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

2017 Annual Report

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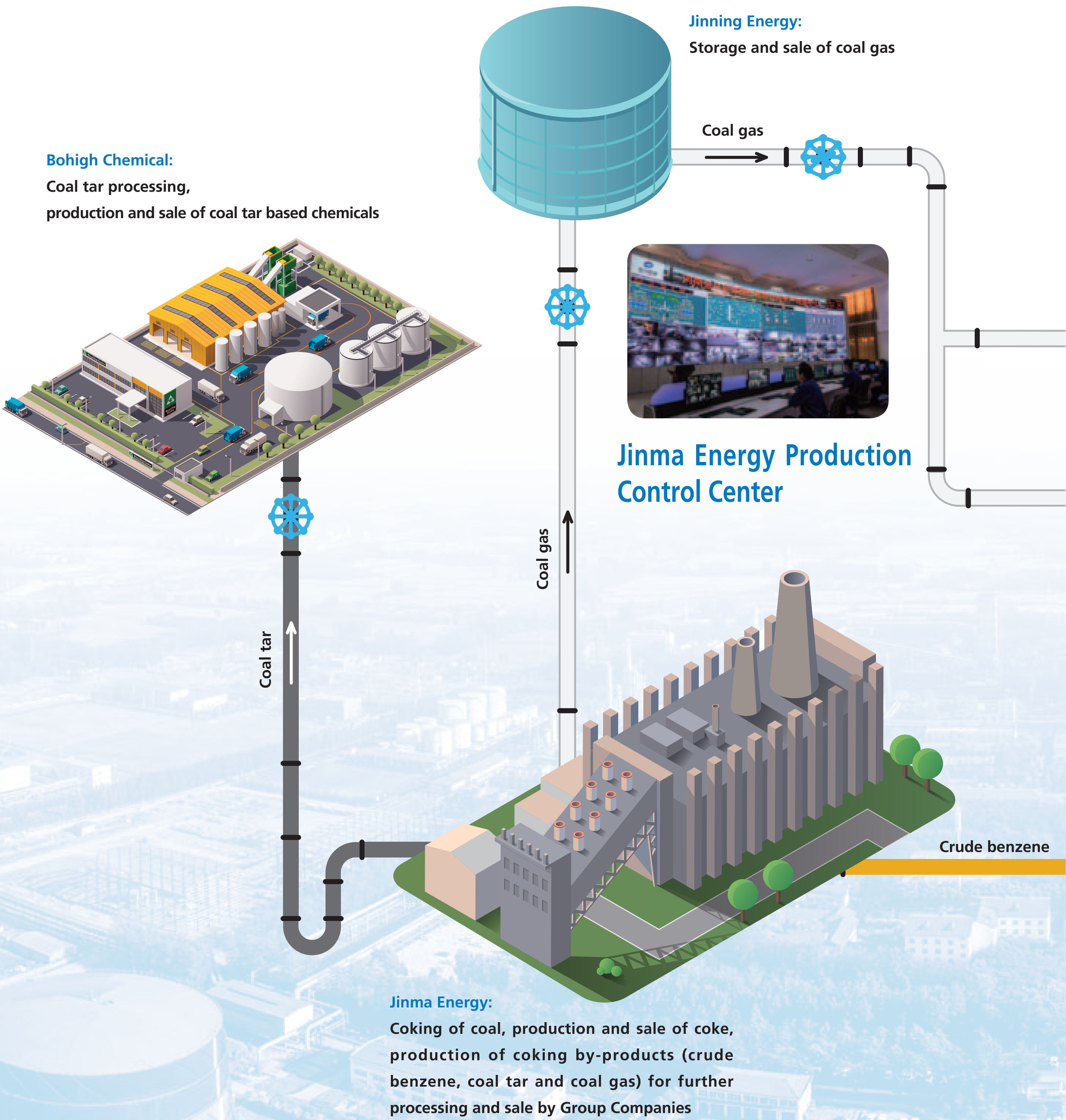
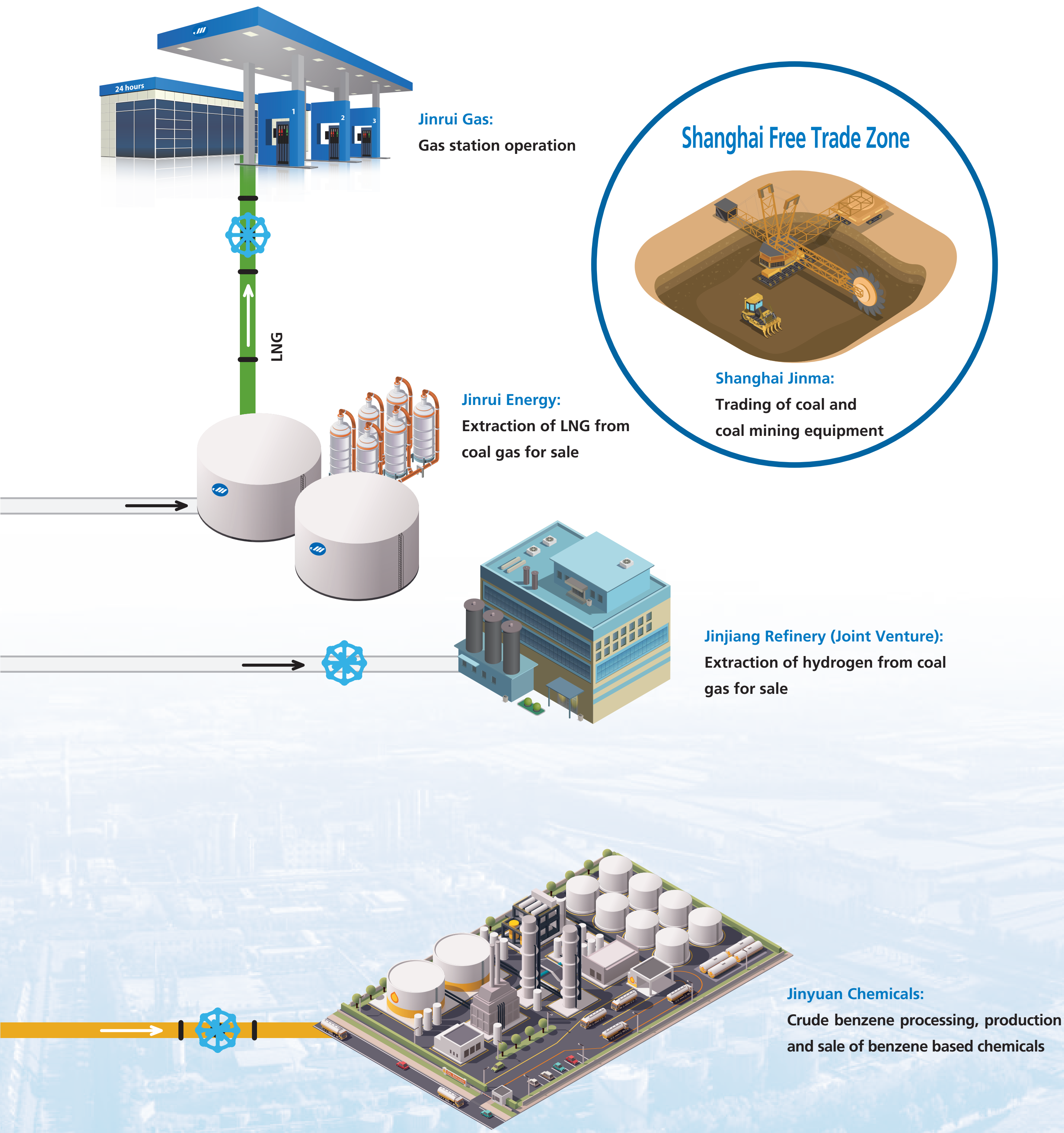
GROUP PROFILE

Jiyuan City, Henan Province
Huling Industrial Chemical Park




24 hours
Jinrui Gas:
Gas station operation
LNG
Shanghai Free Trade Zone
Shanghai Jinma:
Trading of coal and
coal mining equipment
Jinrui Energy:
Extraction of LNG from
coal gas for sale
Jinjiang Refinery (Joint Venture):
Extraction of hydrogen from coal
gas for sale
Jinyuan Chemicals:
Crude benzene processing, production
and sale of benzene based chemicals

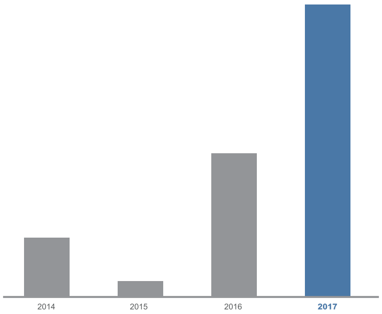
MILESTONES

Successful Listing on the Main Board of Hong Kong Stock Exchange

On 10 October 2017, the Company's H shares were listed on the Main Board of the Hong Kong Stock Exchange, and raised approximately HKD406.0 million. The Company will take the Listing as an opportunity to focus on developing efficient and clean energy business, on the basis of consolidating the existing competitive advantage. At the same time, international capitals shall be utilized to bring about diversification of the Company's businesses.

Record Profits

Driven by the continuous recovery of the steel and construction industry, the average selling price of coke increased. The Company recorded full-year profit of RMB547.8 million for 2017, representing a year-on-year increase of 105.3% which broke the highest profit record in the history of the Company.



Accolades

In 2017, the Company was ranked the 52th and the 37th of Henan Top 100 Private Enterprises (河南民營企業100強) and Henan Top 100 Private Enterprises in the Manufacturing Industry (河南民營企業製造業100強), respectively, and was awarded the National Pilot Enterprise on Implementation of Management System for the Integration of Informatization and Industrialization (兩化融合管理體系貫標試點企業) approved by the Ministry of Industry and Information Technology of the PRC.

Jinma Energy Production Control Center

The Company commenced construction of the Jinma Energy Production Control Center in December 2016 for real-time monitoring of all production processes of the Group, in order to enhance production quality, environmental indices monitoring and efficiencies in energy control. The center partially commenced operation at the end of 2017.

Liquefied Natural Gas (LNG) Production Facilities

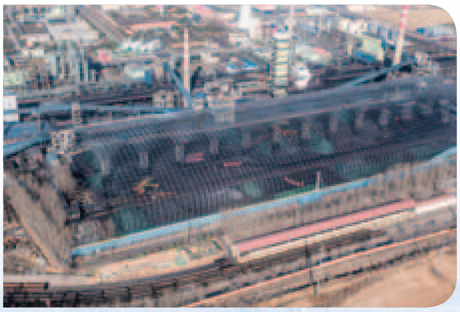
To match the policy of new clean energy actively promoted by the State, the Company commenced construction of the LNG production facilities with a total investment of approximately RMB342.0 million in February 2017. The facilities will be put into operation in the first quarter of 2018, with an annual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

Gas Stations

The Company commenced construction of gas stations in May 2017, to tap into the growing LNG retail market, with total investment of approximately RMB125.0 million. Two of these gas stations will commence operation in the first quarter of 2018, while the remaining two stations will commence construction in 2018. The four gas stations have a total refilling capacity of approximately 80.0 million m^3 of LNG per year.

Coke Granule Coal Gas Facilities

The Company commenced construction of coke granule coal gas facilities in August 2017 to ensure sufficient coal gas supply for the production of LNG, with total investment of approximately RMB174.5 million. It is expected that the facilities will commence operation in the second half of 2018, to provide approximately 300.0 million m^3 of coal gas required for LNG production annually.



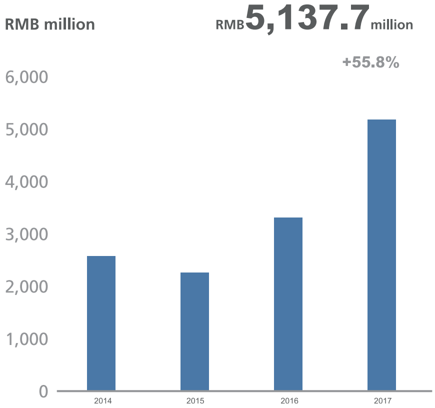
Coal Storage Dome

To achieve zero discharge of fugitive dust pollution from the coal storage yard, an environmentally friendly dome is being built over the coal storage yard. The construction of the coal storage dome commenced in May 2017, with total investment of approximately RMB60.0 million, and is expected to complete construction by March 2018. The storage yard has a storage capacity of 0.2 million tons.

FOUR YEAR FINANCIAL HIGHLIGHTS

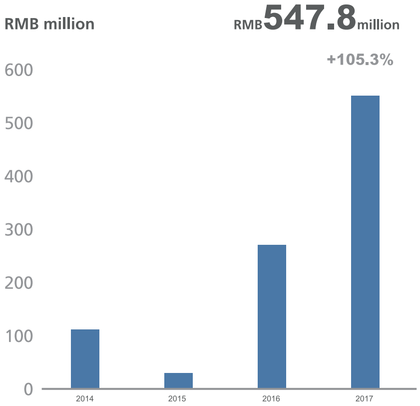
Revenue

For the year ended 31 December



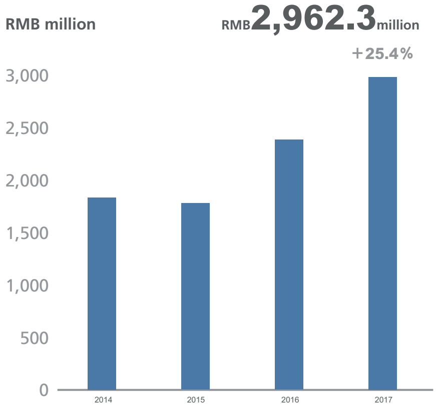
Profit

For the year ended 31 December



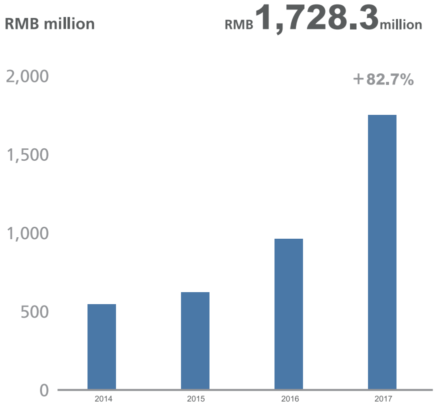
Total assets

As at 31 December



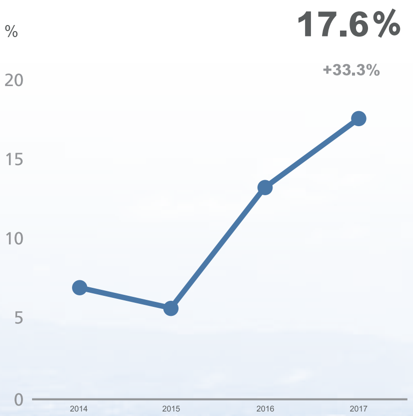
Total equity

As at 31 December



Gross profit

For the year ended 31 December

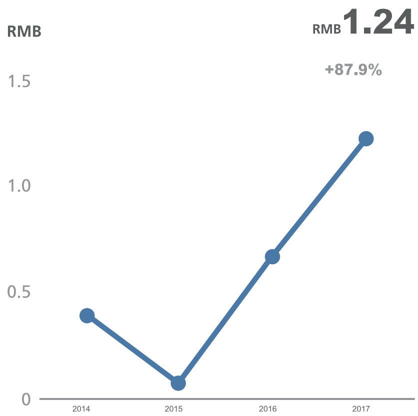


Net profit margin

For the year ended 31 December

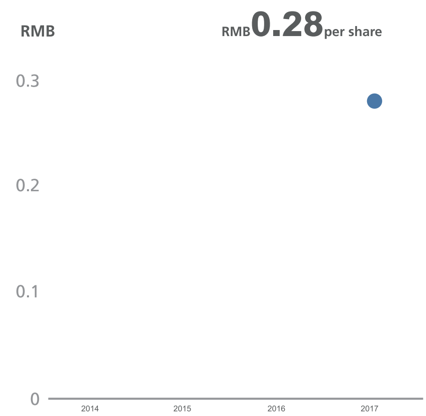
Basic earnings per share

For the year ended 31 December



Dividend per share

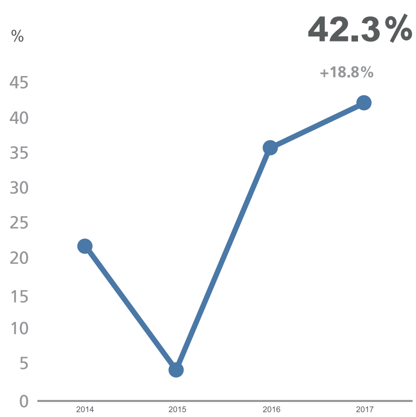
For the year ended 31 December



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

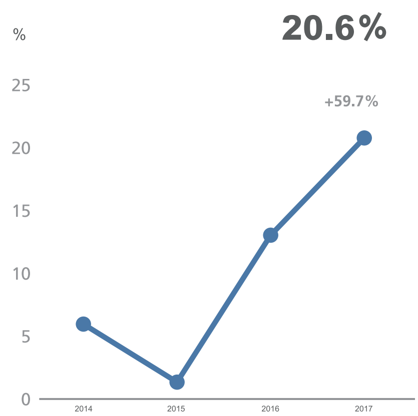
Return on equity

For the year ended 31 December



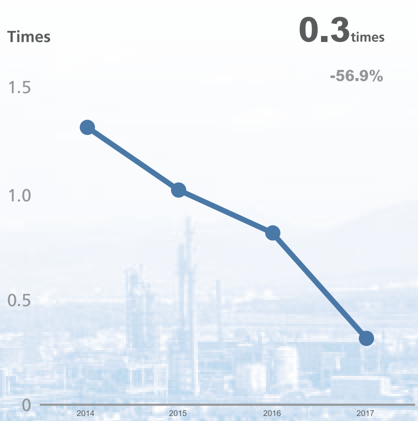
Return on asset

For the year ended 31 December



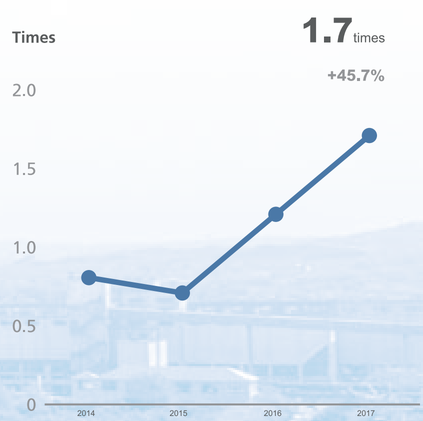
Gearing ratio

For the year ended 31 December



Current ratio

For the year ended 31 December



CHAIRMAN'S STATEMENT

"I am pleased to present the annual results of Jinma Energy Group for 2017, the first time as a listed company in Hong Kong.

2017 was a milestone year of our Company. The Company's H Shares were successfully listed on the Main Board of the Hong Kong Stock Exchange with total proceeds of approximately HKD406.0 million raised. Meanwhile, the profit of the Group also achieved a record high since its establishment reaching RMB547.8 million, representing a growth of 105.3% over 2016."

Overall, the Group achieved a number of major developments in 2017 which are summarized as follows:

- With the joint efforts of our senior management and various intermediaries, our Company's H Shares were successfully listed on the Main Board of the Hong Kong Stock Exchange on 10 October 2017 and we are the first enterprise in Jiyuan City, Henan Province where our Company is located, to list its shares in Hong Kong.

- Revenue recorded RMB5,137.7 million, representing a growth of 55.8% over 2016

  Gross profit margin increased to 17.6% from 13.2% in 2016

  Earnings per share increased to RMB1.24 from RMB0.66 in 2016

  Return on equity increased to 42.3% from 35.6% in 2016

  Meanwhile, net cash from operating activities significantly increased to RMB482.7 million, which, coupled with proceeds from the Listing, led to a decrease in the Group's gearing ratio to 0.3 times from 0.8 times in 2016.

- The LNG production facilities with a total investment of RMB342.0 million, which commenced construction in early 2017, is close to completion and can be put into operation in first quarter of 2018. Based on the average retail price of 2017, its production capacity can generate a revenue of over RMB300.0 million each year for the Group. At the same time, two gas stations, which commenced construction in the year, can also be put into operation in the first quarter of 2018.

- The real-time production control center, which started construction planning in late 2016, was put into use in late 2017. The center monitors all major production facilities of the Group in real time mode to enhance production quality, environmental indexes monitoring and efficiencies in energy management, thereby elevating the Group's overall production management to a higher level.

Our record profit has witnessed the advantages of our Group's business positioning and the vertically integrated business model established in the coking chemical value chain of the coal chemical industry enabling the Group to achieve efficient resource utilization and environmental production throughout the production cycle.

In 2017, the Group continued to operate in a full capacity and total sale model. Driven by continuous recovery in the steel and construction industry, the price of coke maintained the upward trend of 2016, with the average price in 2017 increased to RMB1,608.7 from RMB958.6 per ton in 2016, and with the price of refined chemicals also increased as influenced by the increase in oil price, these led to 55.8% increase in the Group's revenue and 107.9% increase in its gross profit.

Looking ahead, China's continuous economic recovery and stringent government environmental policies will lead to a steady demand for coke in the steel industry, while Jinma Energy's strict adherence to environmental friendly production will also sustain its leadership in its supply. Meanwhile, benefiting from the State's policies and plans for vigorous promotion of clean energies, the LNG business of the Group operating in 2018 will lead to a further growth in our revenue.

In view of our satisfactory results, I am pleased to announce that the Board of Jinma Energy recommended the payment of a final dividend of RMB0.20 per share to the shareholders as well as an additional special dividend of RMB0.08 per share to celebrate the 15th anniversary of our Company in this year.

The Board of the Company recognises our responsibilities to deliver abundant and steady returns to the shareholders. On the basis of the increasingly stable financial and business conditions since the Listing, the Board has decided to adopt a dividend policy pursuant to which the dividend to be distributed each year shall be no less than 25% of the profit and total comprehensive income attributable to the Company's shareholders for the year, subject to the compliance to the relevant laws and regulations of the PRC and Hong Kong.

In summary, our Group will continue to expand the vertically integrated business in the coking chemical value chain of the coal chemical industry and utilize the existing abundant financial resources and listing platform to develop the business of the Group vertically and horizontally with leverage on the Board's visionary leadership and management's execution capability.

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

Yiu Chiu Fai
Chairman

19 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

Capitalizing on the Group's years of operations in the coking chemical industry and the Group's long-term relationships with coal suppliers, the Group also engages in the trading of coal and coal mining equipment 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 intends to and has commenced investment in the production and sale of LNG.

In 2017, the Group's revenue was mainly generated from the following major business segments:

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

The Group's revenue for the years ended 31 December 2016 and 2017 was approximately RMB3,298.6 million and RMB5,137.7 million respectively, representing an increase of approximately 55.8%.

The Group's gross profit for the years ended 31 December 2016 and 2017 was approximately RMB435.2 million and RMB904.8 million respectively, representing an increase of approximately 107.9%.

The Group's profit for the years ended 31 December 2016 and 2017 was approximately RMB266.8 million and RMB547.8 million respectively, representing an increase of approximately 105.3%.

The Group's gross profit margin for the years ended 31 December 2016 and 2017 was approximately 13.2% and 17.6% respectively. The Group's net profit margin for the corresponding period was approximately 8.1% and 10.7% respectively.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE GROUP

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

General Economic Conditions and the Demand in Downstream Industries

The Group sells all its products in the PRC. General economic conditions of the PRC affect the market prices and demands for the Group's products, as well as the prices of coal, the primary raw material for the production of the Group's coke and refined chemicals. 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 strengthen the level of 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 and reduce the Group's financing activities. The Group's trading activities may also increase as the demands for coal and coal mining equipment increase when economic conditions recover. The market price for the Group's coke recovered substantially in 2016 and continue to increase in 2017. The Group's results of operations, working capital position, as well as operating cash flows changed substantially as a result.

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

Prices of the Group's Raw Materials and Products

The Group is exposed to movements in the market prices of the Group's products and coal, as well as changes in the spread between those prices. The Group generally sells the Group's products based on the prevailing market prices in the regions where the Group sells the Group's 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.

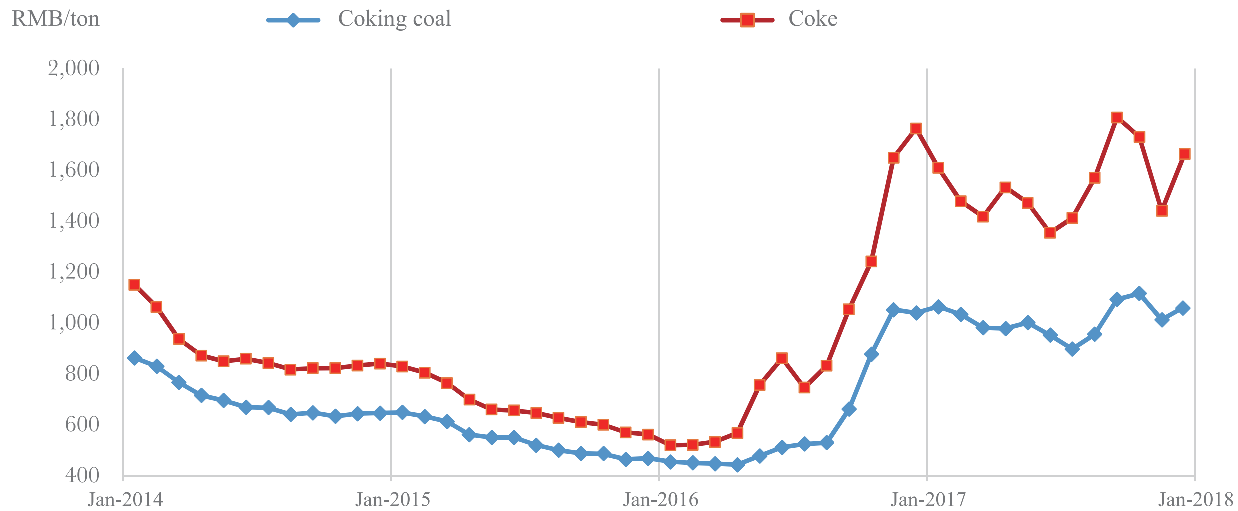
The following table sets forth the average selling price (net of VAT) of each of the Group's principal products during 2016 and 2017 according to the Group's internal records.

