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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

FINANCIAL HIGHLIGHTS

Revenue	: RMB 3,293.9 million
Profit attributable to shareholders	: RMB 363.0 million
Basic earnings per share	: RMB 0.68
Proposed interim dividend per share	: RMB 0.05

RESULTS

The board of Directors (the "**Board**") of Henan Jinma Energy Company Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 together with comparative figures for the six months ended 30 June 2017.

Presented below are the Group's Condensed Consolidated Financial Statements, Management Discussion & Analysis and Corporate Governance & Other information.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
	NOTES	(Unaudited)	(Unaudited)
Revenue	3	3,293,855	2,511,075
Cost of sales		(2,716,920)	(2,103,804)
Gross profit		576,935	407,271
Other income		5,902	3,252
Other gains and losses, net		(4,646)	3,346
Selling and Distribution expenses		(20,935)	(21,529)
Administrative expenses		(35,235)	(27,022)
Finance expenses		(21,649)	(26,885)
Listing expenses		—	(4,500)
Share of results in a joint venture		8	2,054
Profit before tax		500,380	335,987
Income tax expense	4	(128,974)	(85,559)
Profit for the period		371,406	250,428
Profit for the period attributable to:			
– Owners of the Company		362,972	241,539
– Non-controlling interests		8,434	8,889
		371,406	250,428
Earnings per share (RMB)			
– Basic	6	0.68	0.60

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	371,406	250,428
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on financial instruments:		
debt instruments measured at fair value		
through other comprehensive income	(3,029)	–
Other comprehensive expense for the period (net of tax)	(3,029)	–
Total comprehensive income for the period	368,377	250,428
Total comprehensive income for the period attributable to:		
– Owners of the Company	360,204	241,539
– Non-controlling interests	8,173	8,889
	368,377	250,428

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

		As at 30 June 2018	As at 31 December 2017
		RMB'000 (Unaudited)	RMB'000 (Audited)
NOTES			
NON-CURRENT ASSETS			
Property, plant and equipment		1,182,378	1,047,432
Prepaid lease payments		99,752	101,174
Intangible assets		71,240	78,661
Goodwill		8,001	8,001
Interest in a joint venture		55,219	55,211
Interests in associates		41,383	41,383
Advance to an associate		60,940	60,940
Deferred tax assets		9,771	4,510
Deposit for acquisition of property, plant and equipment		12,110	7,738
		1,540,794	1,405,050
CURRENT ASSETS			
Inventories		181,292	156,174
Prepaid lease payments		2,843	2,843
Trade and other receivables	7	246,898	595,791
Amounts due from shareholders		3,394	299,567
Amounts due from related parties		16,225	1,187
Financial assets at fair value through profit or loss		60,000	–
Debt instruments at fair value through other comprehensive income		979,159	–
Restricted bank balances		50,000	20,010
Bank balances and cash		627,884	481,704
		2,167,695	1,557,276

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

		As at 30 June 2018	As at 31 December 2017
		RMB'000 (Unaudited)	RMB'000 (Audited)
	NOTES		
CURRENT LIABILITIES			
Borrowings	8	605,000	282,000
Trade and other payables	9	695,285	477,435
Amounts due to shareholders		–	83,861
Amounts due to related parties		68	35,188
Contract Liabilities		83,031	–
Tax payable		25,286	16,007
		<u>1,408,670</u>	<u>894,491</u>
NET CURRENT ASSETS		<u>759,025</u>	<u>662,785</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,299,819</u>	<u>2,067,835</u>
CAPITAL AND RESERVES			
Share capital		535,421	535,421
Reserves		<u>1,300,655</u>	<u>1,098,695</u>
Equity attributable to owners of the Company		<u>1,836,076</u>	<u>1,634,116</u>
Non-controlling interests		<u>86,933</u>	<u>94,210</u>
TOTAL EQUITY		<u>1,923,009</u>	<u>1,728,326</u>
NON-CURRENT LIABILITIES			
Borrowings	8	340,400	285,000
Long term payable		4,778	20,539
Deferred revenue		6,962	7,258
Deferred tax liabilities		<u>24,670</u>	<u>26,712</u>
		<u>376,810</u>	<u>339,509</u>
		<u>2,299,819</u>	<u>2,067,835</u>

