributable to these five largest customers amounted to 11% (2019: 27%).

As at 31 December 2020, the Group also has concentration of credit risk in respect of the five largest outstanding balances, i.e. approximately 71% (2019: 63%) of total Trade-related Receivables outstanding balances.

The Group had concentration of credit risk by geographical location as Trade-related Receivables, bills receivables at FVTOCI, restricted bank balances and bank balances comprise various debtors which are all located in the PRC as at 31 December 2020 and 2019.

Except for debtors that credit-impaired with internal credit rate of loss are assessed for impairment individually, the remaining Trade-related Receivables are assessed collectively following lifetime ECL (not credit-impaired) based on shared credit risk characteristics by reference to the Group's internal credit ratings. No impairment (2019: RMB1,046,000) is recognised and an amount of RMB5,997,000 (2019: RMB4,183,000) is reversed during the year. Details of the quantitative disclosures are set out below.

45. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Other receivables, refundable deposits and dividend receivable from a joint venture

For other receivables, refundable deposits and dividend receivable from a joint venture, 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. There was no impairment allowance recognised during the year ended 31 December 2020, whilst the Group recognised impairment allowance, net of reversal, of RMB400,000 during the year ended 31 December 2019.

Advance to an associate

The Group regularly monitors the business performance of the associate. The Group's credit risks in the balance is mitigated through 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. Impairment of RMB45,940,000 (2019: nil) is recognised on advance to an associate during the current year.

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. ECL on bank balances and restricted bank balances was insignificant in the profit or loss during the year ended 31 December 2019 and 2020.

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 financial instruments. During the year ended 31 December 2019 and 2020, ECL on bills receivables at FVTOCI was insignificant in the profit or loss.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade-related Receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amount	Lifetime ECL – not credit-impaired
Watch list	Debtor frequently repays after due dates but usually settle in full	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

45. 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:

	External credit rating	Internal credit rating	12m or lifetime ECL	31/12/2020 Gross Carrying amount	31/12/2019 Gross Carrying amount
				RMB'000	RMB'000
Bills receivables at FVTOCI					
Bills receivables	AAA - A	N/A	12m ECL	842,274	927,353
Financial assets at amortised costs					
Trade-related Receivables	N/A	Low risk	Lifetime ECL (not credit impaired)	191,291	132,838
		Watch list	Lifetime ECL (not credit impaired)	26,021	30,297
		Loss	Credit-impaired	1,288	6,827
				218,600	169,962
Bank balances and restricted bank balances	AA+	N/A	12m ECL	1,747,607	1,772,703
Advance to an associate	N/A	Low risk	12m ECL	—	60,940
		Loss	Credit-impaired	60,940	—
				60,940	60,940
Other receivables/refundable deposits dividend receivable from a joint venture	Note	Low risk	12m ECL	13,369	78,041

Note: 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 sales of goods. The following table provides information about the exposure to credit risk for not credit-impaired Trade-related Receivables which are assessed based on a collective basis under lifetime ECL model. Credit-impaired debtors with gross carrying amounts of RMB1,288,000 respectively as at 31 December 2020 (2019: RMB6,827,000) were assessed individually.

45. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Gross carrying amount

Internal credit rating	31/12/2020 Average loss rate	31/12/2020 Trade-related Receivables RMB'000	31/12/2020 ECL (not credit-impaired) RMB'000	31/12/2019 Average loss rate	31/12/2019 Trade-related Receivables RMB'000	31/12/2019 ECL (not credit-impaired) RMB'000
Low risk	0.05%	191,291	—*	0.16%	132,838	217
Watch list	0.80%	26,021	—*	0.80%	30,297	241
		217,312	—		163,135	458

* The amount of ECL loss is immaterial for the year ended 31 December 2020.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and 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-Related Receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	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
– Impairment losses recognised	—	—	—
– Impairment losses reversed	(458)	(5,539)	(5,997)
At 31 December 2020	—	1,288	1,288

No lifetime ECL has been recognised on amounts due to a shareholder/related parties in trade nature based on the collective assessment under lifetime ECL model.

45. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Changes in the loss allowance for Trade-related Receivables are mainly due to:

	2020		2019	
	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-related Receivables with a gross carrying amount of nil (2019: RMB588,000) defaulted and transferred to credit-impaired	—	—	—	588
Settlement in full of Trade-related Receivables with a gross carrying amount of RMB168,674,000 (2019: RMB21,125,000)	(458)	(5,539)	(29)	(4,154)
New Trade-related Receivables with gross carrying amount of RMB217,312,000 (2019: RMB163,135,000)	—	—	458	—

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 2019	3,888
– Impairment losses recognised	400
– Write-offs	(4,288)
At 31 December 2019	—
– Impairment losses recognised	—
– Write-offs	—
At 31 December 2020	—

45. 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 2020, the Group had unutilised bank facilities of approximately RMB301,300,000 (2019: RMB380,500,000).

The following tables detail the Group's remaining contractual maturity for its financial liabilities and lease 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 2020					
	Weighted average-interest rate	Carrying amounts	On demand or within 6 months	6 months to 1 year	1 year to to 5 years	>5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.61%-6.30%	861,700	309,718	223,489	380,534	—	913,741
Lease liabilities	5.51%-5.96%	9,896	2,164	907	5,883	3,202	12,156
Trade and other payables	N/A	1,353,851	1,353,851	—	—	—	1,353,851
Amounts due to related parties	N/A	1,211	1,211	—	—	—	1,211
		2,226,658	1,666,944	224,396	386,417	3,202	2,280,959

		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 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 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

45. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

Some of the Group's financial assets 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 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 categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2020	**31/12/2019**		
Listed securities held through trust at FVTPL	**Assets – RMB31,751,000**	Assets – RMB36,233,000	Level 2	Quoted bid prices in an active market adjusted for deductible trust fees.
Bills receivables at FVTOCI	**Assets – RMB842,274,000**	Assets – RMB927,353,000	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	**Assets – RMB28,056,000**	Nil	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the contract and available market.

There were no transfers between Level 1 and 2 during the year.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management considers that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements approximate their fair values.

46. 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.

	Borrowings	Lease liabilities	Interest payable on bills payables (included in bill payables)	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	833,620	4,516	—	—	838,136
Financing cash flows (Note)	158,582	(1,164)	(1,392)	(261,239)	(105,213)
Dividend declared	—	—	—	259,809	259,809
Exchange adjustments	—	—	—	1,430	1,430
New leases entered/lease modified	—	1,863	—	—	1,863
Acquisition of a subsidiary/ business	—	116	—	—	116
Finance costs recognised	51,318	325	1,392	—	53,035
At 31 December 2019	1,043,520	5,656	—	—	1,049,176
Financing cash flows (Note)	(232,821)	(3,176)	(10,068)	(223,062)	(469,127)
Dividend declared	—	—	—	223,968	223,968
Exchange adjustments	—	—	—	(906)	(906)
New leases entered/lease modified	—	4,070	—	—	4,070
Acquisition of a subsidiary/ business	—	2,710	—	—	2,710
Finance costs recognised	51,001	636	10,068	—	61,705
At 31 December 2020	861,700	9,896	—	—	871,596

Note: The cash flows represent new borrowings raised, the repayment of borrowings, interest paid, repayments of lease liabilities and dividend paid in the consolidated statement of cash flows.

47. EVENTS AFTER THE REPORTING PERIOD

On 28 January 2021, the Company and Shanghai Hyfun Energy Technology Co., Ltd. ("Shanghai Hyfun") 上海氫楓能源技術有限公司, an independent third party, entered into an agreement to establish a joint venture company ("JV Company") in Henan province in the PRC. The Company has agreed to contribute RMB160,000,000 to the JV Company, representing 80% of the total capital contributions. Following the completion of the capital injections, the JV Company will be held as to 80% by the Company and be accounted for as a subsidiary of the Company.