	Year ended 31 December	
	2017 Average selling price [1]	2016 Average selling price [1]
	RMB/ton (except coal gas in RMB/m³)	RMB/ton (except coal gas in RMB/m³)
Coke	**1,542.6**	917.1
Coke	**1,608.7**	958.6
Coke breeze	**930.6**	526.2
Coking By-Products		
Coal tar	**–**	1,348.5
Refined Chemicals		
Benzene based chemicals	**5,324.0**	4,244.5
Pure benzene	**5,790.9**	4,502.2
Toluene	**4,552.3**	4,233.5
Coal tar based chemicals	**2,892.7**	1,911.0
Coal asphalt	**3,099.6**	1,831.2
Anthracene oil	**2,392.9**	1,477.2
Industrial naphthalene	**3,300.3**	3,095.7
Energy Products		
Coal gas	**0.65**	0.42

(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 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 increase 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, thus significantly benefiting the Group's profitability. The following chart shows the average purchase price of coal and the average selling price (net of VAT) of coke during 2014 to 2017 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 magtitude, 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.

Acquisition and Integration of New Businesses

During the period from 2014 to 2016, the Group has established the Group's vertically integrated business model mainly through acquisition. The Group has successfully diversified the Group's businesses to include trading business by acquiring Shanghai Jinma Energy Sources Co., Ltd ("Shanghai Jinma") in May 2014, production and sale of benzene based and coal tar based chemicals by acquiring Jiyuan Jinyuan Chemicals Co., Ltd ("Jinyuan Chemicals") in May 2015 and Henan Bohigh Chemical Co., Ltd ("Bohigh Chemical") in October 2016, respectively, and direct sale of gas to customers by acquiring Jinning Energy in December 2016. The Group is currently planning the development of LNG business and expects the sale of LNG will become a new engine for earnings in future. The Group expects to face a range of challenges in integrating the Group's downstream businesses, such as the need to coordinate raw material procurement and sales and marketing activities, to manage additional customer and supplier relationships, to deal with new government regulations governing different products, and to reconcile possible differences in disparate company policies and practices. Nevertheless, in the past few years, the Group has successfully integrated the management of all acquired companies, maintained relationships with customers and suppliers, and optimized production, sales and performance.

Production Capacity and Sales Volume

The fluctuations of the Group's results of operations were mainly driven by the changes in the average selling price of the Group's products and the average purchase price of coal, while the sales volume of the Group's products was mainly determined by the Group's production capacity. In recent years, the Group operated at nearly full capacity and full sales. In 2017, the Group's production capacity for coke was approximately 2.1 million tons (on a moist-free basis) per annum, and the Group's processing capacity for crude benzene and coal tar was approximately 120,000 tons and 180,000 tons per annum, respectively. During the same period, the Group was able to produce approximately 1,000 million m^3 of coal gas per annum. For the years ended 31 December 2016 and 2017, the Group sold approximately 2.2 million tons and 2.2 million tons of coke (on a moist basis), respectively. The Group is currently constructing the Group's LNG production facilities, and expects that such production facilities, once completed, will achieve an annual production capacity of approximately 123.0 million m^3 of LNG.

Access to and Cost of Financing

In addition to cash generated from the Group's operations, the Group financed the Group's operations and capital expenditures primarily through bank and financial institution borrowings during the period. The Group's interest-bearing borrowings for the years ended 31 December 2016 and 2017 were approximately RMB720.5 million and RMB567.0 million, respectively. The Group's finance costs for the years ended 31 December 2016 and 2017 were approximately RMB47.7 million and RMB50.8 million, respectively, accounting for approximately 1.4% and 1.0% of the Group's total revenue for the respective periods. 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 Group's financial condition and the Group's results of operations.

Performance of the Group's Business Segments

The Group's coking segment had been the Group's largest business segment in terms of revenue during the period, which contributed to approximately 62.4% and 66.2% of the Group's total revenue for the years ended 31 December 2016 and 2017, respectively. The segment profit margin of the Group's coking segment was approximately 14.6% and 22.1% for the years ended 31 December 2016 and 2017, respectively.

The Group mainly sold the Group's coal tar to Bohigh Chemical before the Group acquired the company. The Group continues to supply coking by-products internally to the company after the acquisition and the purchases and sales have been eliminated as intra-group transactions upon consolidation of the Group's financials. The contribution of the Group's coking by-products segment had therefore been decreasing during the period. In terms of revenue, the refined chemicals segment became the Group's second largest business segment in 2016, contributing 18.2% to the Group's total revenue, and the revenue continued to increase in 2017, contributing 23.2% to the Group's total revenue.

The revenue generated by the Group's trading segment decreased slightly for the year ended 31 December 2017 compared to the same period in 2016 mainly because the Group took the initiative to reduce the trading volume as the gross profit margin narrowed with an increase in coal price, while the total gross profit still increased mainly due to the Group's strategic reduction in trading coal with relatively low gross profit margin. The table below sets forth the Group's segment revenue and gross profit (after elimination of inter-segment sales) for each of the Group's business segments:

	Year ended 31 December			
	2017		2016	
	Segment revenue	**Segment results**	Segment revenue	Segment results
	RMB'000	**RMB'000**	RMB'000	RMB'000
Coke	**3,401,916**	**752,239**	2,058,932	301,607
Coking By-Products	**11,647**	**3,960**	102,504	11,030
Refined Chemicals	**1,190,555**	**80,777**	599,207	54,654
Energy Products	**236,374**	**74,989**	176,690	69,675
Trading	**266,911**	**6,703**	353,155	6,124

Going forward, the Group will further expand the Group's involvement in the coking chemical value chain by producing downstream energy products, mainly LNG. The Group expects the LNG facilities will commence production in the first quarter of 2018. The contribution of energy segment to the Group's revenue and gross profit will grow after the Group incorporates the sales of LNG in future.

RESULTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**5,137,652**	3,298,634
Cost of sales	**(4,232,808)**	(2,863,413)
Gross profit	**904,844**	435,221
Other income	**6,885**	4,379
Other gains or losses	**(8,964)**	29,038
Selling and distribution expenses	**(35,111)**	(30,795)
Administrative expenses	**(65,419)**	(43,912)
Finance costs	**(50,799)**	(47,729)
Listing expenses	**(15,930)**	(5,540)
Share of result in a joint venture	**3,418**	4,001
Share of result in associates	**(77)**	1,374
Profit before tax	**738,847**	346,037
Income tax expense	**(191,011)**	(79,205)
Profit and total comprehensive income for the year	**547,836**	266,832
Profit and total comprehensive income for the year attributable to:		
– Owners of the Company	**532,330**	265,939
– Non-controlling interests	**15,506**	893
	547,836	266,832
Earnings per share (RMB)		
– Basic	**1.24**	0.66

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Financial Information

- **Revenue**

  The Group's revenue increased by approximately RMB1,839.1 million or approximately 55.8% from approximately RMB3,298.6 million in 2016 to approximately RMB5,137.7 million in 2017. The increase was primarily due to the increase in revenue from coal tar based chemicals and energy products resulting from the acquisition of Bohigh Chemical and Jinning Energy in late 2016, as well as the increase in revenue from sales of coke, refined chemicals and energy products as a result of the rising prices of coke, refined chemicals and energy products in 2017.

  Coke: Revenue from sales of the Group's coke increased by approximately RMB1,343.0 million or approximately 65.2% from approximately RMB2,058.9 million in 2016 to approximately RMB3,401.9 million in 2017. Increased revenue from sales of coke during the period was primarily due to the increase in average selling price of coke by approximately 67.8% from approximately RMB958.6 per ton in 2016 to approximately RMB1,608.7 per ton in 2017 (both on a net of VAT basis), driven by the continuous recovery of iron and steel and construction industries in 2017.

  Coking By-Products: The Revenue from sales of the Group's coking by-products decreased by approximately RMB90.9 million or approximately 88.7% from approximately RMB102.5 million in 2016 to approximately RMB11.6 million in 2017. The decrease was mainly because the Group ceased selling the Group's main coking by-products to external customers in 2017 after the Group completed the acquisition of Bohigh Chemical in October 2016.

  Refined Chemicals: The Revenue from sales of the Group's refined chemicals increased by approximately RMB591.4 million or approximately 98.7% from approximately RMB599.2 million in 2016 to approximately RMB1,190.6 million in 2017. The increase was primarily due to an increase in the sales of coal tar based chemicals by approximately RMB433.7 million since the Group acquired Bohigh Chemical at the end of 2016. The increase was also attributable to an increase in the average selling price of benzene based chemicals by 25.4% from approximately RMB4,244.5 per ton during 2016 to approximately RMB5,324.0 per ton in 2017, primarily driven by strong market demand and the increase in crude oil prices. The demand for and the market price of coal tar based chemicals demonstrated a strong growth in 2017 mainly due to increasing demand for coal tar based chemicals from electrolytic aluminium industry for the manufacturing of graphite electrodes, and the overall decreasing coal tar processing capacity in China driven by the government's efforts in enhancing environmental protection by eliminating outdated production processes.

  Energy Products: The Revenue from sales of the Group's energy products increased by approximately RMB59.7 million or approximately 33.8% from approximately RMB176.7 million in 2016 to approximately RMB236.4 million in 2017. The increase was primarily due to an increase in the average selling price of the Group's coal gas from approximately RMB0.42 per m^3 in 2016 to approximately RMB0.65 per m^3 in 2017, which was mainly because the Group sold the Group's coal gas directly to end users upon the consolidation of Jinning Energy at the end of 2016.

  Trading: The Group's revenue from trading decreased by approximately RMB86.3 million or approximately 24.4% from approximately RMB353.2 million in 2016 to approximately RMB266.9 million in 2017. The decrease was primarily due to a decrease in trading volume.

- **Cost of Sales**

  Cost of sales increased by approximately RMB1,369.4 million or approximately 47.8% from approximately RMB2,863.4 million in 2016 to approximately RMB4,232.8 million in 2017. This was mainly due to an increase in the cost of sales for manufacturing segments in 2017 which was primarily due to the increase in the cost of raw materials, mainly coal, crude benzene and coal tar.

  The Group's cost of coal for the Group's manufacturing segments increased by approximately 58.2% from approximately RMB1,857.9 million in 2016 to approximately RMB2,939.5 million in 2017. The increase in the cost of coal for the Group's manufacturing segments was principally driven by an increase in the average purchase price of coal from approximately RMB644.3 per ton in 2016 to approximately RMB1,013.9 per ton in 2017 as a result of government policy in controlling coal supply by reducing the number of days that coal mines can operate in a year as well as increased demand due to recovery of the iron and steel industry.

The Group's cost of crude benzene also increased from approximately RMB347.6 million in 2016 to approximately RMB491.8 million in 2017, primarily due to the increase in the average purchase price of crude benzene from approximately RMB3,601.2 per ton in 2016 to approximately RMB4,558.7 per ton in 2017. Subsequent to the consolidation of Bohigh Chemical, the Group incurred approximately RMB242.0 million of increase in cost for producing coal tar based chemicals during 2017, reflecting an increase in the price of the raw material coal tar and the incorporation of full year production cost in 2017 since the consolidation in October 2016. The Group incurred approximately RMB7.1 million of increase in cost for producing coal gas during 2017, reflecting an increase in price of the raw material coal and the purchase of coal gas from Yugang Coking by Jinning Energy subsequent to the consolidation.

The Group's cost of sales for the Group's trading segment decreased by approximately RMB86.8 million or approximately 25.0% from approximately RMB347.0 million in 2016 to approximately RMB260.2 million in 2017, mainly due to the decrease in trading volume during the period.

The Group's direct labor cost increased from approximately RMB66.5 million in 2016 to approximately RMB70.9 million in 2017 primarily because of the distribution of performance-based bonus to the Group's employees in light of the Group's improving business performance. The Group's manufacturing overhead increased from approximately RMB187.2 million in 2016 to approximately RMB203.1 million in 2017, primarily due to the consolidation of the overheads of Jinning Energy and Bohigh Chemical in 2017.

- **Gross Profit and Gross Profit Margin**

  As a result of the foregoing, the Group's gross profit increased by approximately RMB469.6 million or approximately 107.9% from approximately RMB435.2 million in 2016 to approximately RMB904.8 million in 2017. The Group's gross profit margin increased from approximately 13.2% in 2016 to approximately 17.6% in 2017.

- **Segment Results and Segment Profit Margin**

  Presented below are the analysis on the Group's segment results and segment profit margin (segment results divided by segment revenue).

  Coke: The Group's segment results for the coke segment increased by approximately RMB450.6 million or approximately 149.4% from approximately RMB301.6 million in 2016 to approximately RMB752.2 million in 2017. The Group's segment profit margin of the coke segment increased from approximately 14.6% in 2016 to approximately 22.1 % in 2017 primarily due to an increase in the spread between the average selling price of coke and the average purchase price of coal. The significant increase in the price of coke was mainly attributable to the recovery of iron and steel industry and the construction industry in 2017.

  Coking By-Products: The Group's segment results for the coking by-products segment decreased by approximately RMB7.0 million from approximately RMB11.0 million in 2016 to approximately RMB4.0 million in 2017. The Group's segment profit margin for the coking by-products segment increased from approximately 10.8 % in 2016 to approximately 34.0 % in 2017 primarily because the Group no longer sold coal tar with lower segment profit margin after the acquisition of Bohigh Chemical resulting in substantial increase in the Group's segment profit margin for the coking by-products, while revenue and gross profit of this segment decreased significantly during the period as only a small amount of other by-products were sold to external customers.

  Refined Chemicals: The segment results for the refined chemicals segment increased by approximately RMB26.1 million or approximately 47.7% from approximately RMB54.7 million in 2016 to approximately RMB80.8 million in 2017. The segment profit margin for the refined chemicals segment decreased from approximately 9.1% in 2016 to approximately 6.8% in 2017 primarily because the Group consolidated the sale of coal tar based chemicals for the period after the acquisition of Bohigh Chemical in October 2016. The segment profit margin of the sale of coal tar based chemicals was lower than the sale of benzene based chemicals which caused the segment profit margin of the Group's refined chemicals segment to decrease in 2017.

  Energy Products: The Group's segment results for the energy products segment increased by approximately RMB5.3 million or approximately 7.6% from approximately RMB69.7 million in 2016 to approximately RMB75.0 million in 2017. The segment profit margin for the energy products segment decreased from approximately 39.4% in 2016 to approximately 31.7% in 2017 primarily due to the fact that the average purchase price of coal increased at a relatively higher rate than the average selling price of coal gas over the same period.

Trading: The Group's segment results for the trading segment increased by approximately RMB0.6 million or approximately 9.8% from approximately RMB6.1 million in 2016 to approximately RMB6.7 million in 2017. The segment profit margin for the trading segment increased from approximately 1.7% in 2016 to approximately 2.5% in 2017 primarily due to the Group's strategic reduction in the trading volume of coal types with low segment profit margin. As a result, although the revenue of the Group's trading segment decreased in 2017, the segment profit of the Group increased slightly during the same period.

- **Other Income**

  Other income increased by approximately RMB2.5 million or approximately 56.8% from approximately RMB4.4 million in 2016 to approximately RMB6.9 million in 2017. The increase was mainly due to the increase in subsidies granted by local government.

- **Other Gains or Losses**

  Other gains decreased by approximately RMB38.0 million or approximately 131.0 % from approximately RMB29.0 million in 2016 to losses of approximately RMB9.0 million in 2017. The decrease was mainly due to a bargain purchase gain and gain on deemed disposal of interest in an associate of RMB28.4 million on acquisition of Bohigh Chemical recognised in 2016, while in 2017 recognition of revenue from release of obligation of financial guarantee contracts decreased by RMB3.5 million.

- **Selling and Distribution Expenses**

  Selling and distribution expenses increased by approximately RMB4.3 million or approximately 14.0% from approximately RMB30.8 million in 2016 to approximately RMB35.1 million in 2017. The increase was primarily due to the consolidation of sales and distribution expenses of Bohigh Chemical and Jinning Energy.

- **Administrative Expenses**

  Administrative expenses increased by approximately RMB21.5 million or approximately 49.0% from approximately RMB43.9 million in 2016 to approximately RMB65.4 million in 2017. The increase was primarily due to (i) consolidation of administrative expenses of Bohigh Chemical, Jinning Energy, Jinrui Energy and Jinrui Gas; (ii) the performance bonus provided to employees due to improved performance of the Group's business in 2017; and (iii) increased in advisory fee to enhance internal control and legal matters related to Listing.

- **Finance Costs**

  Finance costs increased by approximately RMB3.1 million or approximately 6.5% from approximately RMB47.7 million in 2016 to approximately RMB50.8 million in 2017. The increase was mainly due to the handling fee resulting from the early repayment of the finance lease borrowings in early 2017.

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

  Share of result in a joint venture decreased by approximately RMB0.6 million or approximately 15.0% from approximately RMB4.0 million in 2016 to approximately RMB3.4 million in 2017. This was primarily because Jinjiang Refinery recorded a decrease of approximately RMB1.2 million in profit in 2017 compared to the same period in 2016. The decrease was mainly attributable to production shutdowns for overhaul that resulted in reduced production volume.

- **Share of Result in Associates**

  The Group's share of result in associates decreased by approximately RMB1.5 million or approximately 107.1% from a profit of approximately RMB1.4 million in 2016 to a loss of approximately RMB0.1 million in 2017. The decrease was primarily because Bohigh Chemical is no longer an associate in 2017 and its result has been consolidated and therefore the results in associates decreased.

- **Profit Before Tax**

  As a result of the foregoing, the Group's profit before tax increased by approximately RMB392.8 million or approximately 113.5% from approximately RMB346.0 million in 2016 to approximately RMB738.8 million in 2017.

- **Income Tax Expense**

  Income tax expense increased by approximately RMB111.8 million or approximately 141.2% from approximately RMB79.2 million in 2016 to approximately RMB191.0 million in 2017. The significant increase was primarily due to the increase in the Group's profit during the same period.

- **Profit and Total Comprehensive Income for the Period**

  As a result of the foregoing, the Group's profit and total comprehensive income for the period increased by approximately RMB281.0 million or approximately 105.3% from approximately RMB266.8 million in 2016 to approximately RMB547.8 million in 2017. The Group's net profit margin increased from approximately 8.1% in 2016 to approximately 10.7% in 2017.

FINANCIAL POSITION

Financial Resources

In 2017, the Group funded the Group's growth principally with proceeds from the sales of the Group's products, shareholders' equity and borrowings from bank and financial institutions. The Company's Directors have confirmed that the Group did not experience any liquidity problems during 2017.

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 statements of cash flows for the periods indicated:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Net cash from operating activities	**482,731**	168,435
Net cash used in investing activities	**(132,608)**	(76,323)
Net cash (used in)/from financing activities	**27,286**	(16,065)
Net increase in cash and cash equivalents	**377,409**	76,047
Cash and cash equivalents at the beginning of the year	**106,740**	30,693
Impact of change in exchange rate	**(2,445)**	–
Cash and cash equivalents at the end of the year, representing bank balances and cash	**481,704**	106,740

- **Cash Flow from Operating Activities**

  The Group's net cash from operating activities of approximately RMB482.7 million for 2017 was primarily attributable to (i) the Group's operating cash flows before movements in working capital of approximately RMB890.8 million, and (ii) the decrease in amounts due from related parties of approximately RMB94.3 million mainly representing the accelerated payment made by Jiangxi PXSteel Group, partially offset by (i) the increase in trade and other receivables of approximately RMB209.3 million mainly due to the increase in the sales of the Group's coke resulting from the increase in the prices of coke; (ii) the decrease in amounts due to shareholders of approximately RMB16.1 million primarily as a result of the sale and delivery of coke to Maanshan Steel that offset the prepayment made before; and (iii) the decrease in trade and other payables of approximately RMB68.0 million.

- **Cash Flow from Investing Activities**

  The Group's net cash used in investing activities of approximately RMB132.6 million for 2017 was primarily due to deposit for acquisition of property, plant and equipment of approximately RMB170.5 million in relation to the commencement of operation of the Group's production and environmental protection facilities, mainly including the Group's LNG production facilities and desulfurization and denitrification facilities, purchase of prepaid lease of approximately RMB52.5 million mainly in relation to the Group's LNG project, and the payment for acquisition of Jinning Energy in 2016 of approximately RMB28.6 million, which was partially offset by the net withdrawal of approximately RMB120.1 million from restricted bank balances.

- **Cash Flow from Financing Activities**

  The Group's net cash from financing activities of approximately RMB27.3 million in 2017 was primarily due to (i) a net decrease in bank and other borrowings of approximately RMB153.5 million; (ii) an increase of approximately RMB345.0 million from the issue of new H Shares; (iii) payment of dividend of approximately RMB107.3 million; and (iv) interest expenses of approximately RMB49.4 million.

Borrowings

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

	As at 31 December		
	2017	2016	Increase/ (decrease)
	RMB'000	RMB'000	RMB'000
Bank borrowings	**567,000**	620,000	(53,000)
Other borrowings	–	100,546	(100,546)
	567,000	720,546	(153,546)
Secured	–	240,546	(240,546)
Unsecured	**567,000**	480,000	87,000
	567,000	720,546	(153,546)
Fixed-rate borrowings	**490,000**	720,546	(230,546)
Floating-rate borrowings	**77,000**	–	77,000
	567,000	720,546	(153,546)
Carrying amount repayable (based on scheduled payment terms)			
Within one year	**282,000**	348,251	(66,251)
More than one year, but not more than two years	**262,000**	112,295	149,705
More than two years, but not more than five years	**23,000**	260,000	(237,000)
	567,000	720,546	(153,546)
Less: Amount due shown under current liabilities	**(282,000)**	(348,251)	66,251
Amount due after one year shown under non-current liabilities	**285,000**	372,295	(87,295)

The Group's bank and other borrowings during 2016 to 2017 were all borrowings denominated in Renminbi. As at 31 December 2016, RMB130.0 million of the Group's borrowings were secured by the Group's land use rights and bank deposits. All remaining secured borrowings were guaranteed borrowings. As at 31 December 2017, all the Group's borrowings were credit borrowings.

As at 31 December 2016, the Group's bank and other borrowings in the amount of approximately RMB110.5 million were guaranteed by third parties and the Group's related parties (including those who became the Group's connected persons after the Listing). As at 31 December 2017, the Group did not have any bank and other borrowings which were guaranteed by third parties and the Group's related parties.

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

	As at 31 December	
	2017	2016
Effective interest rate:		
– Fixed-rate borrowings	**4.57% - 6.75%**	4.35% - 6.89%
– Floating-rate borrowings	**4.79%-6.30%**	N/A

As at 31 December 2017, the Group had obtained banking facilities in an aggregate amount of approximately RMB1,124.0 million (2016: RMB1,025.0 million), of which total amount of approximately RMB465.0 million is still available for use (2016: RMB304.5 million). As at such date, the Group had total outstanding bank borrowings of approximately RMB567.0 million (2016: RMB720.5 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 of RMB300.0 million has been achieved for bank borrowings of RMB372.0 million falling due in 2017 according to needs).

Save as disclosed in this "Financial Position" section, the Company's Directors confirm that there has been no material change in the Group's indebtedness and contingent liabilities since 31 December 2017 and up to the date of this annual report. As at 31 December 2017, 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 Company's Directors confirm that, for the year ended 31 December 2017, the Group was not subject to any material covenant on any of the Group's outstanding debt and, during 2017, 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 Company's 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	
	2017	2016
Gearing Ratio	**0.3x**	0.8x
Return on Equity	**42.3%**	35.6%
Return on Assets	**20.6%**	12.9%

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 continued to decrease in 2017 primarily because (i) the Group issued H Shares to increase capital; (ii) increase in retained profit resulted in an increase in equity; and (iii) for working capital required for operation, the increase in profit brought an increase in self-owned funds and resulted in a decrease in bank borrowings.

Return on Equity

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

The Group's return on equity increased from 2016 to 2017 was also due to an increase in the Group's profit primarily driven by a significant increase in the Group's revenue.

Return on Assets

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

The Group's return on assets continued to increase from 2016 to 2017 was also mainly due to the increase in profit as a result of a substantial increase in revenue of the Group.

CONTRACTUAL OBLIGATIONS AND CAPITAL EXPENDITURE

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but without provision in the consolidated financial statements	**139,563**	101,291
The Group's share of joint venture capital commitments made jointly with other joint venturers are as follows:		
Acquisition of property, plant and equipment	**18,824**	56,430
Operating lease commitments due within one year	**695**	444

The Group's capital commitments for the year ended 31 December 2017 primarily relate to the construction of the Group's LNG facilities and office building, the Group's implementation of equipment for environmental protection by the construction of coal storage dome and the construction of the Group's new coke granule coal gas facilities. The Group expects to fund such capital commitments principally by the net proceeds of the Listing, bank loans and cash generated from the Group's operations.

Other than the transactions described in the above table, as at 31 December 2017, the Group had no other material contractual commitments.

OFF-BALANCE SHEET ARRANGEMENTS

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

CONTINGENT LIABILITIES

During 2017, the Group (i) endorsed certain bills receivables for the settlement of the Group's trade and other payables; and (ii) discounted certain bills receivables to banks for cash. The Company's Directors are of the opinion that the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practices in the PRC. The Company's Directors consider that the risk of the default in payment of the endorsed and discounted bills receivables is low because all endorsed and discounted bills receivables are issued and guaranteed by reputable PRC banks. As a result, the relevant assets and liabilities were not recognized in the Group's financial statements. The Group's maximum exposure that may result from the default of these endorsed and discounted bills receivables as at the dates indicated are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Endorsed bills for settlement of payables	**2,070,608**	2,028,009
Discounted bills for raising cash	**105,929**	210,931
Outstanding endorsed and discounted bills receivables with recourse	**2,176,537**	2,238,940

Save as disclosed above and as at 31 December 2017, 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 2017 up to the date of this annual report.

MARKET RISKS

Market risk is the risk of loss related to adverse changes in market prices. The Group is exposed to various types of market risks, including commodity price and liquidity risks, in the normal course of the Group's business. The Group aims to minimize risk through discipline operating and financial activities. During 2017, the Group has not entered into any foreign exchange or interest rate hedging contract or forward purchase or sale contract for commodities.

Other than the HK dollar proceeds of listing (HKD154.8 million as at 31 December 2017) pending remittance back to China, the Group has no exposure to significant exchange risks as all its operations are within China where there are no foreign currencies transactions, assets or liabilities.

Commodity Price Risk

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

Interest Rate Risk

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

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

The Group currently does not have an interest rate hedging policy, but the Group's management will consider hedging significant interest rate risk should 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 2017 is the carrying amount of those assets stated in the consolidated statements of financial position.

The Group mainly conducts transactions with high quality customers that the Group has established long-term relationship. When transacting with new customers, the Group generally request for 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 Company's 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 69% and 61% of exposure concentrated in five largest outstanding balances for the years ended 31 December 2016 and 2017, respectively. The Group believes the Group's credit risks on bank balances and deposits or bills receivables are limited and there is no significant concentration of credit risk because the Group's bank deposits or bills are deposited in or contracted with reputable state-owned banks with high credit ratings assigned by international credit-rating agencies.