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments. The impacts on the opening balances of the condensed consolidated statement of financial position arising from the application of all new and amendments to standards are described as below.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts on the opening balances of the condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening balances of the condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 (Audited)	IFRS 15	IFRS 9	1 January 2018 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets				
Deferred tax assets	4,510	—	2,775	7,285
Current Assets				
Trade and other receivables	595,791	—	(305,638)	290,153
Amounts due from shareholders	299,567	—	(299,417)	150
Amounts due from related parties	1,187	—	(170)	1,017
Debt instruments at FVTOCI	—	—	594,124	594,124
Current liabilities				
Trade and other payables	477,435	(28,100)	—	449,335
Amount due to a shareholder	83,861	(83,861)	—	—
Amounts due to related parties	35,188	(35,120)	—	68
Contract liabilities	—	147,081	—	147,081
Capital and Reserves				
Reserves	1,098,695	—	(8,326)	1,090,369

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES

For the six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION

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

The Group's operating segments under IFRS 8 "Operating Segments" are (i) sale of coke, (ii) sale of coking by-products, (iii) sale of refined chemicals, (iv) sale of energy products, mainly coal gas, (v) trading and (vi) others.

Segment revenue and results

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

	Sale of goods					
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Others
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2018						
(Unaudited)						
Segment revenue	1,896,549	6,444	703,980	124,681	556,882	5,319
Segment results	474,749	1,509	72,448	37,364	6,263	499
Other income						5,902
Other gains and losses						(4,646)
Selling and distribution expenses						(20,935)
Administrative expenses						(35,235)
Finance costs						(21,649)
Share of result in a joint venture						8
Unallocated expenses						(15,896)
Profit before tax						500,380

	Sale of goods					
	Coke	Coking by-products	Refined chemicals	Energy products	Trading	Others
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2017						
(Unaudited)						
Segment revenue	1,658,856	5,595	571,816	137,923	130,688	6,197
Segment results	317,831	1,950	46,493	45,760	3,425	752
Other income						3,252
Other gains and losses						3,346
Selling and distribution expenses						(21,529)
Administrative expenses						(27,022)
Listing expenses						(4,500)
Finance costs						(26,885)
Share of result in a joint venture						2,054
Unallocated expenses						(8,940)
Profit before tax						335,987

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies as disclosed in note 2. Segment results represent gross profit from each segment excluding sales related taxes, which is classified as unallocated expenses.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES

For the six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION (continued)

Entity-wide disclosures

Geographical information

All of the Group's revenue from external customers were generated from the PRC and non-current assets are located in the PRC during the six months ended 30 June 2018 and 2017.

Information about major customers

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Maanshan Iron & Steel Company Limited ("Maanshan Steel") (Notes i and ii)	729,762	608,853
Jiangxi PXSteel Industrial Co., Ltd ("Jiangxi PXSteel") and its subsidiaries (Notes i and ii)	582,170	560,002
Customer A (Note i)	N/A*	280,306
Customer B (Note iii)	356,563	N/A**

Notes:

(i) Revenue from sale of coke.

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

(iii) Revenue from sale of refined chemicals.

* The revenue of the customer contributed less than 10% of the total sales of the Group during the six months ended 30 June 2018.

** The revenue of the customer contributed less than 10% of the total sales of the Group during the six months ended 30 June 2017.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES

For the six months ended 30 June 2018

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
Current tax	130,018	81,039
Deferred tax	(3,518)	3,042
Underprovision in prior year	2,474	1,478
	128,974	85,559

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%.

5. DIVIDEND

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, which had been fully paid by June 2017.

On 19 March 2018, a final dividend in respect of the year ended 31 December 2017 of RMB0.20 per share and a special dividend of RMB0.08 per share, in a total amount of dividend of RMB0.28 per share and in aggregate amount of RMB149,918,000, was proposed by the Board, which had been approved by shareholders of the Company in the annual general meeting on 28 May 2018 and fully paid in June 2018.

Subsequent to the end of the current interim period, the Board has declared an interim dividend of RMB 0.05 per share, amounting to RMB26,771,000 in aggregate.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES

For the six months ended 30 June 2018

6. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	362,972	241,539
	'000	'000
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	535,421	400,000

No diluted earnings per share is presented as there was no potential ordinary share during both periods.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES

For the six months ended 30 June 2018

7. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Bills receivables	—	305,638
Trade receivables	93,155	140,262
Other receivables	24,580	55,160
Less: Allowance for doubtful debts	(6,945)	(1,797)
	17,635	53,363
Prepayments to suppliers	83,692	64,008
Prepaid other taxes and charges	52,416	32,520
	246,898	595,791

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:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within 90 days	74,715	139,014
91 - 180 days	—	536
181 - 365 days	18,440	628
Over 365 days	—	84
	93,155	140,262

