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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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

Revenue	: RMB 5,137.7 million
Profit attributable to shareholders	: RMB 532.3 million
Basic earnings per share	: RMB 1.24
Proposed final dividend per share	: RMB 0.20
Proposed special dividend per share	: RMB 0.08

RESULTS

The board of Directors (the "**Board**") of Henan Jinma Energy Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 together with comparative figures for the year ended 31 December 2016.

Presented below are the Group's Consolidated Financial Statements, Chairman's Statement, Management Discussion & Analysis and Corporate Governance & Related Matters.

CONSOLIDATED FINANCIAL STATEMENTS

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	2	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 and 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 an associate		(77)	1,374
Profit before tax		738,847	346,037
Income tax expense	3	(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	5	1.24	0.66

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017	2016
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,047,432	886,178
Prepaid lease payments		101,174	52,551
Intangible assets		78,661	93,502
Goodwill		8,001	8,001
Interest in a joint venture		55,211	51,793
Interests in an associate		41,383	31,560
Advance to an associate		60,940	60,940
Deferred tax assets		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	6	156,174	159,797
Prepaid lease payments		2,843	1,527
Trade and other receivables	7	595,791	386,682
Amounts due from shareholders		299,567	276,863
Amounts due from related parties		1,187	95,498
Restricted bank balances		20,010	140,071
Bank balances and cash		481,704	106,740
		1,557,276	1,167,178

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017	2016
		RMB'000	RMB'000
CURRENT LIABILITIES			
Borrowings	8	282,000	348,251
Provisions		—	3,300
Dividend payable		—	13,123
Trade and other payables	9	477,435	484,944
Amount due to a shareholder		83,861	100,000
Amounts due to related parties		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		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	8	285,000	372,295
Long term payable		20,539	30,340
Deferred revenue		7,258	6,458
Deferred tax liabilities		26,712	30,794
		339,509	439,887
		2,067,835	1,385,821

1. 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 IFRS Standards 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. 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.

The Group's operating segments under IFRS 8 "Operating Segments" are (i) sale of coke, (ii) sale of coking by-products, (iii) sale of refined chemicals, (iv) sale 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.

	Sale 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

2. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

	Sale 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. Segment results represents gross profit from each segment, excluding sales related taxes, which are classified as unallocated expenses.

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

2. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

	Sale 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

	Sale 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

2. REVENUE AND SEGMENT INFORMATION (continued)

Entity-wide disclosures

Geographical information

All of the Group's revenue generated from external customers 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.

3. 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	(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%.

4. 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. 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 RMB149,917,880 (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.

5. 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.

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.

No diluted earnings per share is presented for the year ended 31 December 2016 as there was no potential ordinary share during the prior years.

6. INVENTORIES

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

7. 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

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 receivables 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.

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

8. 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 bank secured 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.

9. 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	6,039	28,621
Other payables	7,982	10,395
	198,637	126,981
	477,435	484,944

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.

"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 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.

- 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 & 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.

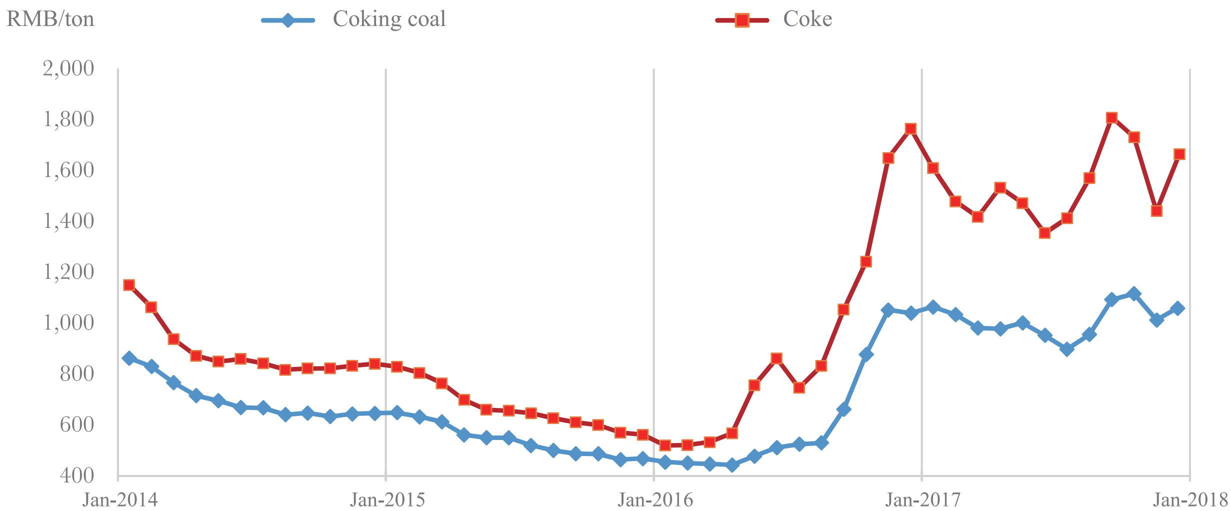
The following table sets forth the average selling price (net of VAT) of each of the Group's principal products during 2016 and 2017 according to the Group's internal records.