Liquidity Risk

The Group's debtors are exposed to heightened default risk when the Group's multiple liabilities mature in rapid succession, which may impose higher-than-normal stress onto the working capital. As a result, it may cause short-term liquidity problems if the Group fails to refinance in time or manage the Group's liquidity effectively. In the management of the Group's liquidity risk, the Group's management monitors and maintains an adequate, but not excessive level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In 2016, the Group restructured the Group's financing to increase the weighing of the Group's long-term borrowings.

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

	As at 31 December 2017					
	Weighted average interest rate	Carrying amount	On demand or within 6 months	6 months to 1 year	1 year to 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.57%-6.75%	567,000	163,005	145,822	296,942	605,769
Trade and other payables	N/A	426,767	426,767	—	—	426,767
Long term payables	4.75%	20,539	—	—	22,400	22,400
Amounts due to Shareholders	N/A	83,861	83,861	—	—	83,861
Amounts due to related parties	N/A	35,188	35,188	—	—	35,188
		1,133,355	708,821	145,822	319,342	1,173,985

MANAGEMENT DISCUSSION AND ANALYSIS

NO MATERIAL ADVERSE CHANGE

The Company's Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2017 and up to the date of this annual report.

DIVIDEND AND DIVIDEND POLICY

On 17 March 2017, the Company declared a special dividend in the amount of approximately RMB100.0 million, which were fully settled in June 2017. As for the dividend of 2017, including final dividend and the special dividend for the 15th anniversary of the establishment of the Company, the Board recommends a dividend of RMB0.20 and RMB0.08 respectively per share which is subject to the approval of the shareholders at the forthcoming annual general meeting.

The Group did not have any dividend policy nor a predetermined dividend payout ratio in the past. The PRC laws require that dividends shall be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the IFRS.

In order to provide return to its shareholders, and having considered the financial and business conditions of the Group after the Listing, the Board has decided to adopted a dividend policy on 19 March 2018. According to the 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.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company had distributable reserves (i.e. retained earnings) of RMB542.2 million (2016: RMB201.3 million).

For the year ended 31 December 2017, the Company had no immediate plan to distribute the retained earnings of the Company accumulated prior to the year 2017.

MAJOR DEVELOPMENTS

The Group's strength in coking operations have in the past enabled the Group to extend the Group's engagement in the coking chemical value chain of the coal chemical industry through the acquisition of companies engaging in the production of upstream and downstream products in coking operations. Furthermore, in order to expand the Group's business of benzene based chemicals, coal tar based chemicals as well as coal gas and LNG, the Group successfully acquired and consolidated the management and operations of Jinyuan Chemicals in May 2015, the management and operations of Bohigh Chemical in October 2016 and the management and operations of Jinning Energy in December 2016. Leveraging on the Group's successful track record and past experience in extending the Group's involvement in the coking chemical value chain, the Group is further extending the Group's value chain from coal gas to the production of downstream energy products, mainly LNG.

LNG Production Facilities, Coke Granule Coal Gas Facilities and Gas Stations

- **LNG Production Facilities**

  The Group strategically targets LNG production as the next phase of the Group's development because (i) the Group has already engaged in the production of coal gas which allows the Group to expand the production line to produce LNG at a lower cost; (ii) the PRC government has been vigorously promoting the use of natural gas, a clean energy, through various policies and planning initiatives in an effort to advance environmental protection, and the Group believes that the Group is well-positioned to benefit from and are able to capitalize on the LNG market opportunities as a result of the government's great support; and (iii) the production of LNG allows the Group to maximize the value of and further optimize the recovery and re-utilization of the Group's coal gas and tap into the energy market.

The Group commenced the construction of the Group's LNG facilities in the first quarter of 2017. Completion level of 70% has been achieved as at the end of 2017 and the facilities will be commence operation in the first quarter of 2018. The total investment of the Group's LNG production facilities, mainly including cost of construction, cost of equipment procurement and installation as well as initial working capital, is estimated to be approximately RMB342.0 million. As at the end of 2017, the Group's investment in LNG production facilities amounted to RMB181.1 million. The Group's LNG production facilities are located in Huling Industrial Chemical Park adjacent to the Group's coal gas production facilities. Similar to the arrangement of the Group's other facilities, the Group's LNG production facilities are designed to interconnect with the Group's other facilities through direct pipelines to minimize the transportation cost and time.

- **Coke Granule Coal Gas Facilities**

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

The Group commenced the construction of the Group's new coke granule coal gas facilities in August 2017. As at the end of 2017, a completion level of 20% has been achieved. The new coke granule coal gas facilities is expected to commence operation in the second half of 2018. The total investment in the Group's new coke granule coal gas facilities, mainly including cost of construction, cost of equipment procurement and installation and initial working capital, is estimated to be approximately RMB174.5 million. As at the end of 2017, the Group's investment in the new coke granule coal gas facilities amounted to RMB15.2 million.

- **Gas Stations**

The Group will invest approximately RMB125.0 million in the construction of four gas stations located in Jiyuan City, and has established Jinrui Gas for the operation of these gas stations and the management of sales and marketing of LNG products. The four gas stations have a total refilling capacity of approximately 80.0 million m^3 of LNG per year. Of these gas stations, two of them would commence operation in the first quarter of 2018, while the remaining two stations are expected to commence construction in 2018. As at the end of 2017, the Group's investment in the construction of gas stations amounted to RMB39.4 million.

Upon completion of the gas stations, the Group will also procure natural gas from suppliers in neighboring areas for sale. Subject to completion of construction of the LNG production facilities, the Group plans to supply:

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

As a result of the active promotion of clean energy and development of LNG in Henan province by the PRC government, along with the widespread promotion for LNG vehicles, the Group believes the LNG market in Henan province will continue to grow.

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

ENVIRONMENT PROTECTION FACILITIES

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

- **Coal Storage Dome**

  In order to comply with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) implemented since 1 January 2016, the Group is building an approximately 48,000.0 m^2 of wind-proof, dust-proof and sheltered coal storage dome that has a 44 meters high a steel grid structure to achieve zero discharge of dust pollution from the storage yard, by implementing full enclosure of the storage yard to prevent dust spilling so as to achieve the purpose of preventing coal dust pollution. Apart from the dome gride structure, the devices of the coal storage dome also include sprinklers for dust suppression with ancillary pipelines, fire services water system, drainage system as well as lighting and fire alarm system etc. The coal storage dome commenced construction in May 2017, with construction completion level of 70% as at the end of 2017, and are expected to complete construction by March 2018. Total investment in the construction of the coal storage dome is estimated to be approximately RMB60.0 million. As at the end of 2017, the Group's investment in the coal storage dome amounted to RMB23.9 million.

- **Waste Water Treatment**

  The Group intends to further invest in waste water treatment, focusing on enhancing the Group's waste water recycling capabilities and developing water-saving measures. The wasted water can be reused in the Group's production processes after treatment. The project is expected to involve the investment of RMB6.1 million. Currently, the project has basically completed construction and is in the commissioning and acceptance stage.

JINMA ENERGY PRODUCTION CONTROL CENTER

To further improve the Group's business operation management system, the Group partially commenced the operation of the Jinma Energy Production Control Center at the end of 2017.

Occupying an area of about 380 m^2, the Jinma Energy Production Control Center has large LED display screens 14 meters in width and 4 meters in height which use controllers and software to connect the computers of all subsidiaries of the Group to collect production data and clearly display them on the big screen in real-time so as to manage resources for all parties promptly when needed. The total investment in Jinma Energy Production Control Center is RMB15.0 million. As at the end of 2017, the Group's investment in the construction of Jinma Energy Production Control Center amounted to RMB3.7 million.

The Jinma Energy Production Control Center realizes management of production data real-time monitoring, fire alarm real-time monitoring, video monitoring, as well as production control and energy control of all subsidiaries under the Group such as Jinma Energy, Jinyuan Chemicals, Bohigh Chemical, Jinning Energy and Jinrui Energy; and integrates the production systems of the Company. After the Jinma Energy Production Control Center has commenced operation, the sharing of data among various systems has greatly improved the efficiency of management and control, while the energy metering data are integrated to automatically form reports for easy inspection and data analysis, providing basis for management decision.

Aspects of management achieved through the Jinma Energy Production Control Center are as follows:

- **Three changes:** Change in people, change in the way of work, change in the way of management

  Change in people: Pursuit of refinement in production process to reduce the time spent on data collection;

  Change in the way of work: Change the original way of information transmission from passive to active. Standardize the process of implementation and production with focus on improving production efficiency;

  Changes in the way of management: Advanced effective management of resources instead of post-event response. Production results are digitized with multi-factors analysis to generate impact on production process management.

- **Four objectives:** 1. Achieve deep integration of management and production. 2. Solve the phenomenon of information isolation and achieve data sharing. 3. Comprehensively enhance management and control of production process. 4. Reduce costs, improve efficiency and quality.

- **Five characteristics:** paperless record, process standardization, real-time information, data transparency, platform integration.

The Jinma Energy Production Control Center is also equipped with multimedia audio system for use in video conference, speeches and enable information alerts system etc. to enable more efficient daily management and operation.

EMPLOYEES AND REMUNERATION

As at 31 December 2017, the Group had a total of 1,361 employees, including 16 senior management, 48 middle management and 1,297 ordinary employees. For the year ended 31 December 2017, the staff cost of the Group amounted to approximately RMB79.9 million as compared to approximately RMB68.2 million for the same period last year.

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

Corporate Governance Code

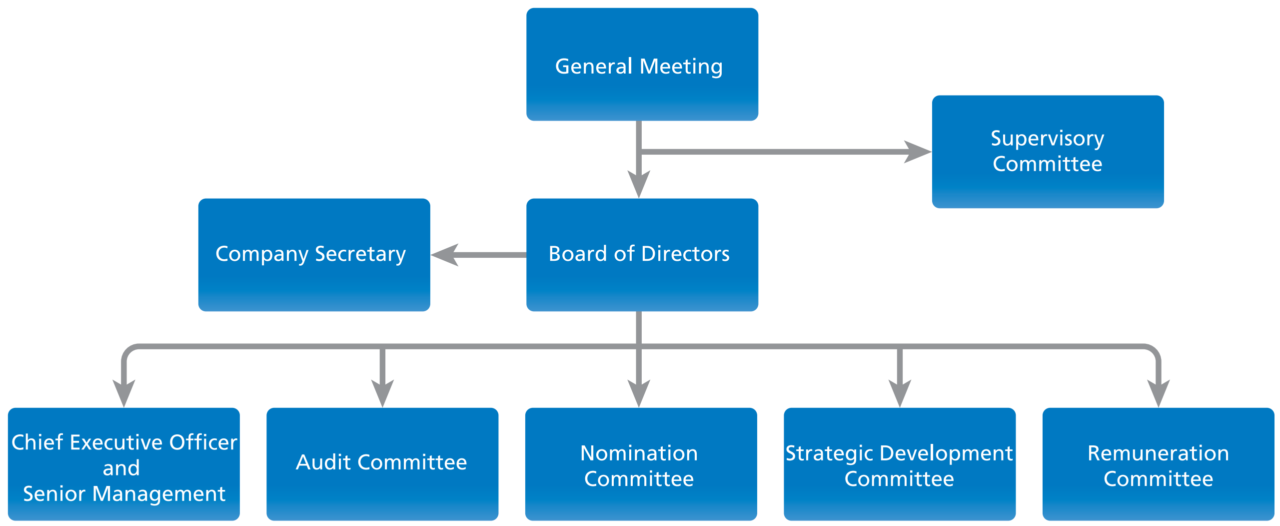
The company has formulated the Articles of Association of the Company (the "Articles") in accordance with the Company Law, and other relevant laws and regulations of the PRC. These Articles are the code of conducts for the Company, regulating the organization and behaviour of the Company, the rights 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.

After listing, the Company has complied with all the code provisions under the Code.

Corporate Governance Functions

The corporate governance structure of the Company is as follows:



The Board is responsible for performing corporate governance functions. During 2017, the Board has performed the following responsibilities in relation to corporate governance functions (for details, please refer to the main work of the Board in 2017 in this report (Page 33)):

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

Securities Transactions by Directors

The Company adopts 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 will also issue to all Directors and Supervisors a compliance notice of suspending trading during the black-out period in accordance with the Code. Having made specific enquiries, the Company hereby confirms that all the Directors and Supervisors have complied with the standards as set out in the Model Code for the trading of securities by Directors.

Board of Directors

The list of the First Session of the Board of Directors of the Company, and the attendance of each Director at board meetings and general meetings for 2017 are as follows:

Directors	Attendance at Board Meetings	Attendance at General Meetings
Executive Directors		
Mr. Yiu Chiu Fai (Chairman)	7/7	3/3
Mr. Wang Mingzhong	7/7	3/3
Mr. Li Tianxi	6/7 (Note 1)	2/3 (Note 1)
Non-executive Directors		
Mr. Lu Kecong	7/7	3/3
Mr. Hu Xiayu	6/7 (Note 1)	2/3 (Note 1)
Mr. Wang Zhiming	5/7 (Note 2)	2/3 (Note 1)
Independent non-executive Directors		
Mr. Zheng Wenhua (appointed on 18 September 2017)	2/2	–
Mr. Liu Yuhui (appointed on 18 September 2017)	1/2 (Note 1)	–
Mr. Wu Tak Lung (appointed on 18 September 2017)	2/2	–

Notes:

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

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

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

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

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

The Board comprises three independent non-executive Directors, accounting for one-third of the members of the Board. The three independent non-executive Directors are experts in coking, economy 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 74 to 80). Among them, Mr. Wu Tak Lung, chairman of the audit committee, has appropriate accounting and financial management expertise and experience.

All three independent non-executive Directors have submitted written confirmations to the Company and the Hong Kong Stock Exchange for their independence. For details, please refer to the section headed "Directors' Report" of this annual report (Page 64).

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

Save for entering into service contracts and except as otherwise disclosed in this annual report, none of the Directors, Supervisors and their connected entities had any material transactions, arrangements or contracts with the Company directly or indirectly in 2017.

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

The Company places considerable emphasis on the continuous professional development of Directors, and arranged for Directors and Supervisors to attend training and seminars on the duties and responsibilities of Directors prior to listing in 2017. All Directors and Supervisors also received a Memorandum on Directors' Responsibilities for Companies Listed on the Main Board of The Stock Exchange of Hong Kong Limited, to understand their responsibilities and obligations under the Listing Rules of the Hong Kong Stock Exchange. In accordance with the records maintained by the Company, as at 31 December 2017, all Directors have received the training under the code provisions in relation to continuous professional development under the Code.

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

The Directors of the Company are elected by the general meeting for a term of three years. The three non-executive Directors have been in office since July 2016, and the three independent non-executive Directors have been in office since September 2017.

The main work of the Board in 2017 is as follows:

- approve the production and operation for 2016, and the production and operation plans for 2017/18 of the Company;
- approve the final accounts for 2016 and the financial budgets for 2017/18 of the Company;
- approve the fixed asset investment plan for 2018 and the preliminary preparations for merger, reorganization and capacity expansion plans;
- approve the application made by the Company for the issuance of H shares and listing on the Main Board of the Hong Kong Stock Exchange, and related procedures and documents;
- approve the use of proceeds from the listing of H shares;
- approve the establishment of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategic Development Committee;
- approve the Company's internal control management rules (which include Confidentiality Management Rules, Authorization Management Rules, Compliance Management Rules, Connected Transaction Rules, Environmental, Social and Governance Regulatory and Information Disclosure Rules, Management Rules for Changes in the Shareholdings of Directors, Supervisors and Senior Management, and Secured Mortgage Management Rules);
- approve the establishment of wholly-owned subsidiaries in Hong Kong;
- nominate the Company's independent non-executive Director candidates;
- approve the appointment of the Company's authorized representatives and company secretary;
- approve making amendments to the Articles of the Company and its subsidiaries;
- approve the appointment of independent third parties to provide training on the implementation of the Company's environmental, social and governance projects and assist the Company in auditing and evaluation, and issue the 2017 Environmental, Social and Governance report; and
- convene the general meeting and report to the general meeting on its work.

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 comprises three Directors, including Mr. Wu Tak Lung (independent non-executive Director), Mr. Lu Kecong (non-executive Director) and Mr. Liu Yuhui (independent non-executive Director), and is chaired by Mr. Wu Tak Lung.

The Audit Committee held a meeting in 2017. Except that Mr. Lu Kecong entrusted Supervisor Zhang Qiangxian to attend the meeting due to his busy schedule, the remaining two Directors attended the meeting.

The main work of the Audit Committee in 2017 is as follows:

- review the report on the 2017 audit plan;
- discuss tax compliance and planning matters; and
- discuss the Company's internal control and risk management systems.

The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2017.

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

Remuneration Committee

The Board has established the Remuneration Committee.

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

The Remuneration Committee comprises three Directors, including Mr. Zheng Wenhua (independent non-executive Director), Mr. Wang Mingzhong (executive Director) and Mr. Wu Tak Lung (independent non-executive Director), and is chaired by Mr. Zheng Wenhua.

Given the fact that the Company was not listed until on 10 October 2017, no Remuneration Committee meeting was held during the year.

The Company has adopted code provision B.1.2 (c) (ii), i.e. the Remuneration Committee recommends to the Board remuneration packages of individual executive Directors and senior management.

Nomination Committee

The Board has established the Nomination Committee.

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

The Nomination Committee comprises three Directors, including Mr. Yiu Chiu Fai (executive Director), Mr. Zheng Wenhua (independent non-executive Director) and Mr. Liu Yuhui (independent non-executive Director), and is chaired by Mr. Yiu Chiu Fai.

Given the fact that the Company was not listed until on 10 October 2017, no Nomination Committee meeting was held during the year.

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

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 Strategy Committee comprises three Directors, including Mr. Lu Kecong (non-executive Director), Mr. Zheng Wenhua (independent non-executive Director) and Mr. Li Tianxi (executive Director), and is chaired by Mr. Lu Kecong.

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 2017, the remuneration of Deloitte and its related parties for audit services was RMB1.6 million.

Meanwhile, Deloitte and its related parties also provided non-audit services to the Company, and remuneration for non-audit services was RMB0.3 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 2017 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 83 to 84).

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 80). The company secretary attended relevant professional training for not less than 15 hours in 2017.

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 proposal falling within the scope of power of the shareholders' general meeting into the agenda of such meeting.

Amendments to Articles

The Company partially exercised the Over-allotment Option involving an aggregate of 2,087,000 H shares of the Company on 29 October 2017, resulting in a change in the registered capital of the Company. In order to reflect such change in the registered capital of the Company, the Articles of the Company was therefore subject to amendments. For details of such amendments, please refer to the announcement issued by the Company on the website of the Hong Kong Stock Exchange on 7 December 2017.

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

Risk Management and Internal Control

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

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

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

Risk management and internal control procedures

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

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

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

- **Risk management procedures**

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

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

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

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

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

- **Internal control measures**

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

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

Opinions of the Audit Committee

In 2017, based on the management's assessment, the Audit Committee reviewed and firmly believed that there was no event that led the Audit Committee to believe that the Company's risk management and internal control systems (covering finance, operations, compliance and all other material controls) were inadequate, and believes there is an ongoing process to identify, assess and manage the significant risks facing the Company. The Audit Committee considered that the Company's risk management and internal control systems are adequate and effective.

The Audit Committee 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 first Environmental, Social and Governance report, covering the Group's overall performance in two main aspects (i.e., environmental and social) during operation of its main businesses (production and sale of coke, and the processing and sale of coking by-products), from 1 January 2017 to 31 December 2017 (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 38).

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

Stakeholder Engagement and Contact Information

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

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

Environmental Responsibilities

Emissions Management

- **Relevant policies**

  The Group constantly formulates and improves environmental management rules, regulations and systems, and has taken the following various measures to reduce the impact of business operations on the environment:

  - Formulate and improve environmental management rules or regulations: Environmental Protection Management Rules, Regulations on Environmental Test Management, Regulations on Air and Dust Emissions Management, Regulations on Key Sewage Outfalls Management and Regulations on Solid Waste Management;

  - Establish a sound environmental management system: forming an environmental management system with the Environmental Management Committee acting as the top management body, routine management provided by the Environmental Protection Department, technical support provided by the Technical Department, and each workstation assigned with an environmental officer responsible for environmental supervision, thus ensuring that the responsibilities of each person are well-defined. As at the end of the Reporting Period, Jinma Energy and Bohigh Chemical have obtained the certification of ISO14001 Environmental Management System;

  - Set up an incentive mechanism: formulating departmental environmental assessment plans and assessment objectives;

  - Increase the intensity of environmental inspection: focus on supervision of pollution control facilities' operations, issuing Notice of Rectification with Time Limit for identified problems, and follow up on the implementation status of rectifications; and

  - Increase technological process innovations and cooperation between industries, universities and research institutes: focus on researches to resolve prominent environmental problems, and make every effort to recycle wastewater, waste gases, solid wastes, and reduce pollutant emissions. Technologies that the Group has taken part in their research and development, including advanced water treatment, dust removal from 5.5m coke ovens, double salt extraction from desulfurized waste liquid, have won the Scientific and Technological Achievement Awards of Henan Province.

- **Relevant laws and regulations**

  The Group stringently complies with laws, regulations and standards, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護税法》), 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》), and the Emission Standard of Pollutants for Coking Chemical Industry (《煉焦化學工業污染物排放標準》) (GB16171-2012).

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

- **Measures to mitigate emissions and results**

  The Group has taken the following series of measures to reduce air and greenhouse gases emissions, and discharges into water and land:

  o Install coke oven coal gas recycling processor to enhance the recycling rate of coke oven coal gas;

  o Install devices for dust removal from flue gases, desulfurization and denitrification, chemical exhaust gas collection etc., conduct real-time online data monitoring at exhaust outlets, link up with the municipal environmental monitoring platform, make adjustments in a timely manner to resolve potential hazards and problems, effectively control air emissions (for instance, after the Group's desulfurization project was put into operation, the concentration of SO_2 emission decreased from a peak of approximately 150.0 mg/m^3 to less than 20.0 mg/m^3, achieving a reduction in SO_2 emission of 193.6 tons/year);

  o Increase fugitive dust control, effectively reduce fugitive dust generated by operations such as loading, unloading and warehousing etc., by means of sweeping, water sprinkling, spraying, rinsing, and covering etc;

  o Construct and operate wastewater processing and recycling facilities such as sewage treatment station, advanced treatment station for phenolic and cyanic wastewater, reclaimed water treatment station etc.. Among these facilities, the advanced treatment station for phenolic and cyanic wastewater has undergone continuous upgrade, and is capable of treating coking wastewater to meet National Grade One Discharging Standard without using freshwater. The treated wastewater is used entirely in cooling towers, coke quenching water and advanced treatment of coke dry quenching. The wastewater treatment rate of the reclaimed water treatment station can reach 250.0 tons/hour, saving approximately 2.2 million tons of water per year; and

  o Establish a multi-directional pipeline network of integrated wastewater recycling, a centralized system for wastewater treatment controls, conduct cascade reuse and hierarchical use of all domestic and industrial wastewater of the Group, achieving "zero" discharge of wastewater.

- **Waste management, reduction measures, and results**

  The methods adopted by the Group to handle wastes and reduce their production are as follows:

  - o Set up a solid waste ledger for regulation-compliant storage and disposal of waste. Perform ground hardening at locations where solid wastes are generated, and set up barrier protection measures to prevent land contamination; the Group collects and transports domestic wastes to refuse handling areas; construction wastes are transported by construction contractors to construction wastes storage areas designated by the Environmental Protection Bureau; chemical reagents produced by the laboratories and their containers are recovered collectively and sent to refuse treatment plant for specialized treatment;
  - o Adopt new technology to reduce waste generation, for instance improving the modification process of coal asphalt to prevent further production of flash oil; and
  - o Integrate use of solid wastes to avoid waste disposal. For instance, recover all wastes such as tar residue, recycled asphalt residue, bituminous coal dust, and sludge derived from sewage treatment etc., and use them in coal blending and coking; and conduct advanced processing of coal tar generated by coal gas purification during the process of coke production.

- **Emissions performance**

  Through improved emissions management, the Group not only achieves "zero" discharge of wastewater and hazardous wastes, but at the same time also fulfils the air emission limits set by the governmental Environmental Protection Departments on the Group's coking processes (i.e., emission volume of 210.0 tons for SO_2, emission volume of 1,700.0 tons for nitrogen oxides, emission volume of 237.0 tons for particulates). The hazardous wastes in this report are defined in accordance with the National Catalogue of Hazardous Wastes, while non-hazardous wastes refer to other wastes such as domestic wastes and construction wastes etc..

  In 2017, the Group successfully passed the carbon audit for power plants conducted by the Development and Reform Commission of Henan Province, laying the foundation for allocation of greenhouse gases emission quotas in future.

  The types of emissions and relevant emission data of the Group for 2017 are listed below:

Type of Emissions	Unit	Value
Total emissions volume of SO_2	Ton	175.9
Intensity of SO_2 emissions	Kg/RMB 1,000	3.4×10^{-2}
Total emission volume of nitrogen oxides	Ton	1,249.8
Intensity of nitrogen oxide emissions	Kg/RMB 1,000	2.4×10^{-1}
Total emission volume of particulates	Ton	186.1
Intensity of particulate emissions	Kg/RMB 1,000	3.6×10^{-2}
Total emission volume of greenhouse gases	tCO_2e	604,164.1
Intensity of greenhouse gases emissions	Kg Co_2 e/RMB 1,000	117.6
Total discharge volume of sewage	Ton	—
Intensity of sewage discharge	Ton/RMB 1,000	—
Total production volume of hazardous wastes	Ton	107,924.4
Intensity of hazardous waste production	Kg/RMB 1,000	21.0
Hazardous waste handling rate	%	100.0
Total disposal volume of hazardous wastes	Ton	—
Total production volume of non-hazardous wastes	Ton	176.2
Intensity of non-hazardous waste production	Kg/RMB 1,000	3.4×10^{-2}
Non-hazardous waste handling rate	%	100.0

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

Use of Resources

- **Relevant policies**

  The Group treats low carbon development as an important driver for enhancing economic quality and efficiency under the new normal, and has adopted all-rounded energy-saving measures, including:

  - o Improve resource management rules: Energy Management Rules, Energy Measurement Management Rules, Regulations on the Management of Air-conditioning Use in Summer and Domestic Water Management Rules;

  - o Establish energy management bodies: form an energy leading team and an energy office under the Production Department, responsible for energy management of the Group, and set annual energy and water consumption assessment targets;

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

  - o Advocate green office: establish a paperless, automatic office system, reduce paper usage; and

  - o Environmentally-friendly travel: exercise management and assessment of commuter shuttles and company vehicles, set highest gas mileage standards for such vehicles, call upon employees to take public transport to save energy and reduce greenhouse gases emissions.