On 10 March 2021, Zhongdong Energy has received from Jiyuan Natural Resources Bureau 濟源自然資源局 the executed Land Use Rights Grant Contract 土地使用權出讓合同 in respect of the acquisition of the land use rights of the Land for a total consideration of RMB99,261,000. The Group's expansion plan involving the construction of two advanced coking furnaces (with a height of 7.65 metres with an aggregate production capacity of 1.8 million tonnes of coke per annum). With a view to implement the expansion plan, the Group is required to acquire additional land for the construction of such new furnaces.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2020	31/12/2019
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,076,573	987,095
Right-of-use assets	72,653	46,608
Investments in subsidiaries	1,233,158	1,033,158
Interest in a joint venture	49,000	49,000
Interest in an associate	—	41,460
Advance to an associate	15,000	60,940
Financial assets at FVTPL	—	36,233
Deferred tax assets	28,858	5,467
Deposit for acquisition of property, plant and equipment	9,555	14,264
	2,484,797	2,274,225
CURRENT ASSETS		
Inventories	233,171	200,876
Trade and other receivables	79,250	81,528
Amount due from a shareholder	11,770	20,202
Amounts due from subsidiaries	320,465	109,601
Amounts due from related parties	8,095	17,330
Financial assets at FVTPL	59,807	—
Bills receivables at FVTOCI	659,572	785,373
Restricted bank balances	4,115	13,160
Bank balances and cash	192,304	356,504
	1,568,549	1,584,574

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	31/12/2020	31/12/2019
	RMB'000	RMB'000
CURRENT LIABILITIES		
Borrowings	487,500	630,000
Trade and other payables	484,479	479,621
Amounts due to related parties	337	—
Amounts due to subsidiaries	23,140	1,778
Contract liabilities	18,059	40,140
Lease liabilities	7,346	749
Tax payable	16,944	8,359
	1,037,805	1,160,647
NET CURRENT ASSETS	530,744	423,927
TOTAL ASSETS LESS CURRENT LIABILITIES	3,015,541	2,698,152
CAPITAL AND RESERVES		
Share capital	535,421	535,421
Reserves	2,094,800	1,866,979
TOTAL EQUITY	2,630,221	2,402,400
NON-CURRENT LIABILITIES		
Borrowings	339,000	281,500
Lease liabilities	24,066	3,211
Deferred revenue	9,322	10,424
Deferred tax liabilities	12,932	617
	385,320	295,752
	3,015,541	2,698,152

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in the Company's reserves:

	Capital reserve	Statutory surplus reserve fund	Retained profits	FVTOCI reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	386,496	148,785	1,068,815	(8,935)	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	—	—	511,711	1,046	512,757
Dividends paid	—	—	(240,939)	—	(240,939)
Transfer	—	51,053	(51,053)	—	—
At 31 December 2019	386,496	199,838	1,288,534	(7,889)	1,866,979
Profit for the year	—	—	439,877	—	439,877
Other comprehensive income for the year	—	—	—	2,112	2,112
Total comprehensive income for the year	—	—	439,877	2,112	441,989
Dividends paid	—	—	(214,168)	—	(214,168)
Transfer	—	42,473	(42,473)	—	—
At 31 December 2020	386,496	242,311	1,471,770	(5,777)	2,094,800

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
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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)
Ms. Ye Ting
Mr. Wang Kaibao (appointed on 25 May 2020)
Mr. Qiu Quanshan (resigned on 25 May 2020)

Independent non-executive Directors

Mr. Wu Tak Lung
Mr. Meng Zhihe (appointed on 25 May 2020)
Mr. Cao Hongbin (appointed on 23 December 2020)
Mr. Zheng Wenhua (deceased on 20 August 2020)
Mr. Liu Yuhui (resigned on 25 May 2020)