	Year ended 31 December	
	2017	2016
	Average selling price (1)	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 informations.

	Year ended December 31,	
	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

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, 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 0.1 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, and (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; and (ii) an increase of approximately RMB 345.0 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 of the dates indicated below.

	As of 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 of 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 of the dates indicated below.

	As of 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 of 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 RMB 465.0 million is still available for use (2016: RMB 304.5 million). As of 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 announcement. As of 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 of the dates and for the years indicated:

	As of 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 of 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 of the dates indicated.

	As of 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 of 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 of the dates indicated are as follows:

	As of 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 of 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 announcement.

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 of 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 of 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 of 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

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 announcement.

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 0.08 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 of 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 ended 31 December 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 Natural 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 of 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 of the end of 2017, the Group's investment in LNG production facilities amounted to RMB 181.1 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 granules generated in the Group's coking process in an oxygen environment.

The Group commenced the construction of the Group's new coke granule coal gas facilities in August 2017. As of the end of 2017, a completion level of 20% has been achieved. The new coke granules 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 of the end of 2017, the Group's investment in the new coke granules coal gas facilities amounted to RMB 15.2 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 of the end of 2017, the Group's investment in the construction of gas stations amounted to RMB 39.4 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 of 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 of the end of 2017, the Group's investment in the coal storage dome amounted to RMB 23.9 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 RMB 15.0 million. As of the end of 2017, the Group's investment in the construction of Jinma Energy Production Control Center amounted to RMB 3.7 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 RMB 68.2 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 & RELATED MATTERS

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.

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 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 Co., Ltd." (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 controlled by it 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.

All three independent non-executive Directors have submitted written confirmations to the Company and the Hong Kong Stock Exchange for their independence.

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 Announcement, none of the Directors, Supervisors and their controlled 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 of 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 function 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 function 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.

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 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.

Responsibilities of Directors 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. 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 significant doubt upon the Company's ability to continue as a going concern.

Purchase, Sale or Redemption of Securities of the Company

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

Distribution of Dividends

The Board recommended the payment of a final dividend of RMB0.20 per share and a special dividend of RMB0.08 per share for the year ended 31 December 2017. The final dividend and special dividend are subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM") of the Company to be held on 28 May 2018. Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the final dividend and the special dividend.

The dividends to be distributed will be denominated and declared in Renminbi. Distribution of the cash dividends for domestic shareholders will be paid in Renminbi, while cash dividends for H shareholders will be declared in Renminbi but paid in Hong Kong dollars (based on the average of the exchange rates for Renminbi to Hong Kong dollars as announced by the People's Bank of China for the seven calendar days prior to the date of convening the AGM).

Tax on Dividends for H Shareholders

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

Pursuant to the requirements under the applicable provisions 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 Announcement of 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 remit 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.

Annual General Meeting

The AGM will be held on 28 May 2018. The notice of the AGM will be issued and despatched to the shareholders of the Company, and will also be made available on the website of Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.hnjmny.com in due course.

Publication of the Annual Report

The 2017 annual report of the Company will be despatched to the shareholders of the Company, and will also be made available on the Hong Kong Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hnjmny.com in due course.

By order of the Board
Henan Jinma Energy Company Limited
Yiu Chiu Fai
Chairman

Hong Kong, 19 March 2018

As at the date of this announcement, the executive Directors of the Company are Mr. YIU Chiu Fai, Mr. WANG Mingzhong and Mr. LI Tianxi; the non-executive Directors of the Company are Mr. LU Kecong, Mr. HU Xiayu and Mr. WANG Zhiming; and the independent non-executive Directors of the Company are Mr. ZHENG Wenhua, Mr. LIU Yuhui and Mr. WU Tak Lung.