- **Energy use efficiency initiatives and results**

  In 2017, the Group invested RMB5.0 million for deep integration of informatization and industrialization, mainly for building smart power plant, smart control of production and smart management. Building smart power plant achieves optimal combustion of boilers, enhancing boiler output and power generation efficiency of turbines, and realizes the objectives of automatic control of operation parameters as well as greater efficiency with fewer workers; building smart control of production increases the number of high-resolution surveillance cameras, smart barrier gates and automatic alarm systems, and achieves real-time monitoring of production; building smart management improves the network infrastructure, enhances network data security and controllability, and achieves smart industrial production and management. In August 2017, the Company was awarded the National Pilot Enterprise on Implementation of Management System for the Integration of Informatization and Industrialization （兩化融合管理體系貫標試點企業）approved by the Ministry of Industry and Information Technology of the PRC.

  Faced with an increasing shortage of supplies such as coal and electric power, the Group actively develops dry coke quenching project with a scale of 160.0 tons/hour, effectively reducing production costs and energy consumption. In contract with the traditional wet coke quenching process, the dry coke quenching process can generate a large amount of steam for electric power generation, fully recycling energy stored in materials; improve and enhance coke quality under the same coal blending ratio conditions; use inert gases to quench red-hot coke in an enclosed system, while at same time avoiding generation of steam containing a large amount of phenol, cyanides, sulfides and dust, hence reducing environmental pollution.

- **Water efficiency initiatives and results**

  China is a country with a relative shortage of water resources which are unevenly distributed temporally and spatially, and varying greatly within the same year and from year to year, necessitating extraction of groundwater from time to time to meet requirements for water usage.

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

- **Performance in use of resources**

  The Group's use of resources data in 2017 is listed as follows:

Type of resources	Unit	Value
Coal (raw material of coke)	Ton	2,893,037.3
Diesel	Ton	601.0
Gasoline	Ton	70.3
Net purchase of electricity	1,000 kWh	144,100.0
Net purchase of thermal power	GJ	25,644.9
Total volume of integrated energy consumption	1,000 kWh	3,342,038.2
	Ton of standard coal	410,736.5
Intensity of integrated energy consumption	1000 kWh/RMB 1,000	0.7
	Kg of standard coal/RMB 1,000	79.9
Total volume of freshwater consumption	Million Ton	4.1
Intensity of freshwater consumption	Kg/RMB 1,000	800.2
Recycling rate of water for industrial use	%	98.9
Packaging	Ton	N/A

Note: Intensity = Total volume of energy or water consumption ÷ total revenue (in RMB)

Protection of Environment and Natural Resources

- **Relevant policies and management of environmental impacts of businesses**

  The Group adheres to the environmental protection concept of "developing green coal chemical enterprise", and has fully considered and adopted the following measures to control the environmental impacts during project construction and operation, protecting the natural environmental with a responsible attitude and behaviour:

  - Selectively situate the Group's factory areas far away from residential areas and on lands which are difficult to utilize, to avoid noise and emissions impacts on residential areas during project construction and operation, and avoid occupying agricultural and forest land;
  - Strictly implement "Three Simultaneity" (i.e., construction projects shall be designed, constructed and put into use simultaneously with the relevant environmental protection facilities) rules and environmental assessment rules. All new, rebuilding or expansion projects have to prepare environmental impact assessment reports as required, and obtain the approval of relevant government departments;
  - Ensure that the environmental protection measures are in place during project construction and operation, reducing impact on natural environment;
  - Invest to construct and expand reservoirs, and collect surface water such as rainwater for production use, so as to reduce groundwater usage during project operation; and

  - Carry out activities like "Growing Together with the Company" tree adoption activity and voluntary tree planting etc., and greening at the Group's factory areas and surrounding wastelands (since its establishment, the total investment of greening for the Group has reached approximately RMB12.0 million, the number of trees planted amounted to 0.1 million, covering dozens of species. The greening ratio for the factory areas reaches 42.0%, leading the industry in China), and carry out public welfare activities such as donations for environmental protection purposes (in 2017, a donation of RMB0.3 million was made to support construction of the Wanfoshan Forest Park in Jili District, Luoyang City).

Social Responsibilities

Employment

- **Relevant policies**

  The Group views its employees as the most precious treasures during corporate development, and earnestly protects the legitimate rights and interests of employees through constantly establishing, improving and implementing relevant recruitment and remuneration rules and systems below:

  o Remuneration and dismissal: the Group establishes a scientific and reasonable remuneration system which offers competitive remuneration to employees. The Group also formulates and implements Regulations on Management of Resignation of Employees, which clearly defines the dismissal conditions;

  o Recruitment and promotion: the Group formulates and implements Regulations on Management of Recruitment of Employees, clearly defines recruitment conditions to form fair and standard employment conditions, the signing rate of employee labour contract in 2017 was 100.0%. The Group adopts various methods such as online recruitment, recruitment in universities and institutions, career fairs, recommendations by employees etc., to expand the recruitment channels and scope. The Group has also communicated with many professional online recruitment bodies, focusing on recruiting highly-educated, high-caliber and highly-skilled talents and staff for special posts. In 2017, the Group has actively connected with several universities such as Zhengzhou University, Henan University and Beijing University of Chemical Technology etc., organized five on-campus recruitment fairs and participated in three large-scale mutual selection recruitment fairs, and arranged on-site visits and symposiums for some graduates. In 2017, the Group recruited 157 staff, with 40 of them having bachelor degrees or above, 90 or them having received college education, and the rest of the staff possessing professional skills that the Group requires such as electrical engineering and mechanical repair etc., hence providing strong intellectual and technical support for the Group to carry out various works and important engineering projects. The Group also formulates open and transparent employee assessment and promotion mechanism, to ensure that each employee is fairly assessed and reasonably promoted during his/her tenure;

  o Working hours and rest periods: The Group formulates clear and concise rules on attendance and vacation, to fully protect the employees' rights to have rest and vacation;

  o Equal opportunity, diversity and anti-discrimination: the Group emphasizes on building a diversified team, providing equal opportunity for employees to demonstrate their capabilities, strictly preventing discrimination against gender and other aspects; and

  o Other benefits and welfare: the Group 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. Moreover, the Group also actively organises activities to shower employees with care, helping employees to improve work and life qualities through various methods (for instance, establishing employee mutual funds to provide relief fund for poor families, providing special physical examination and subsidies for women, distributing commodities to prevent heatstroke and induce cooling as well as benefits for Chinese New Year, providing welfare for employees' elderly parents and children, organizing various cultural and entertainment activities, etc.), so as to create a harmonious corporate environment.

- **Relevant laws and regulations**

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

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

- **Number of employees**

  As at the end of the Reporting Period, the Group has 1,361 employees. The staff turnover rate in 2017 was 0.2%.

  The number of employees in 2017 classified according to gender, employment type, age and education level is as follows:

Type	Number
Gender	
Male	1,117
Female	244
Employment type	
Ordinary employees	1,297
Middle management	48
Senior management	16
Age	
Younger than 30	379
30-50 years	950
Above 50 years	32
Education level	
College education or below	1,164
Bachelor's degree	184
Master's degree or above	13

Occupational Health and Safety

- **Relevant policies**

  The Group continually improves the safe production management system below to take charge of the overall safety management, enhance the safety management level and fulfil the responsibility of safe production management, achieve all-rounded safety management covering all employees and whole processes, and provide guidance and standardization for the Group's safe production:

  o Rules and standards: the Group formulates the Safety Standardization Management Manual of Henan Jinma Energy Company Limited, which includes 40 management rules such as Safe Production Responsibility Rules, Safe Operation Management Rules, Regulations on Safe Management of Special Equipment etc., clearly stipulating the regulations concerning relevant safety management and operational activities, and has become the programmatic document and code of conduct for guiding work safety;

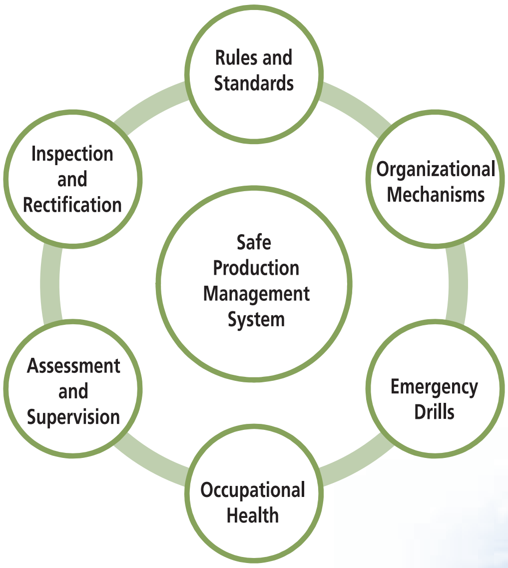
  o Organizational mechanisms: the Group establishes a Safe Production Committee headed by the Chief Executive Officer and consisting of top management, forming a safe production management organizational body covering the Safe Production Committee, Safety Department/subsidiaries, workstations, work sections and teams, thus guaranteeing effective implementation of various management rules and standards of the Group;

- Assessment and supervision: the Group follows up, supervises and assesses production operations, focusing on integrated assessment of various areas such as the establishment status of safety management and post responsibilities, the implementation status of education and safety inspection rules, the control status of safety accidents, the management status of accidents and risks, and inspection and treatment status of potential hazards etc., to constantly enhance safety management performance. During the Reporting Period, the Group's safety staff has conducted over 1,100 times of monitoring over special operation sites, ensuring that maintenance works are conducted in a smooth and safe manner;

- Inspection and rectification: the Group pays attention to safety inspection and rectification, through clearly defining the methods, frequency, contents, requirements, rectification and announcing results of safety inspections, supervision and management are enhanced, potential hazards are discovered and eliminated in a timely manner, and accidents are prevented and reduced. The Group persists on carrying out the "5S" management, i.e.: Sort (Seiri), Set in order (Seiton), Sweep (Seiso), Standardize (Seiketsu) and Sustain (Shitsuke), starting with mindsets, rules and measures, improving the on-site work environment entirely. The Group conducts "5S" inspection every day, reports on equipment and work environment that needs to be rectified, and follows up with the implementation of the rectifications. Through carrying out "5S" management, the Group's employees submitted 841 motions for improvement in 2017, of which 362 motions were rated as valuable and worthy of promoting, hence remarkably improving the work environment, decreasing labour intensity of employees and saving production costs;

- Emergency drills: the Group formulates work plans for emergency drills, and actively carries out various emergency drills to enhance the response capability and skills of emergency teams and relevant departments in handling emergencies, thus laying the foundation for better emergency rescue works. The Group's fire contingent won the first place among corporate professional teams during Competition in Fire Control Occupational Skills of Jiyuan City in 2017; and

- Occupational health: the Group regularly evaluates the risk factors of occupational diseases, provides employees with labour protection supplies, arranges occupational physical examinations for employees at posts involving toxic and harmful substances, and establishes and keeps an occupation health monitoring archive. Jinma Energy and Bohigh Chemical have successfully obtained certification of OHSAS18001 Occupational Health and Safety Management.



- **Relevant laws and regulations**

  The Group strictly abides by criteria set by relevant safety laws and regulations, including the Work Safety Law of the PRC (《中華人民共和國安全生產法》) and the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》).

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

- **Safety education and training**

  The Group continually carries out safety publicity and education for employees. Through implementing multi-level, multi-channel and targeted safety trainings and distributing safety publicity materials consisting of vivid images and detailed texts, employees' safety concepts, safety awareness and technical skills are effectively improved. In 2017, the Group arranged for over 230 times of safety training, the safety training rate of employees was 100.0%, and passing rate for trained external construction workers was 100.0%.

  To increase safe production publicity and education and enhancing the safety awareness of all employees, on 11 May 2017, the Group organized for over 1,000 employees to participate in a safety commitment petition event. During the event, the participating employees voluntarily signed their names on the safety commitment banner, promising to consciously comply with the various safety management regulations and rules of the Group, and take practical actions to earnestly guarantee for safe production and no accidents.

- **Health and safety performance**

  During the Reporting Period, the Group invested approximately RMB8.0 million in safe production, with no occurrence of accidents resulting in death or serious injury, and the total number of lost working hours was 230.0 man-days.

Development and Training

- **Relevant policies**

  The Group spares no effort in creating the all-rounded and multi-field learning and development platform below, used to nurture talents at different levels with high integrated qualities, advanced professional skills and strong management capabilities, thus enriching the Group's talent team:

  o Enhance the management system for nurturing talents: enhance the nurturing mechanism for excellent talents, formulating Proposal of Selecting, Nurturing and Managing Excellent Talents, build up a nurture system for professional knowledge and skills in terms of management, law, internal control, technology, quality and environmental protection etc.;

  o Establish a scientific and effective assessment and evaluation mechanism: formulate a scientific and feasible talent assessment method to select excellent talents, and form a dynamic management mechanism under which employees may be promoted or demoted based on their capabilities;

  o 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 their experiences through plans and different posts, promote excellent talents in exceptional cases; and

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

- **Training activities**

The Group issues "one newspaper and one magazine" every month, and calls upon for employees to read and learn, to enhance their own skills and cultural qualities, and learn about national affairs and the development status of the Group. In 2017, the Group released 13 issues of newspapers (including a special issue on the Group's Listing), and 12 issues of magazines, providing employees with timely, comprehensive, high quality learning materials.

The Group has successively established long-term cooperation relationship with universities in Mainland such as Tsinghua University, Zhejiang University, Xiamen University, Zhengzhou University, Anhui University of Technology etc., nurturing talents with professional management skills. The Group has established joint nurturing system for on-the-job postgraduate students with Zhengzhou University, nurturing management talents of high-caliber and strong capabilities for the Group. Through talent nurturing, on the one hand the integrated quality of engineers and management of the Group is improved, alleviating shortage of high-level engineering and project management talents currently faced by the Group; on the other hand it also allows for combination of talent nurturing with resolving technical and management problems during the Group's actual production, hence achieving targeted learning to serve practical needs, and benefitting the Group by improving its core competitiveness.

- **Training performance**

During the Reporting Period, the Group invested approximately RMB0.3 million in training, organized 12 rounds of training, and the number of trained personnel was 2,500.

The employees trained in 2017 are classified as follows according to gender and employment type:

Type	Number (%)
Gender	
Male	1,100 (88.0%)
Female	150 (12.0%)
Employment type	
Ordinary employees	1,210 (96.8%)
Middle management	30 (2.4%)
Senior management	10 (0.8%)

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

Type	Average time (hours)
Gender	
Male	44,000
Female	6,000
Employment type	
Ordinary employees	48,400
Middle management	1,200
Senior management	400

Labour Standards

- **Relevant policies**

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

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

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

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

Through publicizing factory affairs, corporate democratic decisions are effectively promoted, corporate scientific management level is enhanced, and has gained recognition both internally and externally. In September 2017, the Group was awarded the honorary title "Advanced Unit in National Open and Democratic Management in Factory Affairs" (全國廠務公開民主管理先進單位) by the All-China Federation of Trade Union.

- **Relevant laws and regulations**

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

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

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

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

Supply Chain Management

- **Relevant policies**

  The Group formulates supply chain management rules in accordance with a combination of relevant national laws and regulations and actual conditions of the Group's supply chain, enhances verification, management and evaluation of suppliers, urges suppliers to fulfil their environmental and social responsibilities to enhance their ability to perform, thus ensuring the stability and efficiency of the Group's supply chain.

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

  o Type A – Key materials: evaluation of qualified supplier is conducted every half a year;

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

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

- **Number of suppliers**

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

The number of the Group's coal suppliers in 2017 is classified by region as follows:

Region	Number
Shanxi Province	25
Henan Province	7
Jiangsu Province	2
Shaanxi Province	2
Shandong Province	1

The number of the Group's suppliers of other materials in 2017 is classified by region as follows:

Region	Number
Henan Province (excluding Jiyuan City)	48
Jiyuan City of Henan Province	48
Liaoning Province	17
Jiangsu Province	15
Hebei Province	11
Beijing City	10
Shanghai City	7
Zhejiang Province	7
Shanxi Province	5
Jiangxi Province	5
Tianjin Province	5
Anhui Province	4
Shandong Province	4
Sichuan Province	2
Hubei Province	2
Shaanxi Province	2
Guangdong Province	1
Hunan Province	1

Product Responsibility

- **Relevant policies**

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

  In addition, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange in 2017, gaining capital platform at a higher level and opportunities for improving internal management, which shall become the new driver for the Group's development, facilitating the Group's transformation into an "efficient clean energy and chemical industrial enterprise".

  The Group has gradually improved the product quality control system and relevant rules below, and constantly optimizes processes such as coal blending, coking, chemical production, processing of coal tar and benzene etc., so as to control production process in an all-rounded way, improving product quality and customer satisfaction:

  o Management rules: formulate Regulations on Quality Management, clearly defining details on quality management, fully satisfying relevant industrial standards such as Coke for Metallurgy (GB/T1996-2003) and Coal Tar (YB/T5075-2010);

  o Management system: The Group has commenced establishing quality control system since 2006, and Jinma Energy and Bohigh Chemical have successfully obtained certification of ISO9000 Series of Quality Standards, as well as Certificate of Quality Management System (質量管理體系證書) issued by Quality Assurance Centre of China Association for Quality (中質協質量保證中心); and

- o Management measures:
  - ◆ Strictly monitor the quality of imported raw materials and auxiliary materials such as cleaned coal;
  - ◆ Implement product quality management rules and systems, improve quality control capabilities for coking and advanced processing processes;
  - ◆ Convene monthly meeting to analyse product quality, and resolve relevant issues;
  - ◆ Invite experts to participate in exchanges on product quality;
  - ◆ Provide good after-sale services and follow-up visits with customers, regularly surveying the level of customer satisfaction, so as to improve product quality in a timely manner (in 2017, the Group's average customer satisfaction amounted to 97.4%);
  - ◆ Formulate and implement employee learning and training plans to enhance their work skills and overall employee quality; and
  - ◆ To improve product quality and equipment management level, the Group has fully promoted "all employees participating in production and maintenance" management, forming a long-term mechanism of equipment management. On the one hand, the Group enhances equipment management and technical training for operators, and helps them cultivate the habit of equipment inspection to maintain and reduce natural deterioration of equipment, hence ensuring equipment support for producing high quality products; on the other hand, the Group establishes equipment operation and management system to facilitate discovery of weak links and existing problems during equipment management, hence enhancing the efficiency of equipment management, and ensuring technical support for producing high quality products.

- **Relevant laws and regulations**

  The Group stringently complies with relevant laws and regulations, including the Product Quality Law of the PRC (《中華人民共和國產品質量法》), optimises product layout, and keep a firm hold on product quality, so as to provide customers with qualified and satisfactory products.

  During the Reporting Period, the Group was not involved in any material events in relation to violation of relevant products and services laws and regulations.

- **Product quality performance**

  The Group's product quality performance data in 2017 is listed as follows:

Product type	Unit	Production capacity	Passing rate
Coke products	Ton	1,999,532.9	100.0%
Coal gas products	Cubic meter	392,551,025.8	100.0%
Benzene based chemicals	Ton	132,451.1	100.0%
Coal tar based chemicals	Ton	171,337.9	100.0%

Anti-corruption

- **Relevant policies**

  The Group formulates several management rules such as Regulations on Management of Anti-corruption and Reporting Mechanism, Regulations on Protecting and Rewarding Informers and Regulations on Project Audit Management etc., and sets up Disciplinary and Investigation Committee as the routine institution of the Group's anti-corruption works, providing strong rules and organizational support for the Group's anti-corruption works.

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

  In 2017, the Group carried out 2 rounds of training on anti-corruption education, with a total number of 150 attendees. In addition, on 1 July 2017, the Group held "Jinma Energy Celebration of the 96th Anniversary of the Founding of the Communist Party of China", attended by more than 100 people including all of the Group's leaders, person-in-charge of each department and employee representatives. The meeting highlighted the importance of anti-corruption, and called upon all employees to keep their integrity and be clean, honest and self-disciplined. After the meeting, there was organised viewing of educational video publicizing anti-corruption, laying a good mindset foundation for achieving the Group's various work objectives.

- **Relevant laws and regulations**

  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》), the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫定規定》) issued by the State Administration for Industry & Commerce of the PRC.

  During the Reporting Period, the Group did incur any litigations or corresponding penalties arising from corruption or bribery.

Community Investment

- **Relevant policies**

  The Group actively fulfils its social responsibilities, provides stakeholders with returns, cares for society and general public, pays attention to disadvantaged communities, pays attention to social education, actively contributes to building of socialist harmonious society, demonstrates sense of responsibility and style of an excellent enterprise. The Group has donated a total of approximately RMB12.4 million since its establishment. During the Reporting Period, the Group's donation was approximately RMB2.7 million.

- **Areas of contribution**

  - Targeted poverty alleviation: the Group greatly supports developing industries to alleviate poverty, assists the relevant regions to form sustainable economic sources and shares the results of economic development. On 4 August 2017, upon the three-way negotiation between the poverty alleviation unit of Standing Committee of Municipal People's Congress office, People's Government of Kejing Town and the Group, integrating actual local conditions, there is a planned project to build a 228 kW roof-distributed photovoltaic plant in Guquan Village, putting a thorough end to the poverty situation through industrial support. Through this project, villagers can utilize electricity and connect surplus electricity to the grid to obtain sustainable and stable income. The Group has already contributed approximately RMB1.0 million as start-up capital, which will be transferred to the People's Government of Kejing Town via Charity Federation of Jiyuan City based on the construction progress. After operation of this project, the property right shall be collectively owned by villagers of Guquan Village, and the Guquan Village Committee shall be responsible for its operation and management, with follow-up and supervision by the Standing Committee of Municipal People's Congress office and the town government, to ensure faithful implementation of industrial poverty alleviation, achieving stable increase of the village's collective income, fundamentally improving the public infrastructure construction, and ultimately achieving the objective of putting a thorough end to the poverty situation.

  - Education support: the Group attaches great importance to local education, and has actively donated RMB0.9 million in succession to schools such as No. 1 Middle School of Jiyuan, No. 1 Middle School of Wangwu, No. 2 Middle School of Wangwu and Potou Middle School etc., assists to improve the education and teaching facilities and working conditions, enhances the team of teaching staff, as well as assists poor students to complete their studies. The Group also donates RMB0.2 million to the "Bonus Fund for Excellent Teachers of No. 1 Middle School of Jiyuan" each year, contributing to the sustainable development of education in Jiyuan City. 18 August 2017 was the "Charity Education Day" of Jinma Energy, and education fund of approximately RMB1.1 million was distributed to a total of 200 poor university students to assist them complete their studies. Since 2012, the Group has collaborated with the Charity Federation of Jiyuan City, donating RMB10.0 million to implement "Jinma Energy's Ten-year Charity Education Plan", which plans to, within the coming 10 years, support 500 poor students who can go to universities, each receiving RMB5,000.0 of education fund per year. As at the end of the Reporting Period, 300 university students have already received support, totalling approximately RMB4.6 million.

  - Harmony between village and enterprise: as a local large-scale private enterprise in Jiyuan City, the Group has for many years continuously provided feedback of benefits to surrounding communities and sharing the results of corporate development, through various forms such as carrying out respect the elderly activities, assisting over 300 villagers of surrounding areas to find jobs etc., and hence achieving harmonious relations between village and enterprise. As the Chinese New Year was approaching in 2017, the Group's leaders went to four surrounding villages including Wanghu, Nandu, Zenan and Zebei to visit elderly over 70 years old and the poor families, and distributed consolation gifts and funds totalling approximately RMB36,000.0, 40 barrels of edible oil and 40 bags of rice. On 27 October 2017, as the Chung Yeung Festival approached, the Group's leaders visited elderly over 70 years old in surrounding villages to pay respect, conveyed holiday blessings and warm greetings to the elderly, and handed over RMB31,600.0 of consolation fund to the elderly.

The Board of Henan Jinma Energy Co., Ltd. (河南金馬能源股份有限公司) (the "**Company**", together with its subsidiaries, the "**Group**") hereby present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

Principal activities

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

Discussion and analysis of major developments in the business of the Group and significant factors affecting the results and financial position of the Group are provided in the section headed "Management Discussion and Analysis" of this annual report (pages 26 to 29 and pages 11 to 14). 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 39 to 44). In addition, description of the principal risks and uncertainties faced by the Group, details regarding the Group's relationships with its key stakeholders and details regarding the Group's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the section headed "Management Discussion and Analysis" (pages 11 to 14 and pages 24 to 25, page 29), "Corporate Governance Report" (pages 30 to 38), "Environmental, Social and Governance Report" (pages 39 to 55) and this section (page 61 and page 70) of this annual report.

Four-year Financial Summary

Summaries of the results and the assets and liabilities of the Group for the past four financial years (extracted from the audited financial statements published by the Group) are set out as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

Selected historical consolidated assets and liabilities data

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

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

No audited consolidated financial statements for the year ended 31 December 2013 was issued by the Group.

Dividends

The board of Directors of the Company (the "Board") has resolved to recommend the payment of final dividend and special dividend of RMB0.20 and RMB0.08 per share respectively for the year ended 31 December 2017 in cash to shareholders whose names appear on the register of members of the Company on 6 June 2018.

The relevant resolutions are subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be convened on 28 May 2018. The final dividend and special dividend are expected to be distributed on or before 29 June 2018.

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 its implementation, the Company will withhold and pay enterprise income tax at the tax rate of 10% when distributing final and special dividend to the non-resident enterprises which hold H Shares (including the H Shares registered under the name of HKSCC Nominees Limited).

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

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

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

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

For individual H Shareholders whose country (region) of domicile is a country (region) which hasn't 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 and special dividend.

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

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

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

Key customers and suppliers

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

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

During the year ended 31 December 2017, the aggregate amount of purchase attributable to the Group's top five suppliers accounted for less than 30% of the total purchase of the Group.

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

Subsidiaries, associates and joint ventures

Details of key subsidiaries, associates and joint ventures of the Group are provided in Note 18, Note 20 and Note 19 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 45 to the consolidated financial statements. On 31 December 2017, distributable reserves (i.e. retained profit) of the Company amounted to RMB542.2 million (2016: RMB201.3 million).