Supervisors

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

Audit Committee

Mr. Wu Tak Lung (Chairman)
Mr. Hu Xiayu
Mr. Meng Zhihe (appointed as a member on 25 May 2020)
Mr. Liu Yuhui (resigned on 25 May 2020)

Remuneration Committee

Mr. Cao Hongbin (Chairman) (appointed as Chairman on 23 December 2020)
Mr. Wu Tak Lung
Mr. Wang Mingzhong
Mr. Zheng Wenhua (deceased on 20 August 2020)

Nomination Committee

Mr. Yiu Chiu Fai (Chairman)
Mr. Meng Zhihe (appointed as a member on 25 May 2020)
Mr. Cao Hongbin (appointed as a member on 23 December 2020)
Mr. Zheng Wenhua (deceased on 20 August 2020)
Mr. Liu Yuhui (resigned on 25 May 2020)

Strategic Development Committee

Mr. Hu Xiayu (Chairman)
Mr. Li Tianxi
Mr. Cao Hongbin (appointed as a member on 23 December 2020)
Mr. Zheng Wenhua (deceased on 20 August 2020)

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
Unit 1104-1106
11/F, Jin Mao Tower
88 Century Avenue
Pudong New Area
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

China Guangfa Bank Zhengzhou Shangdu Road Sub-branch
No. 31 Shangdu Road
Zhengzhou, Henan Province
PRC

Zhongyuan Bank Co., Ltd. Jiyuan Branch
No. 481 Huang He Central Road
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

In this 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" or "our 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 Qingfeng"	河南金馬氫楓氫能源有限責任公司(Henan Jinma Qingfeng Hydrogen Energy Co., Ltd.*)
"Jinma Xingye"	濟源市金馬興業投資有限公司(Jiyuan Jinma Xingye Investment Co., Ltd.*)
"Jinma Zhongdong"	河南金馬中東能源有限公司(Henan Jinma Zhongdong Energy Co., Ltd.)

"Jinning Energy"	濟源市金寧能源實業有限公司(Jiyuan Jinning Energy Co., Ltd.*)
"Jinrui Energy"	河南金瑞能源有限公司(Henan Jinrui Energy Co., Ltd.*)
"Jinrui Gas"	河南金瑞燃氣有限公司(Henan Jinrui Gas Co., Ltd.*)
"Jinyuan Chemicals"	濟源市金源化工有限公司(Jiyuan Jinyuan Chemicals Co., Ltd*)
"Liyuan Railway"	延安利源礦業鐵路運輸有限公司(Yan'an Liyuan Minerals Railway Logistics 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
"Shaanxi Jinma"	陝西金馬能源有限公司(Shaanxi Jinma Energy Sources Co., Ltd.)
"Shanghai Hyfun"	上海楓能源技術有限公司(Shanghai Hyfun Energy Technology Co., Ltd.*)
"Shanghai Jinma"	上海金馬能源有限公司(Shanghai Jinma Energy Sources Co., Ltd.*)
"Shanghai Luxiang"	上海鷺翔實業集團有限公司(Shanghai Luxiang Industrial Group Co., Ltd.*)
"Shenzhen Jinma"	深圳市金馬能源有限公司(Shenzhen Jinma Energy Co., Ltd*)
"Xinyang Steel"	信陽鋼鐵金港能源有限公司(Xinyang Steel Jingang Energy Co., Ltd.*)
"Xuzhou Oriental"	徐州東方物流集團有限公司(Xuzhou Oriental Logistics Group Co., Ltd.*)
"Yan'an Jinneng"	延安金能鐵路物流科技有限公司(Yan'an Jinneng Railway Logistics Technology Co., Ltd.)
"Yan'an Railway"	延安能源鐵路運銷有限公司(Yan'an Energy Railway Transportation Co., Ltd.)
"Yilong Coal"	霍州煤電集團洪洞億隆煤業有限責任公司(Huozhou Coal Power Group Hongtong Yilong 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.*)
"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