Donations

During 2017, the Group made a total of RMB2.7 million of charitable donations, details of which are provided in the section headed "Environmental, Social and Governance Report" of this annual report (page 55).

Purchase, redemption and sale of securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

Pre-emptive rights

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

Directors and Supervisors

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

Executive Directors:

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

Non-executive Directors:

Mr. Lu Kecong (陸克從)
Mr. Hu Xiayu (胡夏雨)
Mr. Wang Zhiming (王志明)

Independent Non-executive Directors:

Mr. Zheng Wenhua (鄭文華) *(appointed on 18 September 2017)*
Mr. Liu Yuhui (劉煜輝) *(appointed on 18 September 2017)*
Mr. Wu Tak Lung (吳德龍) *(appointed on 18 September 2017)*

Supervisors:

Mr. Wong Tsz Leung (黃梓良)
Mr. Zhang Qiangxian (張强弦)
Mr. Zhou Tao David (周韜) *(appointed on 18 September 2017)*
Ms. Tian Fangyuan (田方遠) *(appointed on 18 September 2017)*
Ms. Hao Yali (郝亞莉) *(appointed on 18 September 2017)*
Mr. Zhang Wujun (張武軍) *(appointed on 19 March 2018)*
Mr. Li Zhongge (李中革) *(resigned on 19 March 2018)*

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

For the biographical details of Directors, Supervisors and the senior management of the Company are provided in the section headed in "Directors, Supervisors and Senior Management" of this annual report (pages 74 to 80).

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

As at 31 December 2017, the interests and short positions (if any) of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Nature of interest	Class of securities	Number of Shares held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares of the Company (Note 2)	Approximate percentage of shareholding in the total share capital of the Company (Note 3)
Mr. Yiu Chiu Fai	Interests in controlled corporation (Note 4)	Unlisted foreign shares	162,000,000 (L)	40.50%	30.26%
	Beneficial owner	H shares	404,000 (L)	0.30%	0.08%

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 turns, holds 96.3% of the issued share capital of Jinma Coking, and Jinma HK is wholly owned by Jinma Coking. Accordingly, Mr. Yiu is deemed to be interested in Jinma HK's interest in the Company by virtue of the SFO.

Save as disclosed above, as at 31 December 2017, none of the Directors, Supervisors nor the chief executive had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

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

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

Arrangement to Purchase Shares or Debentures

At no time during the year 2017 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 2017 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 2017, 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 2017 and remain so as at the date of this annual report.

Continuing Connected Transactions

For the year ended 31 December 2017, 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 2017 RMB'000	Actual Transaction Amount for 2017 RMB'000
Maanshan Steel	Masnshan Steel is interested in 26.89% of the total number of shares in issue of the Company and is one of the substantial shareholders of the Company.	Sale of coke	1,425,000	1,218,363
Jiangxi PXSteel	Jiangxi PXSteel is interested in 10.09% of the total number of shares in issue of the Company and is one of the substantial shareholders of the Company.	Sale of coke	900,000	897,488
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	44,100	41,860
		Purchase of crude benzene	32,900	32,821
		Purchase of coal gas	20,087	11,851
		Sale of coal	120,000	63,535

Sale of Coke to the Maanshan Steel Group

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

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

Through the transactions contemplated under the Maanshan Steel Framework Agreement, the Group will continue to sell coke to Maanshan Steel and record stable and predictable revenues. Accordingly, the Directors (including the independent non-executive Directors) considered that it is beneficial for the Company to continue the transactions under the Maanshan Steel Framework Agreement after the Group's listing in 2017. With respect to the sales amount, the 2017 annual cap for such continuing connected transactions was RMB1,425.0 million, and the annual actual transaction amount for the year ended 31 December 2017 was RMB1,218.4 million.

Sale of Coke to Jiangxi PXSteel Group

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

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

Through the transactions contemplated under the Jiangxi PXSteel Framework Agreement, the Group will continue to sell coke to Jiangxi PXSteel and record stable and predictable revenues. Accordingly, the Directors (including the independent non-executive Directors) considered that it is beneficial for the Company to continue the transactions under the Jiangxi PXSteel Framework Agreement after the Group's listing in 2017. With respect to the sales amount, the 2017 annual cap for such continuing connected transactions was RMB900.0 million, and the annual actual transaction amount for the year ended 31 December 2017 was RMB897.5 million.

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

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

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

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

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

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

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

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

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

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

Through the transactions contemplated under the Coal Tar Purchase Framework Agreement, the Crude Benzene Purchase Framework Agreement and the Coal Gas Purchase Framework Agreement (collectively referred to as the "Framework Agreements for Making Purchases from Yugang"), the Group considers that the Group will continue to acquire such raw materials for the Group's processing business from sources that facilitate transportation and have been able to produce products of stable quality at the prevailing market prices. Accordingly, the Directors (including the independent non-executive Directors) considered that it is beneficial for the Company to continue the transactions under the Framework Agreements for Making Purchases from Yugang after the Group's listing in 2017. With respect to the purchase amount, the 2017 annual caps for such continuing connected transactions in relation to coal tar, crude benzene and coal gas were RMB44.1 million, RMB32.9 million and RMB20.1 million, respectively, and the annual actual transaction amounts for the year ended 31 December 2017 were RMB41.9 million, RMB32.8 million and RMB11.9 million, respectively.

- **Sale of Coal to Yugang Coking**

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

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

Shanghai Jinma is principally engaged in the trading of coal and coal equipment and has been in cooperation with a number of customers in its coal trading business, and Yugang Coking has been one of its main customers since 2013. Other than generating revenue, trading of coal also allows the Group to enhance its cost advantage from bulk purchase of coal. Further, through the transactions contemplated under the Yugang Sale Framework Agreement, the Company's Directors considered that the Group will continue to sell coal to Yugang Coking, a coke production enterprise with stable operation and demand for coal, and generate stable and predictable revenue. Hence, the Company's Directors (including the independent non-executive Directors) considered it to be beneficial to the Company to continue to conduct the transactions under the Yugang Sale Framework Agreement following the Listing in 2017. With respect to the sales amount, the 2017 annual cap for such continuing connected transactions was RMB120.0 million, and the annual actual transaction amount for the year ended 31 December 2017 was RMB 63.5 million.

Opinions of Independent Non-executive Directors and Auditors

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above at the meeting of the Board held on 19 March 2018 and confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or on terms no less favorable than those entered into by independent third parties with the Group; and (iii) under the relevant agreements governing these transactions, and the terms of the agreements are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

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

Except for the continuing connected transaction disclosed above, all the related parties' transactions set out in Note 41 in the consolidated financial statement of the Group do not constitute a continuing connected transaction or connected transaction of the Company which require the Company to comply with the relevant annual review, disclosure or shareholder's approval requirements under Chapter 14A of the Listing Rules.

Interests of Substantial Shareholders in Securities

As at 31 December 2017, so far as is known to the Directors, the following parties (other than a Director, Supervisor or Chief Executive Officer) were directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Nature of Interest	Class of Securities	Number of Shares Held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares of the Company (Note 2)	Approximate percentage of shareholding in the total Share Capital of the Company (Note 3)
Jinma HK	Beneficial owner	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
Jinma Coking	Interests in controlled corporation (Note 4)	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
Golden Star	Interests in controlled corporation (Note 5)	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
Ms. Lam Yuk Wai	Interest of spouse (Note 6)	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
		H shares	404,000(L)	0.30%	0.08%
Maanshan Steel	Beneficial owner	Domestic shares	144,000,000(L)	36.00%	26.89%
Magang (Group) Holdings Co., Ltd.	Interests in controlled corporation (Note 7)	Domestic shares	144,000,000(L)	36.00%	26.89%
Jiangxi PXSteel	Beneficial owners	Domestic share	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%
ICBC International	Investment manager	H shares	11,914,000(L)	8.80%	2.23%
Citigroup	Person holding guaranteed interests in shares	H shares	10,399,370(L)	7.68%	1.94%
	Interests in controlled corporation	H shares	4,062,630(L)	3.00%	0.76%
Puxian Hongyuan Investment Co., Ltd. (蒲縣宏源投資有限公司)	Beneficial owner	H shares	13,000,000(L)	9.60%	2.43%
Mr. Ma Changjiang	Interests in controlled corporation (Note 13)	H shares	13,000,000(L)	9.60%	2.43%
Ms. Wang Lihong	Interest of spouse (Note 14)	H shares	13,000,000(L)	9.60%	2.43%
Hwabao Trust	Trustee	H shares	13,000,000(L)	9.60%	2.43%
Risun Group	Beneficial owner	H shares	13,000,000(L)	9.60%	2.43%
Honor Well (HK) Investment Limited	Beneficial owner	H shares	10,400,000(L)	7.68%	1.94%
Li Man	Beneficial owner	H shares	10,400,000(L)	7.68%	1.94%
Ms. Huang Suhua	Beneficial owner	H shares	9,298,000(L)	6.87%	1.74%
Ms. Luo Wei	Beneficial owner	H shares	7,000,000(L)	5.17%	1.31%

Notes:

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

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

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

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

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

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

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

8. As per their confirmations, while Liaoning Fangda Group Industrial Co., Ltd. ("Liaoning Fangda") is directly and indirectly interested in approximately 29.91% of Jiangxi PXSteel, Liaoning Fangda is the holding company. Accordingly, Liaoning Fangda is deemed to be interested in Jiangxi PXSteel's interest in the Company by virtue of the SFO.

9. Beijing Fangda International Enterprise Investment Co., Ltd. ("Beijing Fangda") is the holding company of Liaoning Fangda and holds approximately 99.2% of the shares of Liaoning Fangda. Accordingly, Beijing Fangda is deemed to be interested in Liaoning Fangda's, and in turn, Jiangxi PXSteel's interest in the Company by virtue of the SFO.

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

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

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

13. Mr. Ma Changjiang (馬長江) is the holder of approximately 89.93% equity interest in Puxian Hongyuan Investment Co., Ltd. (蒲縣宏源投資有限公司). Accordingly, Mr. Ma is deemed to be interested in the interest owned by Puxian Hongyuan Investment Co., Ltd. (蒲縣宏源投資有限公司) in the Company by virtue of the SFO.

14. Ms. Wang Lihong (王麗紅) is the wife of Mr. Ma Changjiang, and thus, she is deemed interested in the same amount of Shares as Mr. Ma.

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 2017.

Sufficiency of Public Float

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

Provision of Financial Subsidies and Guarantees for Associates or Subsidiaries

For the year ended 31 December 2017, 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 2017, the Group employed about 1,361 employees, with an average turnover of less than 0.52% over the past three years, reflecting the competitive remuneration and benefits provided by the Group to its employees.

The Group has established a remuneration committee to review the remuneration policy for all Directors and the management of the Group based on the Group's overall operating results, individual performance and comparison of market practices. The Group has made full contributions to social insurance (including pension scheme, medical insurance, work injury insurance, unemployment insurance and maternity insurance) and housing provident funds for its employees in accordance with the relevant PRC labor laws and regulations. Other relevant information is provided in Note 32 to "Consolidated Financial Statements".

Details of Directors' remuneration for 2017 are provided in the Note 12 to the consolidated financial statements in this annual report.

Auditor

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

On behalf of the Board of Directors

Yiu Chiu Fai
Chairman

Hong Kong
19 March 2018

In 2017, all members of the Supervisory Committee of Henan Jinma Energy Company Limited (the "**Company**") had duly performed their duties diligently and responsibly, fulfilled their respective duties prudently and conscientiously, and exercised their powers independently and legally, in accordance with the provisions and requirements of, inter alia, the Company Law, the Articles of Association and the Rules of Procedures for Supervisory Committee Meetings, to ensure the regulated operation of the Company and to safeguard the interests of the Company and the investors. The Supervisory Committee exercised supervision over the operation plans, connected transactions, production and operating activities, and financial conditions of the Company, the performance of the directors and senior management officers of the Company and the operations of the subsidiaries, and facilitated the regulated operation and healthy development of the Company.

Basic assessment on the operation, management behavior and results of the Company in 2017

In 2017, the Supervisory Committee of the Company had performed its supervisory functions conscientiously and practically safeguarded the interests of the Company and the shareholders in accordance with the requirements of the Company Law, the Articles of Association, the Rules of Procedures for Supervisory Committee Meetings and the relevant laws and regulations.

The Supervisory Committee had attended the meetings of the Board of Directors (the "**Board**") and the general meetings in 2017 as an observer, and in its opinion: the Board had implemented the resolutions of the general meeting conscientiously and performed the obligations of honesty faithfully without any actions which were detrimental to the interests of the Company and the shareholders, all resolutions of the Board had complied with the laws and regulations, such as the Company Law, and the requirements of the Articles of Association. The Supervisory Committee also exercised supervision over the production and operating activities of the Company during its term of office, and in its opinion, the operation team of the Company functioned diligently and responsibly to implement all resolutions of the Board conscientiously, and no non-compliance acts were conducted in the operations.

Meeting of the Supervisory Committee

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

On 18 September 2017, the third meeting of the First Session of the Supervisory Committee was held, out of the three Supervisors who were eligible to attend the meeting, three Supervisors were present at the meeting. The meeting was convened in compliance with the requirements of the Company Law of the People's Republic of China (《中華人民共和國公司法》) and the Articles of Association of Henan Jinma Energy Company Limited (《河南金馬能源股份有限公司章程》). The meeting had considered and approved the following resolution: Approval for the Resolution on the Nomination of Independent Supervisor Candidates for the First Session of the Supervisory Committee of Henan Jinma Energy Company Limited (《關於提名河南金馬能源股份有限公司第一屆監事會獨立監事候選人的議案》). All Supervisors had unanimously agreed to the nominations of Mr. Zhou Tao David (周韜) and Ms. Tian Fangyuan (田方遠) as candidates of independent Supervisors for the First Session of the Supervisory Committee of the Company.

Supervision Opinions of the Supervisory Committee on relevant matters of the Company in 2017

Financial Conditions of the Company

The Supervisory Committee of the Company exercised supervision over the financial conditions of the Company and its subsidiaries through hearing reports from the Finance Department and considering the actual circumstances of the Company in acquiring an understanding on the operating and financial conditions of the Company. In the opinions of the Supervisory Committee, the Company and all of its subsidiaries had established independent finance departments, kept independent financial ledgers and conducted accounting independently, which were in compliance with the Accounting Law (《會計法》) and the relevant financial rules and regulations. In 2017, the financial management of the Company and all of its subsidiaries was in conformity, and the financial statements reflected the true and accurate conditions of the practical circumstances of the Company and all of its subsidiaries.

Investments of the Company

During the reporting period, the Company had proposed material investment expansion projects including the LNG project with annual capacity of 123 million cubic meters, the gas station project and the coke granules coal gas facilities project, the relevant investments had passed the corresponding investment decision-making process scientifically and strictly.

Related Party Transactions

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

Comprehensive Opinions of the Supervisory Committee on the Circumstances of the Company in 2017

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

During the reporting period, the senior management officers of the Company had complied with the Articles of Association and the State laws and regulations when they performed their duties to safeguard the interests of the Company and its shareholders, and had conscientiously implemented the resolutions of the general meeting and fulfilled the obligations of honesty and diligence to facilitate the legitimate operation of the Company, the passing of democratic decisions and the performance of scientific management with clear objectives and continuous innovations, and achieved good economic benefits in 2017 without any non-compliance acts in violation of laws and regulations.

The Supervisory Committee had seriously reviewed the 2017 financial report and the relevant information which were audited by Deloitte Touche Tohmatsu who issued an unqualified opinion, was of the opinion that the report had reflected objectively the financial conditions and operating results of the Company, the results of the Company for 2017 were genuine and the cost control effectiveness was remarkable.

For self-evaluation opinions on the internal control of the Company, the Company had established a sound internal control system covering all segments of the Company according to the practical circumstances of the Company and pursuant to the relevant requirements of the China Securities Regulatory Commission and the Hong Kong Stock Exchange to ensure the normal operation of business activities of the Company and to safeguard the security and integrity of the Company's assets. The Company's internal control organization was complete with proper deployment of internal audit department and personnel to ensure the sufficient and effective execution and supervision of key internal control activities of the Company. In 2017, the Company did not have any non-compliance incidents in violation of the Guidelines for Internal Control of Listed Companies (《上市公司內部控制指引》) and the Internal Control System of Companies (《公司內部控制制度》). The Supervisory Committee was of the opinion that the self-evaluation of internal control by the Company was comprehensive and genuinely reflected the actual circumstances of internal control of the Company.

Supervisory Committee's Outlook of Work in 2018

In 2018, the Supervisory Committee will perform according to the rights and obligations and in pursuance to the requirements of the Company Law and the Articles of Association as it did in the past, to safeguard the Company's overall interest, long-term interest and interest of all shareholders and employees as its basic objective, and to focus its work on "capturing key aspects, penetrating into frontline, strengthening supervision, consolidating foundation and ensuring sufficiency of supervision" to perform its supervisory functions actively and complete the following tasks conscientiously:

Firstly, it will convene timely meetings and attend relevant meetings according to working needs. It will organize and convene meetings of the Supervisory Committee actively to ensure the smooth completion of work by the Supervisory Committee and to improve corporate governance. At the same time, it will attend the general meeting, Board meetings, special committee meetings and other relevant meetings to perform supervision duties.

Secondly, it will penetrate into the frontline to conduct research and provide supervision and guidance. According to the operating conditions and supervision requirements of the Company, it will carry out survey and research and provide supervision and guidance to operation and management activities of the Company on timely basis to acquire an understanding on the operational management conditions, identify risks in internal control, listen to opinions of staff, propose reasonable recommendations, give feedback to management and monitor the implementation.

Thirdly, it will reinforce supervision and guidance on internal control and compliance work to make improvements to the internal control system. On the one hand, it will continue to enhance the linked roles of supervision and inspection of the internal control department while improving the organization structure and working mechanism. On the other hand, it will increase the risk control and the self-examination and defensive capabilities of each department to strengthen the practical supervisory functions on risk and internal control of the Supervisory Committee, reinforce collaboration with external auditors and the sharing of information through regular and non-regular communications with the external auditor.

Fourthly, it will continue to assess the performance of directors, supervisors and senior management. It will continue to conduct performance appraisals on directors, supervisors and senior management to reinforce the performance supervision, and by leveraging on the method of performance evaluation to promote the various aspects of self-evaluation, mutual evaluation, third-party evaluation and results reporting.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of nine Directors, of whom three are executive Directors, three are non-executive Directors and three are independent non-executive Directors. The Directors are appointed by the Shareholders for a term of three years, and may be appointed for consecutive terms. The Board shall be responsible for and shall have general power to manage and develop the Company's business.

Executive Directors

Mr. Yiu Chiu Fai (饒朝暉), aged 49, 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 members of the Controlling Shareholder Group. Mr. Yiu joined the Group in May 2006 as a Director of the Company's Predecessor. As chairman of the Board, Mr. Yiu is mainly responsible for formulating corporate and operational strategies and making major corporate and operational decisions of the Group.

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

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

Mr. Wang Mingzhong (王明忠), aged 54, 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 plans 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 53, 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 obtained a bachelor's degree in Chemical Engineering and Technology from Henan University in January 2010.

Non-executive Directors

Mr. Lu Kecong (陸克從), aged 53, was appointed as the deputy chairman of the Board and a non-executive Director of the Company in July 2016. Mr. Lu joined the Group as a Director of the Company's Predecessor in March 2014. Mr. Lu is mainly responsible for participating in the formulation of the Group's corporate and operational strategies.

Mr. Lu joined Maanshan Steel (and its predecessor) since March 1991 and served as the assistant to the factory Director and Director of productions, a deputy manager and subsequently the general manager and the deputy secretary to the general party committee (黨總支副書記) of the international trading arm of Maanshan Steel. Since July 2011, Mr. Lu has been serving as the deputy general manager of Maanshan Steel.

Mr. Lu obtained a bachelor's degree in engineering from 華東冶金學院(East China University of Metallurgy*) in July 1988 and a master's degree in engineering from the University of Science and Technology Beijing in January 1991. Mr. Lu also obtained a doctor's degree in engineering from Shanghai Maritime University in March 2012.

Mr. Hu Xiayu (胡夏雨), aged 55, was appointed as a non-executive Director of the Company in July 2016. 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 of Maanshan Steel.

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

Mr. Wang Zhiming (王志明), aged 45, was appointed as a non-executive Director of the Company in July 2016. Mr. Wang joined the Group as a Director of the Company's Predecessor in July 2016. Mr. Wang is mainly responsible for participating in the formulation of the Group's corporate and operational strategies.

Mr. Wang joined Jiangxi PXSteel Group since July 1993 and served in various positions, including the head of the financial inspection division, the head of the audit inspection division, a deputy factory manager of the steel plant and the head of the planning and investment development division. Further, from April 2016 to February 2018, Mr. Wang has served as a Supervisor and the assistant to the general manager of 萍鄉萍鋼安源鋼鐵有限公司(Ping Xiang Ping Gang Anyuan Steel Co., Ltd.*), a subsidiary of Jiangxi PXSteel. Mr. Wang was appointed as the head of the Party Work Department of Fangda Special Steel Technology Co., Ltd. (方大特鋼科技股份有限公司) in February 2018.

Mr. Wang graduated from 上海冶金高等專科學校(Shanghai College of Metallurgy*) in July 1993 specializing in metallurgy and he graduated from an undergraduate program of the Jiangxi University of Science and Technology in January 2009 specializing in metallurgical engineering.

Independent non-executive Directors

Mr. Zheng Wenhua (鄭文華), aged 76, was appointed as an independent non-executive Director of the Company in September 2017. He is responsible for supervising compliance and corporate governance issues of the Group and providing independent opinion and advice to the Board.

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

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

Mr. Liu Yuhui (劉煜輝), aged 47, was appointed as an independent non-executive Director of the Company in September 2017. He is responsible for supervising compliance and corporate governance issues of the Group and providing independent opinion and advice to the Board.

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

Mr. Liu currently serves as an independent Director of Bank of Jiangsu Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600919), Central China Land Media Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000719) and Shenzhen Keybridge Communications Co., Ltd (a company listed on the Shenzhen Stock Exchange, stock code: 002316). Mr. Liu was an independent Director of Bank of Hangzhou Co. Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600926) until February 2017 and an independent Director of Xiangtan Electric Manufacturing Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600416) until May 2015.

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

Mr. Wu Tak Lung (吳德龍), aged 52, was appointed as an independent non-executive Director of the Company in September 2017. Mr. Wu is responsible for supervising the compliance and corporate governance issues of the Group and providing independent opinion and advice to the Board. Mr. Wu currently serves as an independent non-executive Director of Beijing Media Corporation Limited (stock code: 1000), Sinomax Group Limited (stock code: 1418), China Machinery Engineering Corporation (stock code: 1829), Kam Hing International Holdings Limited (stock code: 2307), and Sinotrans Shipping Limited (stock code: 0368), all listed companies in Hong Kong, and First Tractor Company Limited (stock code: 0038), a company listed in both Hong Kong and Shanghai. He is also currently an independent Director of Olympic Circuit Technology Co., Ltd. (stock code: 603920), a company listed in Shanghai.

During the past three years, Mr. Wu served as an independent non-executive Director of Aupu Group Holding Limited, which was a listed company in Hong Kong (and was delisted on 30 September 2016), and Huarong Investment Stock Corporation Limited (stock code: 2277). Mr. Wu has worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years.

Mr. Wu is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Securities and Investment Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, and the Hong Kong Institute of Chartered Secretaries. In addition, Mr. Wu is a member of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference, honorary court member of Hong Kong Baptist University, honorary president of North Kwai Chung District of Scout Association of Hong Kong and executive vice-chairman of Hong Kong - Guangdong Youth Exchange Promotion Association. Mr. Wu was also appointed as the fifth session of honorary Director of The China Certified Tax Agents Association in August 2016. He is also a past chairman of the Association of Chartered Certified Accountants and a past president of the Taxation Institute of Hong Kong.

Mr. Wu obtained a bachelor's degree of business administration in accounting from the Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in December 1993 and a master's degree of business administration (MBA) jointly issued by the University of Manchester and the University of Wales in February 2001.

SUPERVISORS

The Supervisory Committee of the Company currently consists of six Supervisors, of whom two are shareholder representatives, two are external Supervisors and two are employee representatives. Shareholder representative Supervisors and external Supervisors are elected by the Shareholders and employee representative Supervisors are elected by employee representatives. The Supervisors shall serve for a term of three years and may be appointed for consecutive terms. The Supervisory Committee is responsible for overseeing the Board and senior management in discharging their responsibilities and reviewing financial statements of the Group.

Mr. Wong Tsz Leung (黃梓良), aged 54, was appointed as a shareholder representative Supervisor of the Company in July 2016 and was elected as the chairman of the Supervisory Committee of the Company in July 2016. Mr. Wong joined the Group in February 2012 as a Supervisor of the Company's Predecessor. Mr. Wong is currently the financial manager of Jinma HK, a substantial Shareholder of the Company. He is mainly responsible for overseeing the affairs of the Supervisory Committee and supervising the Group's operations and financial activities. Mr. Wong has been serving as an executive Director and the chief financial officer of Smart-Core Holdings Limited (stock code: 2166), a listed company in Hong Kong, since October 2016.

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

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

Mr. Zhang Qiangxian (張強弦), aged 36, was appointed as a shareholder representative Supervisor of the Company in July 2016. He is currently an assistant accountant of Maanshan Steel. Mr. Zhang joined the Group in October 2014 as a Supervisor of the Company's Predecessor. He is mainly responsible for supervising the Group's operations and financial activities.

Prior to joining the Group, Mr. Zhang joined Maanshan Steel in July 2006 and served as the deputy Director of the capital operations department from May 2012 to May 2013 and has served as the deputy Director and Director of the finance department since June 2016.

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

Mr. Zhou Tao David (周韜), aged 47, joined the Group in September 2017 when he was appointed as an external Supervisor of the Company. Mr. Zhou is mainly responsible for supervising the Group's operations and financial activities. He has been serving as the company secretary of OP Financial Investments Limited (a company listed in Hong Kong, stock code: 1140) since November 2016 during which, he also acts as the head of legal and compliance. Mr. Zhou is also currently an independent Director of 天地壹號飲料股份有限公司(Tian Di No. 1 Beverage Inc.), a company quoted on the National Equities Exchange and Quotations System in the PRC.

Mr. Zhou has approximately 12 years of experience in handling legal and compliance matters in financial institutions in Hong Kong. Mr. Zhou is qualified as a Hong Kong solicitor and obtained lawyer qualification in the PRC. He is also an arbitrator of the South China International Economics and Trade Arbitration Commission.

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

Ms. Tian Fangyuan (田方遠), aged 30, 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 44, 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. 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 42, was elected as an employee representative Supervisor of the Company on 19 March 2018. Mr. Zhang joined the Group in 2004, and served as Director of the workstation of the predecessor of the Company from 2011 to 2014. He has been the Director of the coking workstation since 2014. He is mainly responsible for overseeing the operations and financial activities of the Group.

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

SENIOR MANAGEMENT

Members of the senior management are responsible for the day-to-day operation of the business of the Company. For the biographical details of Directors who form part of the senior management, please see page 74 of this section.

Mr. Tang Jianfa (唐建發), aged 52, joined the Group in May 2017, and was appointed as the chief financial officer and deputy general manager of the Company in March 2018. He is mainly responsible for overseeing the Group's financial and accounting management and coordination as well as implementation of the Group's financial strategic planning. He is also responsible for overseeing the finance department, the settlement department and the budget department.

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

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

Mr. Jin Daoqiang (金道強), aged 61, joined the Group in April 2012, was appointed as the chief financial officer and deputy general manager of the Company's Predecessor in January 2013, and was appointed as the investment Director and deputy general manager of the Group since March 2018, mainly responsible for overseeing external investment, secretariat of the Board and human resource management.

Prior to joining the Group, Mr Jin worked at 馬鞍山鋼鐵公司 (Maanshan Steel Co.*), the predecessor of Maanshan Steel, from June 1979 to April 2012, and served in various positions, including the deputy head and head of the finance division of the steel factory and the head of the tax division.

Mr. Jin obtained a postgraduate's degree in finance from 中共安徽省委黨校 (Party School of Anhui Committee of C.P.C*) in July 2007 and obtained the qualification of senior accountant in December 2008.

Mr. Fan Jianguo (范建國), aged 51, joined the Group in March 2005 as the Group's deputy general manager. He was the general manager of Jinyuan Chemicals between January 2015 and January 2018. He has also been an executive Director of Jinyuan Chemicals since January 2018. He is currently the Group's deputy general manager and is mainly responsible for overseeing sales of the Group.

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

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

Mr. Ju Lixing (琚理興), aged 42, joined the Group in October 2007 as the assistant to the general manager of the Company's Predecessor. Since April 2012, he has served as the Company's deputy general manager and is in charge of the procurement operations. Mr. Ju is also a Director and the chairman of the board of Directors of Shanghai Jinma, a subsidiary of our Company. Mr. Ju is mainly responsible for overseeing procurement of the Group.

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

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

Mr. Wang Yongxin (王永新), aged 42, 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 45, 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 head of the corporate governance department, a member of the party committee and the head of the party committee office, and he is mainly responsible for work of the corporate management department (including risk management and internal control), office and legal department. Mr. Li is also the chairman of Jinjiang Refinery, a joint venture of the Company.

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

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

Mr. Wang Zengguang (王增光), aged 37, joined the Group in March 2003 and was appointed as deputy general manager since March 2018. He is also the general manager of Jinyuan Chemicals, a subsidiary of the Company, and is responsible for the work of Jinyuan Chemicals. He served as deputy director of the production management department from January 2004 to July 2009, as deputy director and director of the coal preparation workshop from July 2009 to January 2015, and as director of production management department from January 2015 to February 2017.

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

Mr. Wang Zhaofeng (王兆峰), aged 41, joined the Group in March 2008. Mr. Wang was subsequently promoted to the position of the deputy office manager and the deputy Director of the human resources department of our Predecessor in September 2012 and the manager of the investment department of our Predecessor in January 2015. Since December 2016, Mr. Wang has also been serving as the secretary to our Board and is mainly responsible for providing support to our Board and coordinating the Group's administrative management.

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

Mr. Wong Hok Leung (alias Wong Hok Leung Paul) (王學良), aged 65, 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 85 to 151, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment of interest in an associate and advance to an associate	
We identified the valuation of interest in an associate, Huozhou Coal Power Group Hongdong Yilong Co., Ltd. ("Yilong Coal"), and advance to this associate as a key audit matter due to the use of significant judgement and estimates in assessing any impairment loss. As at 31 December 2017, the carrying amounts of the interest in and advance to Yilong Coal are RMB41,383,000 and RMB60,940,000 respectively. The impairment assessment of interest in and advance to this associate requires management to exercise significant estimation uncertainty and judgement in the determination of the recoverable amounts, which are the value in use and the present value of estimated future cash flows respectively. Both are determined based on the cash flow projections prepared by the Company and valuation report of the underlying mining development projects of Yilong Coal prepared by an external valuer appointed by the Company. The projections and valuation are prepared based on the mining plan prepared by the management of Yilong Coal and require the use of significant judgement and key assumptions, as disclosed in Note 4 to the consolidated financial statements.	Our procedures in relation to the impairment of interest in an associate and advance to an associate included: • Understanding the key control over the processes that the management of the Company performed in relation to impairment assessment of the associate, including the preparation of cash flow projections, the assessment of the assumptions used in the preparation of the valuation report of the underlying mining development projects of Yilong Coal, which is prepared by an external valuer appointed by the Company; • Evaluating the appropriateness of the model used to calculate the recoverable amount; • Evaluating the procedures used by the Company's management in understanding and reviewing the mining plan prepared by management of Yilong Coal; • Evaluating the reasonableness of mining plan, future capital expenditure, market price of coal, cost to completion and operation budget used in the cash flow projections with reference to the industry and market data; • Evaluating the objectivity, independence and competence of the external valuer; • Interviewing the external valuer for the basis of determination of discount rate, checking the calculation of discount rate and reviewing the appropriateness of discount rate based on market and industry data; and • Evaluating the sensitivity analysis prepared by the management on the significant assumptions to evaluate the extent of impact on the discounted cash flows.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor’s report is Cheung Kwong Tat.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017	2016
		RMB'000	RMB'000
Revenue	5	5,137,652	3,298,634
Cost of sales		(4,232,808)	(2,863,413)
Gross profit		904,844	435,221
Other income	6	6,885	4,379
Other gains and losses	7	(8,964)	29,038
Selling and distribution expenses		(35,111)	(30,795)
Administrative expenses		(65,419)	(43,912)
Finance costs	8	(50,799)	(47,729)
Listing expenses		(15,930)	(5,540)
Share of result in a joint venture		3,418	4,001
Share of result in an associate		(77)	1,374
Profit before tax	9	738,847	346,037
Income tax expense	10	(191,011)	(79,205)
Profit and total comprehensive income for the year		547,836	266,832
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		532,330	265,939
– Non-controlling interests		15,506	893
		547,836	266,832
Earnings per share (RMB)			
– Basic	13	1.24	0.66

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017	2016
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,047,432	886,178
Prepaid lease payments	15	101,174	52,551
Intangible assets	16	78,661	93,502
Goodwill	17	8,001	8,001
Interest in a joint venture	19	55,211	51,793
Interest in an associate	20	41,383	31,560
Advance to an associate	20	60,940	60,940
Deferred tax assets	21	4,510	8,510
Deposit for acquisition of property, plant and equipment		7,738	2,103
		1,405,050	1,195,138
CURRENT ASSETS			
Inventories	22	156,174	159,797
Prepaid lease payments	15	2,843	1,527
Trade and other receivables	23	595,791	386,682
Amounts due from shareholders	24	299,567	276,863
Amounts due from related parties	25	1,187	95,498
Restricted bank balances	26	20,010	140,071
Bank balances and cash	26	481,704	106,740
		1,557,276	1,167,178

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017	2016
		RMB'000	RMB'000
CURRENT LIABILITIES			
Borrowings	27	282,000	348,251
Provisions	28	—	3,300
Dividend payable		—	13,123
Trade and other payables	29	477,435	484,944
Amount due to a shareholder	30	83,861	100,000
Amounts due to related parties	31	35,188	619
Tax payable		16,007	26,258
		894,491	976,495
NET CURRENT ASSETS		662,785	190,683
TOTAL ASSETS LESS CURRENT LIABILITIES		2,067,835	1,385,821
CAPITAL AND RESERVES			
Share capital	33	535,421	400,000
Reserves		1,098,695	480,834
Equity attributable to owners of the Company		1,634,116	880,834
Non-controlling interests		94,210	65,100
TOTAL EQUITY		1,728,326	945,934
NON-CURRENT LIABILITIES			
Borrowings	27	285,000	372,295
Long term payable	34	20,539	30,340
Deferred revenue	35	7,258	6,458
Deferred tax liabilities	21	26,712	30,794
		339,509	439,887
		2,067,835	1,385,821

The consolidated financial statements on pages 85 to 151 were approved and authorised for issue by the Board of Directors on 19 March 2018 and are signed on its behalf by:

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2017

	Attributable to owners of the Company							
	Share capital	Capital reserve	Statutory surplus reserve	Retained profits	Special reserve	Total	Non controlling interests	Total equity
	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000 (Note ii)	RMB'000	RMB'000	RMB'000
At 1 January 2016	326,730	5,419	105,537	173,464	3,745	614,895	5,246	620,141
Profit and total comprehensive income for the year	—	—	—	265,939	—	265,939	893	266,832
Acquisition of a subsidiary (Note 36(ii))	—	—	—	—	—	—	48,961	48,961
Capital contributions from non-controlling interests of a subsidiary	—	—	—	—	—	—	10,000	10,000
Joint stock reorganization	73,270	195,546	(105,537)	(163,279)	—	—	—	—
Transfer	—	—	21,294	(27,134)	5,840	—	—	—
At 31 December 2016	400,000	200,965	21,294	248,990	9,585	880,834	65,100	945,934
Profit and total comprehensive income for the year	—	—	—	532,330	—	532,330	15,506	547,836
Issue of new ordinary shares (Note 33)	135,421	209,541	—	—	—	344,962	—	344,962
Expenses related to the issue of ordinary shares (Note 33)	—	(24,010)	—	—	—	(24,010)	—	(24,010)
Capital contributions from non-controlling interests of a subsidiary	—	—	—	—	—	—	19,000	19,000
Dividends paid	—	—		(100,000)	—	(100,000)	(5,396)	(105,396)
Transfer	—	—	49,391	(50,657)	1,266	—	—	—
At 31 December 2017	535,421	386,496	70,685	630,663	10,851	1,634,116	94,210	1,728,326

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2017

	NOTE	2017	2016
		RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax		738,847	346,037
Adjustments for:			
Interest income		(2,194)	(3,251)
Loss on disposal of property, plant and equipment		3,791	3,202
Depreciation of property, plant and equipment		83,944	76,032
Release of prepaid lease payments		2,592	988
Amotization of intangible assets		14,841	—
Allowance for (reversal of allowance for) doubtful debts		164	(151)
Allowance for inventories		2,996	50
Gain on release of financial guarantee contracts		(3,300)	(6,800)
Share of result in an associate		77	(1,374)
Share of result in a joint venture		(3,418)	(4,001)
Gain on deemed disposal of interest in an associate		—	(4,024)
Bargain purchase on acquisition of a subsidiary	36(i)	—	(24,043)
Finance costs		50,799	47,729
Release of assets-related government subsidies		(761)	(270)
Net foreign exchange loss		2,445	—
Operating cash flows before movements in working capital		890,823	430,124
Decrease (increase) in inventories		627	(37,244)
Increase in trade and other receivables		(209,273)	(173,121)
Increase in amounts due from shareholders		(42,881)	(116,580)
Decrease in amounts due from related parties		94,311	70,203
Decrease in trade and other payables		(67,962)	(46,479)
(Decrease) increase in amount due to a shareholder		(16,139)	100,000
Increase (decrease) in amounts due to related parties		34,569	(3,293)
Cash generated from operations		684,075	223,610
Income tax paid		(201,344)	(55,175)
NET CASH FROM OPERATING ACTIVITIES		482,731	168,435

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTE	2017	2016
		RMB'000	RMB'000
INVESTING ACTIVITIES			
Interest received		2,194	3,251
Assets related government subsidies received		1,561	3,782
Purchase of property, plant and equipment		(170,465)	(54,555)
Lease payment prepaid		(52,531)	—
Deposit for acquisition of property, plant and equipment		(7,738)	(2,103)
Advances to shareholders		—	(261)
Repayments from shareholders (Note)		14,393	—
Acquisition of subsidiaries	36	(33,782)	(23,419)
Investment in an associate		(9,900)	(577)
Proceeds on disposal of investment in an associate		—	577
Placement of restricted bank balances		(40,057)	(415,450)
Withdrawal from restricted bank balances		160,118	411,626
Proceeds from disposal of property, plant and equipment		3,599	806
NET CASH USED IN INVESTING ACTIVITIES		(132,608)	(76,323)
FINANCING ACTIVITIES			
Interest paid		(49,400)	(47,729)
New borrowings raised		353,000	1,120,500
Repayment of borrowings		(506,546)	(1,025,991)
Capital contributions from non-controlling interests of a subsidiary		19,000	10,000
Issue of new ordinary shares		344,962	—
Payment of issue costs		(20,995)	—
Dividends paid (Note)		(107,339)	(72,095)
Dividends paid to non-controlling interests of a subsidiary		(5,396)	(750)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		27,286	(16,065)
NET INCREASE IN CASH AND CASH EQUIVALENTS		377,409	76,047
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		106,740	30,693
Effect of foreign exchange rate changes		(2,445)	—
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTING			
Bank balances and cash		481,704	106,740

Note: During the year ended 31 December 2017, the amounts due from shareholders amounting to RMB5,784,000 was offset against dividend payable to Jiyuan Jinma Xinye Investment Co., Ltd, a shareholder of the Company.

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. On 3 August 2016, the Company was converted into a joint stock limited liability company.

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

The address of the registered office and the principal place of business of the Company is West First Ring Road South, Jiyuan, Henan Province, the PRC. The Company established a place of business in Hong Kong at 20/F, Alexandra House, 18 Chater Road, Central on 1 March 2017. 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. ("Yugang Coking"), Maanshan Iron & Steel Company Limited ("Maanshan Steel") and Jiangxi PXSteel Industrial Co., Ltd. ("Jiangxi PXSteel") when established in 2003. With a series of equity transfer arrangements, the Company has been jointly owned by Jinma Energy (Hong Kong) Limited ("Jinma HK"), Maanshan Steel, Jiangxi PXSteel and Jiyuan Jinma Xingye Investment Co., Ltd. ("Jinma Xingye") since August 2011. In August, 2016, the Company was converted into a joint stock company with 400,000,000 shares at a par value of RMB1.00 in issue. Pursuant to a prospectus issued by the Company (the "Prospectus") dated 26 September 2017 in relation to its global offering of the Company's shares (the "Global Offering"), the Company issued 133,334,000 H shares and were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 October 2017 (The "Listing"). In addition, 2,087,000 new H shares of the Company were issued upon exercise of over-allotment option and were listed on the Stock Exchange on 31 October 2017.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Amendments to IFRSs that are mandatorily effective for the current year

The Group has consistently applied International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), amendments and interpretations issued by the International Accounting Standards Board ("IASB") which are effective for annual accounting period beginning on 1 January 2017 throughout the years reported.

New and revised to IFRSs in issue but not yet effective

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendements[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 9 "Financial Instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge amounting and impairment requirements for financial assets.

Key requirements of IFRS 9 that are relevant to the Group are:

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Classification and measurement

Debt instruments, trade receivables and other receivables classified as loan and receivables carried at amortised cost, as disclosed in Note 20 and Note 23: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9.

Bills receivables classified as trade receivables carried at amortised cost as disclosed in Note 23: these are held within a business model whose objective is achieved by collecting contractual cash flows, discounting to commercial banks and endorsing the bills receivables to suppliers, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. These bills receivables qualified for designation as measured at FVTOCI under IFRS 9 and the Group will measure these bills receivables at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognized as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of IFRS 9, the fair value gain or loss relating to these bills receivables would be adjusted to investments revaluation reserve as at 1 January 2018.

Impairment

In general, the Directors of the Company consider that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the Directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognized by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognized under IAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognized under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue," IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity should recognize revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors of the Company consider that the application of IFRS 15 in the future may result in more disclosures, however, the Directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" ("IAS 17") and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lease accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low-value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments in relation to leasehold lands for owned use as investing cash flows while other operating lease payments are presented as operating cash flows. Upon application of the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 16 "Leases" (continued)

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB4,578,000 as disclosed in Note 37. A preliminary assessment indicates that these arrangements will meet the definitions of a lease under IFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The Directors of the Company anticipate that the application of other new and amendments to IFRSs and interpretations will have no material impact on the financial performance and positions and/or the disclosures when they become effective.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform to IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity ("other reserve") and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

Goodwill

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

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

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

An impairment loss recognized for goodwill is not reversed in a subsequent period.

Interests in an associate and a joint venture

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

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

The results and assets and liabilities of associates and a joint venture are incorporated in the 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 interest in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in an associate and a joint venture (continued)

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's interest in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of sales related tax. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

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

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

Government grants

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

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

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

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

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" as reported in the consolidated statement of profit or loss and other comprehensive income 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 recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognized 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of 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 realized, 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.

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized 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 derecognized 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 recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets other than goodwill

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

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including advance to an associate, trade and other receivables, amounts due from shareholders, amount due from related parties, restricted bank balances, and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets of the Group are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

Financial liabilities at amortized costs

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized over the guarantee period.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. 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 estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next financial year.

Impairment of interest in an associate and advance to an associate

The Group assesses whether there is any objective evidence of impairment of interest in an associate, Huozhou Coal Power Group Hongdong Yilong Co., Ltd. ("Yilong Coal"), and advance to Yilong Coal at the end of each reporting period. Test for impairment is required when there is any objective evidence that the carrying amount may not be recoverable. For the interest in Yilong Coal, an impairment exists when its carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. For the advance to Yilong Coal, an impairment exists when the carrying amount exceeds the present value of estimated future cash flows.

When value in use calculation for the interest in Yilong Coal and estimated future cash flow calculation for advance to Yilong Coal are undertaken, the directors of the Company prepared discounted cash flow projections of Yilong Coal and appointed an external valuer for a valuation report of the underlying mining development projects. The projections and valuation are prepared based on the mining plan prepared by the management of Yilong Coal and, operation budget, future capital expenditure, market price of coal, costs to completion, as well as discount rates. The estimated future recoverable amount is largely determined by the above estimates. Future coal price forecasts do not represent actual sales prices that can be realized in the future, and mining plans, operation budget, future capital expenditure plans, and discount rates will also change. As at 31 December 2017 and 2016, the directors of the Company considered that there was no impairment of the interest in Yilong Coal and advance to Yilong Coal. If the above forecast and estimates change in the subsequent period, the estimated recoverable amount of interest in associate may change or be lower than the carrying amount and impairment on advance to associate may arise.

The Directors of the Company consider that no impairment loss is recognized in respect of interest in an associate and advance to an associate during the years ended 31 December 2017 and 2016.

Estimated impairment of goodwill and intangible assets

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

As at 31 December 2017, the carrying amounts of goodwill and intangible assets are RMB8,001,000 and RMB78,661,000 (2016: RMB8,001,000 and RMB93,502,000), respectively. The Directors of the Company consider that no impairment loss is recognized in respect of goodwill and intangible assets during the years ended 31 December 2017 and 2016.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowance for inventories

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

As at 31 December 2017, the carrying amount of inventories is RMB156,174,000 (2016: RMB159,797,000) (net of allowance for inventories of RMB2,996,000 (2016: RMB2,375,000)).

Allowance for doubtful debts

When there is objective evidence of impairment, the Group would estimate the future cash flows from trade receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment may arise.

As at 31 December 2017, the carrying amount of trade receivables is RMB140,262,000 (2016: RMB82,592,000) (net of allowance for doubtful debts of nil (2016: RMB229,000)).

Useful lives and impairment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation (other than construction in progress) and any impairment losses in the consolidated statement of financial position. The estimation of their useful lives is the key element for the annual depreciation expense. The management of the Group estimates useful lives of property, plant and equipment based on their experience and historical production statistics. Should the useful lives of the Group's property, plant and equipment be deviated from the estimation, higher/lower depreciation expense would lead to a decrease/increase the Group's profit respectively. Property, plant and equipment are evaluated for any possible impairment on a specific asset or in groups of similar assets, as applicable. This process requires the management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying value is written down to the recoverable amount and the impairment loss recognized is charged to profit or loss.

As at 31 December 2017, the carrying amount of property, plant and equipment is RMB1,047,432,000 (2016: RMB886,178,000). The Directors of the Company consider that no impairment loss is recognized in respect of property, plant and equipment during the years ended 31 December 2017 and 2016.

5. REVENUE AND SEGMENT INFORMATION

Information reported to the Directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the Group's revenue and profit for the year. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's operating segments under IFRS 8 "Operating Segments" are (i) sales of coke, (ii) sale of coking by-products, (iii) sales of refined chemicals, (iv) sales of energy products, mainly coal gas, (v) trading of coal and mining equipment and (vi) provision of water, catering and fire prevention and management services.

Segment revenue and results

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

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

	Sales of goods						
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2016							
Segment revenue	2,058,932	102,504	599,207	176,690	353,155	8,146	3,298,634
Segment results	301,607	11,030	54,654	69,675	6,124	2,484	445,574
Other income							4,379
Other gains and losses							29,038
Selling and distribution expenses							(30,795)
Administrative expenses							(43,912)
Finance costs							(47,729)
Listing expenses							(5,540)
Share of result in a joint venture							4,001
Share of result in an associate							1,374
Unallocated expenses							(10,353)
Profit before tax							346,037

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 3. Segment results represents gross profit from each segment excluding sales related taxes, which is classified as unallocated expenses.

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

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

	Sales of goods						
	Coke	Coking by-products	Refined chemicals	Energy products	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2016							
Amounts included in measure of segment results:							
Depreciation and amortization	36,061	6,780	20,903	3,443	3,600	5,245	76,032
Release of prepaid lease payments	—	—	—	—	—	988	988

5. REVENUE AND SEGMENT INFORMATION (continued)

Entity-wide disclosures

Geographical information

All of the Group's revenue from external customers were generated from the PRC and non-current assets are located in the PRC during the year ended 31 December 2017 and 2016.

Information about major customers

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

	2017	2016
	RMB'000	RMB'000
Maanshan Iron & Steel Company Limited ("Maanshan Steel") (Notes i and ii)	1,170,348	895,833
Jiangxi PXSteel Industrial Co., Ltd ("Jiangxi PXSteel") and its subsidiaries (Notes i and ii)	897,488	436,651
Customer A (Note i)	607,228	N/A*

Notes:

(i) Revenue from sale of coke.

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

* The revenue of the customer contributed less than 10% of the total sales of the Group during the year ended 31 December 2016.

6. OTHER INCOME

	2017	2016
	RMB'000	RMB'000
Interest income on bank deposits	2,194	3,251
Release of asset-related government subsidies (Note 35)	761	270
Government grants (Note)	3,463	661
Rental income	100	—
Others	367	197
	6,885	4,379

Note: The government grants represent the amounts received from the local government by the Company in relation to financial incentives provided to the Company by local government and refund of the individual income tax paid by the Company.

7. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	RMB'000
(Allowance for) reversal of allowance for doubtful debts	(164)	151
Allowance for inventories	(2,996)	(2,375)
Loss on disposal of property, plant and equipment	(3,791)	(3,202)
Gain on release of financial guarantee contracts (Note 28)	3,300	6,800
Bargain purchase on acquisition of a subsidiary (Note 36(i))	—	24,043
Gain on deemed disposal of interest in an associate	—	4,024
Donations	(2,739)	(1,363)
Foreign exchange loss	(2,871)	—
Others	297	960
	(8,964)	29,038

8. FINANCE COSTS

	2017	2016
	RMB'000	RMB'000
Interest expense on:		
– Other borrowings	3,009	9,206
– Bank borrowings	42,395	33,444
– Discounted bank acceptance bills	1,494	5,079
– Letter of credit	2,502	—
– Imputed interest for long term payable	1,399	—
	50,799	47,729

9. PROFIT BEFORE TAX

	2017	2016
	RMB'000	RMB'000
Profit before tax has been arrived at after charging:		
Staff costs		
Directors' and Supervisors' remuneration (Note 12)	1,071	643
Other staff costs	106,012	82,599
Other staffs' retirement benefit scheme contributions	7,103	5,970
Total staff costs	114,186	89,212
Staff costs capitalized in inventories	(89,957)	(73,773)
	24,229	15,439
Depreciation of property, plant and equipment	83,944	76,032
Capitalized in inventories	(77,245)	(70,787)
	6,699	5,245
Release of prepaid lease payments	2,592	988
Amortization of intangible assets (included in cost of sales)	14,841	—
Auditors' remuneration	1,850	1,252
Cost of inventories recognized as expenses	4,232,808	2,863,413

10. INCOME TAX EXPENSE

	2017	2016
	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT")		
Current tax	190,131	80,799
Underprovision in prior year	962	—
Deferred tax (Note 21)	(82)	(1,594)
	191,011	79,205

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the group entities in the PRC is 25%.

10. 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:

	2017	2016
	RMB'000	RMB'000
Profit before tax	738,847	346,037
Tax charge at the applicable income tax rate of 25% (2016: 25%)	184,712	86,509
Tax effect of income not taxable for tax purposes (Note i)	—	(7,017)
Tax effect of expenses not deductible for tax purposes	5,939	1,336
Income tax on concessionary rate (Note ii)	(290)	(261)
Tax effect of share of results in an associate and a joint venture	(835)	(1,344)
Tax effect of tax losses not recognized	534	—
Underprovision in prior year	962	—
Others	(11)	(18)
Income tax expense	191,011	79,205

Notes:

(i) Income not taxable during the year ended 31 December 2016 arose from bargain purchase on acquisition of a subsidiary and gain on deemed disposal of interest in an associate.

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

11. DIVIDENDS

On 17 March 2017, a special dividend of RMB0.25 per share in an aggregate amount of RMB100,000,000 was declared by the Company (2016: nil). Such dividend had been fully settled by June 2017.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of RMB0.20 (2016: nil) per share and a special dividend of RMB0.08 per share (2016: RMB0.25), in a total amount of dividend of RMB0.28 per share (2016: RMB0.25) and in aggregate amount of RMB149,918,000 (2016: RMB100,000,000), have been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors', Chief Executive's and Supervisors' emoluments

Details of the emoluments paid to the individuals who were appointed as the Directors, Chief Executive and Supervisors are as follows:

Directors' emoluments for services as Directors of the Company and its subsidiary undertakings

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

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

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

	Fees	Basic salaries	Retirement benefit	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2016				
Executive Directors:				
Mr. Yiu Chiu Fai	—	—	—	—
Mr. Lu Kecong	—	—	—	—
Mr. Hu Xiayu	—	—	—	—
Mr. Wang Zhiming	—	—	—	—
Mr. Li Tianxi	—	200	30	230
Mr. Wang Mingzhong	—	300	33	333
Supervisors:				
Mr. Wong Tsz Leung	—	—	—	—
Mr. Zhang Qiangxian	—	—	—	—
Mr. Li Zhongge	—	60	20	80
	—	560	83	643

Notes:

Certain executive Directors and Supervisors who did not received emoluments during the reporting periods, also held certain positions in the shareholders and their subsidiaries ("Shareholder's Entities") and the emoluments were borne by the respective Shareholder's Entities for the services rendered for the Shareholder's Entities. In the opinion of the Directors 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 emoluments disclosed above include those for services in connection with the management of affairs of the Group rendered by him as the Chief Executive. The other Directors and Supervisors received remuneration for their services of management of affairs of the Group or their services as Directors/Supervisors of the Company respectively.

The independent non-executive Directors are appointed by the Company on 18 September 2017.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group two (2016: two) were Directors of the Company for the year ended 31 December 2017, whose emoluments are included in the disclosures above. The emoluments of the remaining individuals are as follows:

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

Five individuals with the highest emoluments

	2017	2016
	RMB'000	RMB'000
Salaries, wages and allowance	1,913	450
Retirement benefit scheme contributions	23	80
	1,936	530

Their emoluments were within the following bands:

	Number of employees	
	2017	2016
Nil to HK$1,000,000	2	3
HK$1,500,001 to HK$2,000,000	1	—

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

13. EARNINGS PER SHARE

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

	2017	2016
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	532,330	265,939
	'000	'000
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	430,674	400,000

On 3 August 2016, the Company was converted into a joint stock limited liability company, with share capital divided into 400,000,000 ordinary shares at a par value of RMB1.00 each issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that date. The weighted average number of shares for the purpose of calculating basic earnings per share for the year ended 31 December 2016 had been retrospectively adjusted for the joint stock reorganization on 3 August 2016.

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

13. EARNINGS PER SHARE (continued)

The calculation of diluted earnings per share for the current year does not assume the exercise of the over-allotment option granted upon the Listing since the exercise price of this option was higher than the average market price during the exercisable period of this option, and therefore, no diluted earnings per share is presented for the year ended 31 December, 2017.

No diluted earnings per share is presented for the year ended 31 December 2016 as the Group had no potential ordinary share in issue during the prior year.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2016	475,620	820,903	11,711	64,355	4,221	1,376,810
Acquisition of subsidiaries (Note 36)	22,230	53,311	534	3,316	1,383	80,774
Additions	6,717	42,243	1,543	1,769	17,274	69,546
Disposals	(1,742)	(200)	—	(975)	(2,285)	(5,202)
At 31 December 2016	502,825	916,257	13,788	68,465	20,593	1,521,928
Additions	8,135	30,451	2,350	4,270	207,382	252,588
Disposals	(522)	(14,231)	(1,577)	(3,080)	(122)	(19,532)
At 31 December 2017	510,438	932,477	14,561	69,655	227,853	1,754,984
Depreciation						
At 1 January 2016	184,308	343,614	6,223	26,767	—	560,912
Provided for the year	20,472	49,866	1,675	4,019	—	76,032
Eliminated on disposals	(759)	(196)	—	(239)	—	(1,194)
At 31 December 2016	204,021	393,284	7,898	30,547	—	635,750
Provided for the year	24,713	52,900	1,898	4,433	—	83,944
Eliminated on disposals	(98)	(8,117)	(1,464)	(2,463)	—	(12,142)
At 31 December 2017	228,636	438,067	8,332	32,517	—	707,552
Carrying values						
At 31 December 2017	281,802	494,410	6,229	37,138	227,853	1,047,432
At 31 December 2016	298,804	522,973	5,890	37,918	20,593	886,178

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis based over their estimated useful lives at the following rate per annum, after taking into account the estimated residual value of 5%:

Buildings and structures	3%-10%
Machinery and equipment	3%-19%
Transportation equipment	10%-24%
Office equipment	6%-32%

14. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 31 December 2015, the Group entered into financing arrangements with an independent financial institution to obtain borrowings of RMB150,000,000 for a term of 3 years by way of sales-and-lease arrangement. The Group had the right to purchase plant and machinery with RMB1,000 correspondingly at the expiration of the arrangements. The interest rate of the arrangements were 5.7% per annum, and carrying values of the plant and machinery under these arrangements as at 31 December 2016 are RMB109,824,000. The borrowings had been fully repaid during the year ended 31 December 2017.

15. PREPAID LEASE PAYMENTS

	2017	2016
	RMB'000	RMB'000
Analyzed for reporting purpose as:		
Current assets	**2,843**	1,527
Non-current assets	**101,174**	52,551
	104,017	54,078

As at 31 December 2017, The Group has pledged land use rights with a net book value of approximately RMB 26,686,000 to the bank to secure general banking facilities granted to the Group, which has not been utilised. As at 31 December 2016, land use right with net book value of approximately RMB 7,534,000 were pledged to banks to secure the Group's bank borrowings.

16. INTANGIBLE ASSETS

	Franchise right
	RMB'000
Cost	
Arising on acquisition of subsidiaries during the year ended 31 December 2016 (Note 36(ii)) and as at 31 December 2016 and 2017	93,502
Amortization	
Provided for the year and as at 31 December 2017	14,841
Carrying values	
At 31 December 2017	78,661
At 31 December 2016	93,502

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

17. GOODWILL

	RMB'000
CARRYING VALUE	
Arising on acquisition of a subsidiary during the year ended 31 December 2016 (Note 36(ii)) and as at 31 December 2016 and 2017	8,001

17. GOODWILL (continued)

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

The following describes the key assumptions of the cash flow projections: the recoverable amounts of the cash-generating unit have been determined on the basis of value in use calculation. The key assumptions of the value in use calculation are those regarding the pre-tax discount rates, growth rates and expected changes to revenue and direct costs during the forecast period. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rates of 28.5% (2016: 28.5%), as at 31 December 2017. Cash flow projections during the forecast period for this business line are based on the budgeted net sales and expected cost of revenue during the forecast period and the inflation of operating expenses during the forecast period. Expected cash inflows/outflows, which include budgeted net sales, cost of revenue and operating expenses have been determined based on past performance and management's expectations for the market development. The sets of cash flows beyond the 5-year period are projected using zero steady growth rate, which does not exceed the average long-term growth rate for the relevant industry.

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

18. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of establishment and operations	Equity interest attributable to the Group		Fully paid registered capital	Principal activities
		2017	2016		
Directly held:					
濟源市金源化工有限公司 (Jiyuan Jinyuan Chemicals Co., Ltd.) ("Jinyuan Chemicals")	PRC	**100%**	100%	RMB100,000,000	Manufacturing and sales of benzene based chemicals
上海金馬能源有限公司 (Shanghai Jinma Energy Sources Co., Ltd.) ("Shanghai Jinma")	PRC	**75%**	75%	RMB20,000,000	Trading of coal and coal mining equipment
河南博海化工有限公司 (Henan Bohigh Chemical Co., Ltd.) ("Bohigh Chemical")	PRC	**100%**	100%	USD7,700,000	Manufacturing and sale of coal tar based chemicals
河南金瑞能源有限公司 (Henan Jinrui Energy Co., Ltd.) ("Jinrui Energy")	PRC	**71%**	71%	RMB100,000,000	Inactive
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

18. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place of establishment and operations	Equity interest attributable to the Group		Fully paid registered capital	Principal activities
		2017	2016		
Indirectly held:					
河南金瑞燃氣有限公司 (Henan Jinrui Gas Co., Ltd.) ("Jinrui Gas")	PRC	**100%**	100%	RMB25,500,000	Inactive

All the subsidiaries of the Company are domestic limited liability companies. None of the subsidiaries had any debt securities outstanding at 31 December 2017 and 2016 or at any time during the year.

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

Name of subsidiary	Proportion ownership interest held by non-controlling interests At 31 December		Profit (loss) allocated to non-controlling interests Year ended 31 December		Accumulated non-controlling interests At 31 December	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	%	**%**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Shanghai Jinma	**25**	25	**819**	878	**6,943**	6,124
Jinrui Energy	**29**	16	**(527)**	15	**28,488**	10,015
Jinning Energy	**49**	49	**15,214**	N/A	**58,779**	48,961
			15,506	893	**94,210**	65,100

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

18. PARTICULARS OF SUBSIDIARIES (continued)

Jinning Energy

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**25,048**	23,624
Non-current assets	**50,803**	37,532
Current liabilities	**14,010**	30,486
Non-current liabilities	**2,638**	2,850
Net equity (Note)	**119,960**	99,921
Equity attributable to owners of the Company	**61,181**	50,960
Equity attributable to non-controlling interests	**58,779**	48,961

Note: The net equity includes fair value adjustments on properties, intangible assets and related deferred taxation arising from business combination amounting to RMB60,757,000 (2016: RMB72,101,000).

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**240,016**	N/A
Expenses	**208,966**	N/A
Profit for the year (Note)	**31,050**	N/A
Profit and total comprehensive income attributable to owners of the Company	**15,836**	N/A
Profit and total comprehensive income attributable to non-controlling interests	**15,214**	N/A
Profit for the year	**31,050**	N/A
Dividends declared to non-controlling interests	**5,396**	N/A
Net cash inflow from operating activities	**48,815**	N/A
Net cash outflow from investing activities	**(17,206)**	N/A
Net cash outflow from financing activities	**(26,018)**	N/A
Net cash inflow	**5,591**	N/A

Note: The profit for the year includes adjustments for depreciation on properties and amortization on intangible assets recognized upon the business combination amounting to RMB11,346,000 (2016: nil).

19. INTEREST IN A JOINT VENTURE

	2017	2016
	RMB'000	RMB'000
Cost of unlisted investment in a joint venture	**49,000**	49,000
Share of post-acquisition results	**6,211**	2,793
	55,211	51,793

Details of the Group's joint venture at the end of the reporting period are set out below.

Name of Joint venture	**Place of registration and operations**	**Fully paid registered capital**	**Equity interest attributable to the Group**		**Principal activities**
			2017	2016	
Henan Jinjiang Refinery Co., Ltd. ("Jinjiang Refinery") 濟源市金江煉化有限公司	PRC Manufacture	RMB100,000,000	**49%**	49%	Manufacture and sale of hydrogen

Summarized financial information in respect of the Group's joint venture is set out below. The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in the consolidated financial statements.

	2017	2016
	RMB'000	RMB'000
Current assets	**15,856**	20,682
Non-current assets	**183,895**	191,127
Current liabilities	**37,075**	51,108
Non-current liabilities	**50,000**	55,000
The above amounts of assets and liabilities include the followings:		
Cash and cash equivalents	**9,525**	6,305
Non-current financial liabilities (excluding trade and other payables and provisions)	**50,000**	55,000

19. INTEREST IN A JOINT VENTURE (continued)

	2017	2016
	RMB'000	RMB'000
Revenue	168,445	181,265
Profit and total comprehensive income for the year	6,976	8,166

The above profit for the year includes the following:

	2017	2016
	RMB'000	RMB'000
Depreciation	15,949	16,243
Interest income	178	170
Interest expense	3,676	4,162
Income tax expense	2,362	2,121

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

	2017	2016
	RMB'000	RMB'000
Net assets	112,676	105,701
Proportion of the Group's ownership interest in the joint venture	49%	49%
Carrying amounts of the Group's interest in the joint venture	55,211	51,793

20. INTEREST IN AN ASSOCIATE/ADVANCE TO AN ASSOCIATE

	2017	2016
	RMB'000	RMB'000
Cost of unlisted investment in an associate	**41,460**	31,560
Share of post-acquisition results	**(77)**	—
	41,383	31,560
Advance to an associate (Note)	**60,940**	60,940

Pursuant to a purchase agreement with Huozhou Coal Power Group LLC 霍州煤電集團有限責任公司 ("Huozhou Coal") and Shanxi Yilong Mine Products Co., Ltd. 山西億隆礦山用品有限公司 ("Shanxi Yilong"), independent third parties, signed in April 2010, the Company agreed to acquire 33% interests in Hongdong Yilong Coal Mine located in Shanxi Province for a total consideration of RMB120,000,000. Hongdong Yilong Coal Mine was previously held by Shanxi Yilong.

The Company had paid in aggregate RMB72,000,000 for the consideration during the year ended 31 December 2014 as "Deposit for acquisition of mining right". On 28 January 2015, Huozhou Coal, Shanxi Yilong and the Company have jointly established Yilong Coal with interest holding of 51%, 16% and 33% respectively. The total registered capital of Yilong Coal is RMB80,000,000. The Company contributed capital of RMB16,500,000 and RMB9,900,000 to Yilong Coal on 9 January 2015 and 20 February 2017 respectively, in accordance with the shareholders' agreement.

In addition, on 16 October 2015, Yilong Coal entered into a purchase agreement to acquire assets and the mining rights of Hongdong Yilong Coal Mine (the "Acquisition") at a consideration of RMB318,000,000, which was paid by Huozhou Coal, Shanxi Yilong and the Company on behalf of Yilong Coal. RMB56,940,000 out of the deposit of acquisition of mining right of RMB72,000,000 has been agreed to be the portion paid by the Company for such purpose. Together with an advance made by the Group of RMB4,000,000 during the year ended 31 December 2015, the management of Yilong Coal agreed the total advance from the Company is amounted to RMB60,940,000. The remaining amount of deposit for acquisition of mining right of RMB15,060,000 has been reclassified to interest in associates as an additional investment cost in Yilong Coal by the Company as the Directors of the Company consider that the series of events and transactions since 2010 were all related to Hongdong Yilong Coal Mine and resulted in obtaining 33% equity interest in Yilong Coal. In the opinion of the Directors, the excess payment of RMB15,060,000 was considered as an additional investment cost in Yilong Coal.

Note: The total advance is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors of the Company, it is expected that the Group would not demand for repayment within the next twelve months from the end of the reporting period. Accordingly, the amount is shown as a non-current asset.

20. INTEREST IN AN ASSOCIATE/ADVANCE TO AN ASSOCIATE (continued)

Details of the Group's associate at the end of the reporting period are set out below.

Name of associate	Place of registration and operations	Fully paid registered capital	Equity interest attributable to the Group		Principal activities
			2017	2016	
Yilong Coal 霍州煤電集團洪洞億隆煤業有限責任公司	PRC	RMB80,000,000	**33%**	33%	Inactive

Summarized financial information in respect of the Group's associate is set out below. The summarized financial information below represents amounts shown in the assoicate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

	2017	2016
	RMB'000	RMB'000
Current assets	**10,488**	7,225
Non-current assets	**592,264**	496,976
Current liabilities	**522,985**	454,201
Revenue	**—**	—
Profit for the year	**(233)**	—

Reconciliation of the above summarized financial information of the carrying amount of the interest in the associate recognized in the consolidated financial statements.

	2017	2016
	RMB'000	RMB'000
Net assets	**79,767**	50,000
Proportion of the Group's ownership interest in the associate	**33%**	33%
	26,323	16,500
Additional investment cost in the associate	**15,060**	15,060
Carrying amounts of the Group's interest in the associate	**41,383**	31,560

21. DEFERRED TAX ASSETS/LIABILITIES

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

	Allowance for inventories	Allowance for doubtful debts	Temporary difference on deductible expenses	Financial guarantee provisions	Unrealized profits	Fair value adjustments upon acquisition of subsidiaries	Deferred revenue	Total
	RMB'000	RMB'000	RMB'000	RMB'000 (Note 28)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	581	682	1,242	2,525	115	1,035	736	6,916
Acquisition of subsidiaries (Note 36(i))	—	—	—	—	—	(30,794)	—	(30,794)
Credit (charge) to profit or loss	13	(38)	2,346	(1,700)	160	(66)	879	1,594
At 31 December 2016	594	644	3,588	825	275	(29,825)	1,615	(22,284)
Credit (charge) to profit or loss	155	(196)	(3,455)	(825)	374	3,829	200	82
At 31 December 2017	749	448	133	—	649	(25,996)	1,815	(22,202)

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:

	2017	2016
	RMB'000	RMB'000
Deferred tax assets	**4,510**	8,510
Deferred tax liabilities	**(26,712)**	(30,794)
	(22,202)	(22,284)

As at 31 December 2017, the Group had unused tax losses of RMB2,136,000 (2016: nil) available to offset against future profits. No deferred tax asset has been recognized in respect of such losses due to the unpredictability of future profit streams. All tax losses will expire within 5 years from the year of origination.

22. INVENTORIES

	2017	2016
	RMB'000	RMB'000
Raw materials	118,955	143,973
Finished goods	37,219	15,824
	156,174	159,797

23. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	RMB'000
Bills receivables	305,638	175,348
Trade receivables	140,262	82,821
Less: Allowance for doubtful debts	—	(229)
	140,262	82,592
Other receivables	55,160	28,416
Less: Allowance for doubtful debts	(1,797)	(2,351)
	53,363	26,065
Prepayments to suppliers	64,008	102,206
Prepaid other taxes and charges	32,520	471
	595,791	386,682

23. TRADE AND OTHER RECEIVABLES (continued)

The following is an aging analysis of trade receivables (net of allowance for doubtful debts) presented based on invoice date at the end of the reporting period:

	2017	2016
	RMB'000	RMB'000
Within 90 days	139,014	80,620
91 - 180 days	536	825
181 - 365 days	628	613
Over 365 days	84	534
	140,262	82,592

The Group requests cash-on-delivery from certain customers and generally also grants credit to customers with period ranging from 30 to 180 days based on the credit ratings of the customers and the relationship with the customers. Credit period could be extended on a case-by-case basis.

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Before accepting any new customer, the Group's management shall be responsible for assessment of the potential customer's credit quality and determination of credit limits and credit approvals for customers. Credit limits attributed to customers are reviewed periodically. Included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB45,392,000 (2016: RMB19,366,000) as at 31 December 2017, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. Based on the historical experience of the Group, trade receivables that are past due but not impaired are generally recoverable.

The following is an aging of trade receivables (net of allowance for doubtful debts), which are past due but not impaired, at the end of the reporting period-:

	2017	2016
	RMB'000	RMB'000
Overdue by:		
Within 90 days	44,763	18,630
91 - 180 days	162	123
181 - 365 days	467	613
	45,392	19,366

23. TRADE AND OTHER RECEIVABLES (continued)

Movements in the allowance for doubtful debts for trade and other receivables are as follows:

	2017	2016
	RMB'000	RMB'000
At beginning of the year	2,580	2,731
Provided during the year	1,795	79
Reversal during the year	(1,631)	(230)
Write off during the year	(947)	—
At end of the year	1,797	2,580

Bills receivables were issued by banks with maturity within 6 months.

24. AMOUNTS DUE FROM SHAREHOLDERS

	2017	2016
	RMB'000	RMB'000
Trade nature		
Maanshan Steel	299,417	255,841
Jinma Xingye (Note i)	150	845
	299,567	256,686
Non-trade nature		
Jinma Xingye (Note ii)	—	20,177
	299,567	276,863

Notes:

(i) The balance is prepayment in nature for purchase of materials.

(ii) Mr. Wang Mingzhong is a common Director of the Company and Jinma Xingye. Its maximum amount outstanding during the year ended 31 December 2017 is RMB20,177,000 (2016: RMB20,177,000). The amount was unsecured and interest-free and fully recovered in 2017.

The credit period granted for those balances in trade nature is between 30 to 180 days. The amounts, which are trade nature, are unsecured and interest-free. As at 31 December 2017, the balances in trade nature included outstanding bills receivables of RMB299,417,000 (2016: RMB220,910,000). These bills were issued by banks with maturity within 6 months. The following is an aging analysis of trade receivables from shareholders, presented based on invoice date dates at the end of the reporting period. All amounts due from shareholders with trade nature are not past due.

	2017	2016
	RMB'000	RMB'000
Within 90 days	—	34,931

25. AMOUNTS DUE FROM RELATED PARTIES

	2017	2016
	RMB'000	RMB'000
Trade nature		
Jiangxi PXSteel's subsidiaries	1,026	86,627
Jinjiang Refinery	—	259
A subsidiary of Maanshan Steel	150	—
Jiyuan Fangsheng Chemicals Co., Ltd. ("Fangsheng Chemicals") (Note i)	11	512
Jiyuan Jinrun Enterprise Co., Ltd. ("Jinrun Enterprise") (Note ii)	—	8,100
	1,187	95,498

Notes:

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

(ii) The entity was a company controlled by the key management personnel of the Company until 6 February 2017. The balance as at 31 December 2016 was settled before the Listing.

As at 31 December 2017, the Group's balances included bills receivables from related parties were RMB170,000 (2016: RMB76,100,000). These bills are issued by banks with maturity within 6 months.

The credit period granted for those balances in trade nature is between 30 to 180 days. The amounts, which are trade nature, are unsecured and interest free. The following is an aging analysis of amounts due from related parties (excluding bills receivables and advance payment for purchase of goods), presented based on invoice date at the end of the reporting period.

	2017	2016
	RMB'000	RMB'000
Within 90 days	—	17,531
91 - 180 days	—	141
181 - 360 days	1,006	1,214
	1,006	18,886

The following is an aging analysis of amounts due from related parties, which are past due but not impaired, presented based on invoice dates at the end of the reporting period:

	2017	2016
	RMB'000	RMB'000
Within 90 days	—	259
91 - 180 days	1,006	—
	1,006	259

The amounts due from related parties that were neither past due nor impaired relate to companies for whom there were no recent history of material defaults. Based on the historical experience of the Group, those balances are generally recoverable.

26. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

Restricted bank balances and bank balances carry interest at prevailing market interest rates ranging from 0.35% to 3.00% (2016: from 0.35% to 3.00%) per annum as at 31 December 2017.

The Group's restricted bank balances were pledged to banks for issuing letters of credit.

27. BORROWINGS

	2017	2016
	RMB'000	RMB'000
Bank borrowings	567,000	620,000
Other borrowings	—	100,546
	567,000	720,546
Secured	—	240,546
Unsecured	567,000	480,000
	567,000	720,546
Fixed-rate borrowings	490,000	720,546
Floating-rate borrowings	77,000	—
	567,000	720,546
Carrying amount repayable: (based on scheduled payment terms)		
Within one year	282,000	348,251
More than one year, but not more than two years	262,000	112,295
More than two years, but not more than five years	23,000	260,000
	567,000	720,546
Less: Amount due shown under current liabilities	(282,000)	(348,251)
Amount due after one year shown under non-current liabilities	285,000	372,295

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

	2017	2016
	RMB'000	RMB'000
Effective interest rate:		
– Fixed-rate borrowings	4.57%-6.75%	4.35%-6.89%
– Floating-rate borrowings	4.79%-6.30%	N/A

As at 31 December 2016, the Group's borrowings of RMB130,000,000 were secured by land use rights or bank deposits. The remaining bank secured borrowings were guaranteed by independent third parties. The Group's other secured borrowings were secured by property, plant and equipment of the Group. These collaterals were released during the year ended 31 December 2017 upon the repayment of the relevant borrowings.

28. PROVISIONS

	RMB'000
At 1 January 2016	10,100
Release of obligation recognized in profit or loss	(6,800)
At 31 December 2016	3,300
Release of obligation recognized in profit or loss	(3,300)
At 31 December 2017	—

The Group provided financial guarantees to a related party and independent third parties in favor of their respective borrowings from the banks. The total amounts of guarantees outstanding as at 31 December 2016 was RMB455,000,000 which were all discharged during the year ended December 31 2017. These amounts were measured at fair value at the initial recognition, the fair values were arrived at on the basis of a valuation carried out by a qualified external appraiser. The initial recognition and release of obligation in respect of the financial guarantee contracts were recognized as other gains and losses in the consolidated statement of profit or loss and other comprehensive income. The Group also recognized corresponding deferred tax credit of RMB825,000 (2016: RMB1,700,000) for the year ended 31 December 2017.

29. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	RMB'000
Trade payables	228,798	184,109
Bills payables	50,000	173,854
	278,798	357,963
Receipt in advance from customers	31,744	27,642
Salaries and wages payables	16,777	14,681
Other tax payables	10,967	10,949
Consideration payable for purchase of property, plant and equipment	109,038	29,018
Accruals	7,957	4,218
Listing expenses payable	8,083	—
Shipping expenses payables	50	1,457
Consideration payable for a business combination (Note 36)	6,039	28,621
Other payables	7,982	10,395
	198,637	126,981
	477,435	484,944

29. TRADE AND OTHER PAYABLES (continued)

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

	2017	2016
	RMB'000	RMB'000
Within 90 days	214,882	165,239
91 - 180 days	2,762	3,509
181 - 365 days	3,906	5,962
Over 1 year	7,248	9,399
	228,798	184,109

At the end of the reporting period, the Group's bills payables were issued by banks with maturity within 6 months and were secured by the Group's restricted bank balances.

30. AMOUNT DUE TO A SHAREHOLDER

	2017	2016
	RMB'000	RMB'000
Trade nature		
Maanshan Steel (Note)	83,861	100,000

Note: The balance is receipt in advance in nature.

31. AMOUNTS DUE TO RELATED PARTIES

	2017	2016
	RMB'000	RMB'000
Trade in nature		
Jiyuan Jinhai Industry Co., Ltd ("Jinhai Industry") (Note i)	—	500
Jinjiang Refinery (Note ii)	68	68
Fangsheng Chemicals	—	51
A subsidiary of Jiangxi PXSteel (Note ii)	35,120	—
	35,188	619

Notes:

(i) The entity is a company controlled by the key management personnel of the Company until 30 April 2017.

(ii) The balances are receipt in advance in trade nature for purchase of goods from the Group.

31. AMOUNTS DUE TO RELATED PARTIES (continued)

The credit period granted for those balances is between 30 to 180 days. The amounts are trade nature, unsecured, and interest-free. The following is an aging analysis of amounts due to related parties of trade payables presented based on the invoice dates at the end of the reporting period:

	2017	2016
	RMB'000	RMB'000
Within 90 days	—	51

As at 31 December 2016, the balances included bills payables to related parties with maturity within 6 months was RMB500,000 (2017: nil).

32. RETIREMENT BENEFIT COSTS

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government. The contributions to these plans recognised as employee benefit capitalised as production costs or expensed as incurred for the year ended 31 December 2017 are RMB7,186,000 (2016: RMB6,053,000).

33. SHARE CAPITAL

	2017	2016
	RMB'000	RMB'000
At beginning of the year	400,000	326,730
Joint stock conversion (Note i)	—	73,270
Issue of new ordinary shares (Note ii)	135,421	—
At end of the year	535,421	400,000

Notes:

(i) On 3 August 2016, the Company was converted from a limited liability company into a joint stock company. The share capital was increased to RMB400,000,000, divided into 400,000,000 shares at a par value of RMB1.00 each.

(ii) On 10 October 2017, 133,334,000 new H shares of RMB1.00 each of the Company were issued at a price of HK$3.00 (equivalent to RMB2.55) each, upon the Global Offering and Listing of the shares of the Company on the Stock Exchange. On 31 October 2017, 2,087,000 new H shares of RMB1.00 each of the Company were issued at a price of HK$3.00 (equivalent to RMB2.55) each upon exercise of over-allotment option. The proceeds of HK$159,486,000 (equivalent to RMB135,421,000) representing the par value of the new H shares of the Company, were credited to the Company's share capital. The remaining proceeds of approximately HK$246,777,000 (equivalent to approximately RMB209,541,000), before issuing expenses of RMB24,010,000, were credited to the Company's capital reserve.

34. LONG TERM PAYABLE

The amount represents the present value of consideration payable due after 31 December 2018, in relation to the acquisition of a subsidiary (Note 36(ii)), which is calculated using imputed interest rate of 4.75% per annum by reference to the prevailing market rate.

35. DEFERRED REVENUE

	2017	2016
	RMB'000	RMB'000
Assets-related from government subsidies	7,258	6,458

During the year ended 31 December 2017, the Group received government subsidies of approximately RMB1,561,000 (2016: RMB3,782,000), 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 2017, subsidy income of approximately RMB761,000 (2016: RMB270,000) were released to profit or loss.

36. ACQUISITIONS OF SUBSIDIARIES

(i) Acquisition of Bohigh Chemical

In September 2016, the Company entered into equity transfer agreements with independent third parties to acquire remaining 71% interests in Bohigh Chemical for a total cash consideration of RMB42,600,000. Bohigh Chemical, was an associate of the Group with 29% interest, is engaged in processing of coal tar and sale of coal tar based chemicals. Bohigh Chemical was acquired so as to continue the expansion of the Group's production of coke and processing of coking by-products. The acquisition has been accounted for using the acquisition method.

	RMB'000
The fair value of identifiable assets and liabilities of Bohigh Chemical acquired at the date of obtaining control are as follows:	
Property, plant and equipment	44,717
Prepaid lease payment	16,816
Inventories	15,812
Trade and other receivables	45,037
Tax recoverable	160
Restricted bank balances	14,000
Bank balances and cash	7,204
Trade and other payables	(46,526)
Deferred tax liabilities	(7,418)
	89,802
Consideration transferred, satisfied by cash	42,600
Less: Net assets acquired	(89,802)
Previously held as interest in an associate at fair value before the acquisition	23,159
Bargain purchase on acquisition of a subsidiary	(24,043)
Analysis of net outflow of cash and cash equivalents in respect of acquisition of Bohigh Chemical:	
Cash paid	(42,600)
Bank balances and cash acquired	7,204
Net cash outflow arising on acquisition	(35,396)

36. ACQUISITIONS OF SUBSIDIARIES (continued)

(i) Acquisition of Bohigh Chemical (continued)

In the opinion of the Directors of the Company, the fair values of trade and other receivables acquired approximately to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

The Directors of the Company are informed that the sellers of Bohigh Chemical were actively seeking for buyers to acquire their equity interests in Bohigh Chemical in order to achieve an internal restructuring of the sellers' businesses. The equity interests in Bohigh Chemical was listed on Shanghai United Assets and Equity Exchange for public auction starting from July 2016 for two times. From August 2016 to September 2016, the counterparties have offered discount to the ask prices after the failure of the first auction. Together with the increase in fair value of the land and buildings of Bohigh Chemical after the auction, a bargain purchase on acquisition of a subsidiary is resulted.

Included in the revenue and profit for the year ended 31 December 2016 were RMB61,922,000 and RMB2,512,000, respectively, generated from Bohigh Chemical. Had the acquisition been completed on 1 January 2016, the Group's revenue and profit for the year ended 31 December 2016 would have been approximately RMB3,540,610,000 and RMB270,679,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on 1 January 2016, nor was it intended to be a projection of future results.

(ii) Acquisition of Jinning Energy

In December 2016, the Company and shareholders of Jinning Energy, being the key management personnel of the Company, entered into an equity transfer agreement, pursuant to which the Company acquired a 51% interest in Jinning Energy at a consideration of RMB62,220,000. Jinning Energy was engaged in the distribution and sale of coal gas. Jinning Energy was acquired so as to improve the control on the sale and distribution of the coal gas produced by the Group. The acquisition has been completed on 29 December 2016 and accounted for using the acquisition method.

Under the equity transfer agreement, the seller have guaranteed that Jinning Energy will record a net profit of not less than RMB40,667,000 for each of the three financial years ending 31 December 2017, 2018 and 2019 (the "Guaranteed Net Profit"). The total consideration of RMB62,220,000 for the acquisition was determined with reference to an independent valuation and is payable by the Company in four instalments, the first of which in the amount of RMB28,621,000 was settled on 5 March 2017 and the balance of the consideration shall be payable in three equal instalments and will be fully settled in 2020. In the event that the actual audited net profit of Jinning Energy for the relevant year falls below the Guaranteed Net Profit (such shortfall shall be referred to as the "Shortfall"), the relevant instalment amount to be paid by the Company for the relevant instalment shall be adjusted down by the proportion of the Shortfall against the Guaranteed Net Profit.

36. ACQUISITIONS OF SUBSIDIARIES (continued)

(ii) Acquisition of Jinning Energy (continued)

The fair value of the compensation is estimated to be insignificant because the management considers that it is highly likely that the guarantee net profit can be achieved for the three financial years ending 31 December 2019.

	RMB'000
The fair value of identifiable assets and liabilities of Jinning Energy acquired at the date of obtaining control are as follows:	
Property, plant and equipment	36,057
Prepaid lease payments	600
Intangible assets	93,502
Inventories	15
Trade and other receivables	11,632
Bank balances and cash	11,977
Borrowings	(10,000)
Dividend payable	(4,922)
Tax payable	(2,179)
Deferred tax liabilities	(23,376)
Trade and other payables	(13,385)
	99,921
Consideration at fair value:	
– included in other payables	28,621
– included in long term payables	30,340
Plus: Non-controlling interests	48,961
Less: Net assets acquired	(99,921)
Goodwill arising on acquisition	8,001
Analysis of inflow of cash and cash equivalents in respect of acquisition of Jinning Energy:	
Bank balances and cash acquired	11,977

In the opinion of the Directors of the Company, the fair values of trade and other receivables acquired approximately to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

The non-controlling interests recognized at the date of acquisition was measured by reference to the proportionate share of the recognized value of the net identifiable assets of Jinning Energy at the date of acquisition and amounted to RMB48,961,000.

Had the acquisition been completed on 1 January 2016, the Group's revenue and profit for the year ended 31 December 2016 would have been approximately RMB3,540,438,000 and RMB309,827,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on 1 January 2016, nor was it intended to be a projection of future results.

37. OPERATING LEASES

As lessee

At the end of the reporting period, the Group was committed to make the following future minimum leases payments in respect of rented properties and premises under non-cancellable operating leases which fully due as follows:

	2017	2016
	RMB'000	RMB'000
Not later than 1 year (Note)	695	444
Later than 1 year and not later than 5 years	764	1,501
Later than 5 years	3,119	5,956
	4,578	7,901

Note: In the next 12 months subsequent to 31 December 2017, the Company was committed to pay Jinma HK RMB504,000 for leasing the office from Jinma HK.

Operating leases are negotiated for lease terms principally ranged from 20 months to 22 years.

As lessor

Land, loading yards, and offices were leased for 1 year (2016: 2.5 years) as at December 2017. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017	2016
	RMB'000	RMB'000
Not later than 1 year	94	94

38. CAPITAL COMMITMENTS

	2017	2016
	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	139,563	101,291
The Group's share of the capital commitments made jointly with other joint venturers relating to its joint ventures are as follows:		
Acquisition of property, plant and equipment	18,824	56,430

39. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and other financial institutions as securities against general banking facilities granted to the Group:

	2017	2016
	RMB'000	RMB'000
Property, plant and equipment	—	109,824
Prepaid lease payments	26,686	7,354
Bills receivables	—	5,000
Restricted bank balances	20,010	140,071
	46,696	262,249

40. 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 derecognized on the consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivables at the end of the reporting period are as follows:

	2017	2016
	RMB'000	RMB'000
Endorsed bills for settlement of payables	2,070,608	2,028,009
Discounted bills for raising cash	105,929	210,931
Outstanding endorsed and discounted bills receivables with recourse	2,176,537	2,238,940

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

41. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties are disclosed below.

(a) Transactions with related parties

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

(1) Purchases from and sales to related parties

	2017	2016
	RMB'000	RMB'000
Sales of products and services to:		
Maanshan Steel and its subsidiary (Note i)	1,218,363	895,833
Jiangxi PXSteel's subsidiaries	897,488	436,651
Bohigh Chemical (Note i and ii)	N/A	103,651
Jinning Energy (Note ii)	N/A	147,570
Jinhai Industry	—	28,057
Jinjiang Refinery	93,613	4,256
Jinrun Enterprise (Note iii)	11,137	30,517
Fangsheng Chemicals	16	—
Jinma Xingye (Note iii)	4	—
Purchase of raw materials and services:		
Jinma Xingye (Note iii)	3,826	26,227
Jinhai Industry	—	15,066
Bohigh Chemical (Note ii)	N/A	806
Fangsheng Chemicals	6,814	5,413
Luoyang Yuhong Trading Co., Ltd. (Note iv)	—	16,120
Jinjiang Refinery	3,923	2,155
Rental expenses for office:		
Jinma HK (Note v)	1,129	—

Notes:

(i) The sales to Maanshan Steel and Bohigh Chemical were arranged by third party agents, all the related trade receivables were collected through the agents. Such arrangement had been terminated by December 2016. Since then Maanshan Steel and Bohigh Chemical purchased directly from the Company.

The sales to Maanshan Steel's subsidiary were arranged by a fellow subsidiary of Maanshan Steel and all the related trade receivables were collected through the fellow subsidiary.

(ii) These related parties were acquired by the Company and became subsidiaries of the Company during the year ended 31 December 2016.

(iii) The transactions between these related parties and the Group have been terminated after the Listing.

(iv) This entity is controlled by one of the shareholders of the Company.

(v) The rental expenses paid to Jinma HK were due to lease of the office in Hong Kong from Jinma HK.

41. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

(2) Financial guarantee contracts

The Group provided a financial guarantee to the bank in respect of a banking facility granted to Jinjiang Refinery during the year ended 31 December 2016 with a maximum exposure of RMB55,000,000, which was released on 2 May 2017. As at 31 December 2016, outstanding balance of the guarantee was RMB26,950,000. In the opinion of the Directors of the Company, the fair value of the guarantee was insignificant at initial recognition as the possibility of default was considered to be remote. Accordingly, no value had been recognized on the consolidated statement of financial position.

(3) Disposal of an associate and a subsidiary

Henan Zhongyuan Yungong Co., Ltd. ("Zhongyuan Yungong") was established in January 2016 by the Company and eight other corporations, comprising Fangsheng Chemicals, Yugang Coking and six independent third parties. The Company held 11.11% equity interest of Zhongyuan Yungong, which was treated as an associate of the Group. In November 2016, the Company entered into an equity transfer agreement with Fangsheng Chemicals to dispose 11.11% interests in Zhongyuan Yungong for a cash consideration of RMB557,000. During the year ended 31 December 2016, there was no material gain or loss recognized for the share of result in the associate and upon the disposal.

In August 2016, the Company entered into equity transfer agreements and disposed respective 51%, 19% and 10% of equity interest in Jinzheng E-commerce, a 80% interest owned subsidiary of the Company established in 2014, to Jinma Xingye, Jinrun Enterprise and an independent third party for nil considerations. As no capital contribution made by the Company since the establishment and till the date of disposal, there was no gain or loss recognized upon the disposal.

(b) Compensation of key management personnel

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

	2017	2016
	RMB'000	RMB'000
Salaries and allowance	2,923	1,300
Retirement benefit scheme contributions	156	188
	3,079	1,488

Key management represents the Directors of the Company disclosed in Note 12 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.

42. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt (which includes borrowings, net of cash and cash equivalents) and equity attributable to owners of the Company (comprising share capital and reserves).

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

43. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017	2016
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	1,362,671	964,117
Financial liabilities		
Amortized costs	1,133,355	1,306,763
Financial guarantee contracts (Note 28)	—	3,300
Total	1,133,355	1,310,063

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, restricted bank balances, bank balances and cash, trade and other payables, dividend payable, long term payable and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

43. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to mainly interest-bearing bank balances, bank borrowings and other borrowings at fixed interest rates. The Group is also exposed to cash flow interest rate risk in relation to bank borrowings at floating interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rate for the floating-rate borrowings, assuming that the floating-rate borrowings outstanding at the end of the reporting period was outstanding for the whole relevant period. If the interest rate on the floating-rate borrowings had been 50 basis points higher/lower, and all other variables were held constant, the Group's profit after tax would decrease/increase by approximately RMB289,000 (2016: nil) for the year ended 31 Decemer 2017. This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings as at 31 December 2017 (2016: nil). 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.

Foreign currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies, which are mainly bank balances and cash and trade and other payables, at the end of the reporting period are as follows:

	2017	2016
	RMB'000	RMB'000
Assets		
Bank balances and cash – HK$	154,816	—
Bank balances and cash – US$	84	89
Liabilities		
Trade and other payables–HK$	5,934	—
Trade and other payables–US$	980	—

The following table details the Group's sensitivity to five percent appreciation of HK$ against RMB which represents the management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis of the Group includes the outstanding foreign currencies denominated monetary items and adjusts for five percent appreciation of foreign exchange rates at the end of the reporting period.

	2017	2016
	RMB'000	RMB'000
Increase in post-tax profit	5,583	—

There would be an equal and opposite impact on the above post-tax results, should HK$ be weakened against RMB in the above sensitivity analysis. No sensitivity analysis is presented for US$ denominated assets and liabilities as the amount is insignificant.

43. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognized financial assets is the carrying amount of those assets stated in the consolidated statement of financial position, and the maximum outstanding amounts of contingent liabilities in relation to financial guarantees provided by the Group as disclosed in Note 28.

The Group mainly conducted transactions with customers with good quality and long term relationship. When accepting new customers, the Group requests advanced payment before the goods delivered. In order to minimize the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. Given the long-term relationships with its customers and the financial position of these customers, management considers that the credit risk associated with balances due from customers is low. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk on bank balances and cash or bills receivables is limited and there is no significant concentration of credit risk because all banks deposits or bills are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The 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 2017, the Group had unutilized bank facilities of approximately RMB465,000,000 (2016: RMB304,500,000).

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed-upon repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest redemption (maturity) date. The analysis include both interest and principal cash flows.

43. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

		As at 31 December 2017				
	Weighted average interest rate	Carrying amounts	On demand or within 6 months	6 months to 1 year	1 year to 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.57%-6.75%	567,000	163,005	145,822	296,942	605,769
Trade and other payables	N/A	426,767	426,767	—	—	426,767
Long term payables	4.75%	20,539	—	—	22,400	22,400
Amount due to a shareholder	N/A	83,861	83,861	—	—	83,861
Amounts due to related parties	N/A	35,188	35,188	—	—	35,188
		1,133,355	708,821	145,822	319,342	1,173,985

		As at 31 December 2016				
	Weighted average interest rate	Carrying amounts	On demand or within 6 months	6 months to 1 year	1 year to 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	4.35% - 6.89%	720,546	74,957	302,978	405,139	783,074
Trade and other payables	N/A	442,135	442,135	—	—	442,135
Long term payables	4.75%	30,340	—	—	33,600	33,600
Amount due to a shareholder	N/A	100,000	100,000	—	—	100,000
Amounts due to related parties	N/A	619	619	—	—	619
Dividend payable	N/A	13,123	13,123	—	—	13,123
Financial guarantee contracts (Note 28)	N/A	3,300	455,000	—	—	455,000
		1,310,063	1,085,834	302,978	438,739	1,827,551

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangements for the full guaranteed amount if that amount is claimed by the counterparties. The Group considers that it is more likely than not that such amount will not be payable under the arrangement. However, the estimate is subject to change depending on the probability of the counterparties defaulting on the guaranteed financial instruments.

43. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

The fair value of the Group's financial assets and financial liabilities (excluding financial guarantee contracts) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities (excluding financial guarantee contracts) recorded at amortized costs on the consolidated financial statements are fair representations of their fair values.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued listing expenses (included in other payable)	Borrowings	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	—	720,546	13,123	733,669
Financing cash flows (Note)	(20,995)	(198,950)	(112,735)	(332,680)
Non-cash changes:				
Dividend set-off with amount due from shareholders	—	—	(5,784)	(5,784)
Dividend declared	—	—	105,396	105,396
Finance cost recognized	—	45,404	—	45,404
Issue cost accrued	24,010	—	—	24,010
At 31 December 2017	3,015	567,000	—	570,015

Note: The cash flows represent new borrowings raised, the repayment of borrowings, interest paid, dividend paid and advanced from/repayment paid to shareholders/related parties in the consolidated statement of cash flows.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017	2016
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	642,199	635,845
Prepaid lease payments	28,216	35,686
Investments in subsidiaries	310,574	290,574
Interest in a joint venture	49,000	49,000
Interest in an associate	41,460	31,560
Advance to an associate	60,940	60,940
Deferred tax assets	2,376	7,203
Deposit for acquisition of property, plant and equipment	4,124	2,103
	1,138,889	1,112,911
CURRENT ASSETS		
Inventories	95,133	122,364
Prepaid lease payments	829	982
Trade and other receivables	430,803	237,552
Amounts due from shareholders	299,417	276,018
Amounts due from subsidiaries	132,474	42,443
Amounts due from related parties	1,186	95,498
Restricted bank balances	10	120,217
Bank balances and cash	439,874	68,890
	1,399,726	963,964

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

	2017	2016
	RMB'000	RMB'000
CURRENT LIABILITIES		
Borrowings	282,000	338,251
Provisions	—	3,300
Trade and other payables	277,150	376,945
Amount due to a shareholder	83,861	100,000
Amounts due to subsidiaries	—	2,235
Amounts due to related parties	35,120	500
Tax payable	10,332	19,691
	688,463	840,922
NET CURRENT ASSETS	711,263	123,042
TOTAL ASSETS LESS CURRENT LIABILITIES	1,850,152	1,235,953
CAPITAL AND RESERVES		
Share capital	535,421	400,000
Reserves	1,001,934	426,860
TOTAL EQUITY	1,537,355	826,860
NON-CURRENT LIABILITIES		
Borrowings	285,000	372,295
Long term payable	20,539	30,340
Deferred revenue	7,258	6,458
	312,797	409,093
	1,850,152	1,235,953

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

Movement in the Company's reserves:

	Capital reserve	Statutory surplus reserve	Retained profits	Special reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	5,419	105,537	175,150	1,070	287,176
Profit and total comprehensive income for the year	—	—	212,954	—	212,954
Joint stock reorganization	195,546	(105,537)	(163,279)	—	(73,270)
Transfer	—	21,294	(23,504)	2,210	—
At 31 December 2016	200,965	21,294	201,321	3,280	426,860
Profit and total comprehensive income for the year	—	—	489,543	—	489,543
Issue of new ordinary shares	209,541	—	—	—	209,541
Listing expenses related to the issue of ordinary shares	(24,010)	—	—	—	(24,010)
Dividends paid	—	—	(100,000)	—	(100,000)
Transfer	—	49,391	(48,638)	(753)	—
At 31 December 2017	386,496	70,685	542,226	2,527	1,001,934

COMPANY INFORMATION

Company name

河南金馬能源股份有限公司
Henan Jinma Energy Company Limited

Share listing

Stock abbreviation: Jinma Energy
H Share: The Stock Exchange of Hong Kong Limited
Stock Code: 6885

Registered office and principal place of business in the PRC

West First Ring Road South
Jiyuan
Henan Province
PRC

Principal place of business in Hong Kong (Note)

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

Contact information

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

Company website

www.hnjmny.com

Board of Directors

Executive Directors

Mr. Yiu Chiu Fai (Chairman)
Mr. Wang Mingzhong (Chief Executive Officer)
Mr. Li Tianxi (Executive deputy general manager)

Non-executive Directors

Mr. Lu Kecong (Deputy chairman)
Mr. Hu Xiayu
Mr. Wang Zhiming

Independent non-executive Directors

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

Supervisors

Mr. Wang Tsz Leung (Chairman)
Mr. Zhang Qiangxian
Mr. Zhou Tao, David
Ms. Tian Fangyuan
Mr. Li Zhongge (resigned on 19 March 2018)
Ms. Hao Yali
Mr. Zhang Wujun (appointed on 19 March 2018)

Audit Committee

Mr. Wu Tak Lung (Chairman)
Mr. Liu Yuhui
Mr. Lu Kecong

Remuneration Committee

Mr. Zheng Wenhua (Chairman)
Mr. Wu Tak Lung
Mr. Wang Mingzhong

Note: The principal place of business in Hong Kong has been changed from 20/F, Alexandra House, 18 Chater Road, Central, Hong Kong to Unit 2801, 28/F, 88 Hing Fat Street, Causeway Bay, Hong Kong since 19 March 2018.

Nomination Committee

Mr. Yiu Chiu Fai (Chairman)
Mr. Liu Yuhui
Mr. Zheng Wenhua

Strategic Development Committee

Mr. Lu Kecong (Chairman)
Mr. Zheng Wenhua
Mr. Li Tianxi

Compliance adviser

Haitong International Capital Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road
Central
Hong Kong

Company secretary

Mr. Wong Hok Leung

Authorized representatives

Mr. Yiu Chiu Fai
Mr. Wong Hok Leung

Auditors

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Admiralty
Hong Kong

Legal advisers

PRC Law

EY Chen & Co. Law Firm
51/F, Shanghai World Financial Center
100 Century Avenue
Pudong New District
Shanghai
China

Hong Kong Law

Reed Smith Richards Butler
20/F, Alexandra House
18 Chater Road
Central
Hong Kong

H share registrar

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

Principal bankers

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

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

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

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

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

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

Jiyuan Rural Commercial Bank
No. 86 Central Road, Xin Garden
Jiyuan, Henan Province
PRC

China Guangfa Bank Zhengzhou Shangdu Branch
No. 31 Shangdu Road
Zhengzhou, Henan Province
PRC

Bank of Pingdingshan Zhengzhou Branch
No. 6 Fengyi Road Jinshui District
Zhengzhou, Henan Province
PRC

Bank of Communications Jiyuan Branch
No. 435 Central Road, Xin Garden
Jiyuan, Henan Province
PRC

Bank of China (Hong Kong) Limited Metroplaza Branch
Shop 260-265, Metroplaza
223 Hing Fong Road
Kwai Chung, New Territories
Hong Kong

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

GENERAL TERMS

"Board"	the board of Directors of our Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Taiwan, the Macau Special Administrative Region of the PRC and the Hong Kong Special Administrative Region of the PRC
"Code"	Corporate Governance Code set out as Appendix 14 to the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Henan Jinma Energy Company Limited (河南金馬能源股份有限公司)
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	Director(s) of our Company
"Group"	our Company and its subsidiaries
"Hong Kong Stock Exchange"	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)"	Supervisor(s) of our Company
"Supervisory Committee"	the Supervisory committee of our Company established pursuant to the PRC Company Law

DEFINITIONS

TECHNICAL TERMS

"basic earnings per share"	$\frac{\text{Profit attributable to owners of the Company}}{\text{Weighted average number of shares in issue during the year}}$
"current ratio"	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$
"dividend payout ratio"	$\frac{\text{Dividend}}{\text{Profit attributable to owners of our Company}}$
"gearing ratio"	$\frac{\text{Total interest-bearing bank borrowings}}{\text{Total equity}}$
"return on assets"	$\frac{\text{Profit and total comprehensive income}}{\text{Average total assets}}$
"return on equity"	$\frac{\text{Profit attributable to owners of our Company}}{\text{Average equity attributable to owners of our Company}}$

ABBREVIATED NAMES OF COMPANIES

"Bohigh Chemical"	河南博海化工有限公司 (Henan Bohigh Chemical Co., Ltd.)
"Golden Star"	金星化工(控股)有限公司 (Golden Star Chemicals (Holdings) Limited)
"Jiangxi PXSteel"	江西萍鋼實業股份有限公司 (Jiangxi PXSteel Industrial Co. Ltd.*) (formerly known as 萍鄉鋼鐵有限責任公司 (Ping Xiang Steel Co., Ltd.*))
"Jiangxi PXSteel Group"	Jiangxi PXSteel and its subsidiaries
"Jinjiang Refinery"	河南金江煉化有限責任公司 (Henan Jinjiang Refinery Co., Ltd.*)
"Jinma Energy"	河南金馬能源股份有限公司 (Henan Jinma Energy Co., Ltd.*)
"Jinma Coking"	金馬焦化(英屬維爾京群島) 有限公司 (Jinma Coking (BVI) Limited)
"Jinma HK"	金馬能源(香港)有限公司 (Jinma Energy (Hong Kong) Limited), formerly known as 金馬焦化(香港)有限公司 (Jinma Coking (Hong Kong) Limited)
"Jinma Xingye"	濟源市金馬興業投資有限公司 (Jiyuan Jinma Xingye Investment Co., Ltd.*)
"Jinning Energy"	濟源市金寧能源實業有限公司 (Jiyuan Jinning Energy Co., Ltd.*)
"Jinrui Energy"	河南金瑞能源有限公司 (Henan Jinrui Energy Co., Ltd.*)
"Jinrui Gas"	河南金瑞燃氣有限公司 (Henan Jinrui Gas Co., Ltd.*)
"Jinyuan Chemicals"	濟源市金源化工有限公司 (Jiyuan Jinyuan Chemicals Co., Ltd*)
"Maanshan Steel"	馬鞍山鋼鐵股份有限公司 (Maanshan Iron & Steel Company Limited)
"Maanshan Steel Group"	Maanshan Steel and its subsidiaries
"Shanghai Jinma"	上海金馬能源有限公司 (Shanghai Jinma Energy Sources Co., Ltd.*)
"Yugang Coking"	豫港 (濟源) 焦化集團有限公司 (Henan Hongkong (Jiyuan) Coking Group Co., Ltd.)

In this report, there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese which are marked with "*" is for identification purpose only.

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