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

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Before accepting any new customer, the Group's management shall be responsible for the assessment of the potential customer's credit quality and the determination of credit limits and credit approvals for customers. Credit limits attributed to customers are reviewed periodically. Included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB8,142,000 as at 30 June 2018 (As at 31 December 2017: RMB45,392,000), which are past due at the end of the reporting period. The Group does not hold any collateral over these balances.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES

For the six months ended 30 June 2018

8. BORROWINGS

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Bank borrowings:		
Secured	259,400	—
Unsecured	686,000	567,000
	<u>945,400</u>	<u>567,000</u>
Fixed -rate borrowings	945,400	490,000
Floating-rate borrowings	—	77,000
	<u>945,400</u>	<u>567,000</u>
Carrying amount repayable:		
Within one year or on demand	605,000	282,000
More than one year, but not more than two years	242,000	262,000
More than two years, but not more than five years	98,400	23,000
	<u>945,400</u>	<u>567,000</u>
Less: Amount shown under current liabilities	<u>(605,000)</u>	<u>(282,000)</u>
Amount due after one year shown under non-current liabilities	<u>340,400</u>	<u>285,000</u>

During the current interim period, the Group obtained new bank loans amounting to RMB560,900,000 (For the six months ended 30 June 2017: RMB223,000,000). The loans carry interest at fixed market rates of 4.79% to 6.75% and are repayable in instalments over a period of 5 years.

As at 30 June 2018, the Group's borrowings of RMB259,400,000 were secured by land use rights.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES

For the six months ended 30 June 2018

9. TRADE AND OTHER PAYABLES

At the end of reporting period, the Group's trade, bills and other payables are as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade payables	277,277	228,798
Bills payables	211,280	50,000
	<u>488,557</u>	<u>278,798</u>
Receipt in advance from customers	2,653	31,744
Salaries and wages payables	10,283	16,777
Other tax payables	9,220	10,967
Consideration payable for purchase of property, plant and equipment	157,309	109,038
Accruals	8,309	7,957
Listing expenses payable	—	8,083
Shipping expenses payables	76	50
Consideration payable for a business combination	11,201	6,039
Other payables	7,677	7,982
	<u>206,728</u>	<u>198,637</u>
	<u>695,285</u>	<u>477,435</u>

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

	As at 30 June 2018	As at 31 December 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within 90 days	270,078	214,882
91 - 180 days	2,728	2,762
181 - 365 days	2,502	3,906
Over 1 year	1,969	7,248
	<u>277,277</u>	<u>228,798</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

Capitalizing on the Group's years of operations in the coking chemical industry and the Group's long-term relationships with coal suppliers, the Group also engages in the trading of coal, coal mining equipments, nonferrous materials and natural gas mainly through the Group's trading company. As a continuing effort in extending the Group's vertical integration business model and expanding the Group's product portfolio along the coking chemical value chain, the Group has commenced the production of LNG in March 2018 and planned to fully launch the production and sale of LNG in the third quarter of 2018.

In the first half of 2018, the Group's revenue was mainly generated from the following major business segments:

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

The Group's revenue for the six months ended 30 June 2018 and 2017 was approximately RMB3,293.9 million and RMB2,511.1 million respectively, representing an increase of approximately 31.2%.

The Group's gross profit for the six months ended 30 June 2018 and 2017 was approximately RMB576.9 million and RMB407.3 million respectively, representing an increase of approximately 41.6%.

The Group's profit for the six months ended 30 June 2018 and 2017 was approximately RMB371.4 million and RMB250.4 million respectively, representing an increase of approximately 48.3%.

The Group's gross profit margin for the six months ended 30 June 2018 and 2017 was approximately 17.5% and 16.2% respectively. The Group's net profit margin for the corresponding period was approximately 11.3% and 10.0% 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.

MANAGEMENT DISCUSSION AND ANALYSIS

General Economic Conditions and the Demand in Downstream Industries

The Group sells all its products in the PRC. General economic conditions of the PRC affect the market prices and demands for the Group's products, as well as the prices of coal, the primary raw material for the production of the Group's coke, refined chemicals and energy products. During economic downturns, the average selling prices of the Group's products may decrease and the Group may need to adjust the Group's purchase and sale strategies to adapt to such conditions, such as reducing the Group's purchase of raw materials or engaging in more financing activities to 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, coal mining equipments nonferrous materials and natural gas increase when economic conditions recover. The market price for the Group's coke recovered substantially in 2016 and continued to increase in 2017, and such increase was maintained in the first half of 2018. The Group's results of operations, working capital position, as well as operating cash flows changed correspondingly as a result.

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

Prices of the Group's Raw Materials and Products

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the average selling price (net of VAT) of each of the Group's principal products during the first six months in 2018 and the year of 2017 according to the Group's internal records.

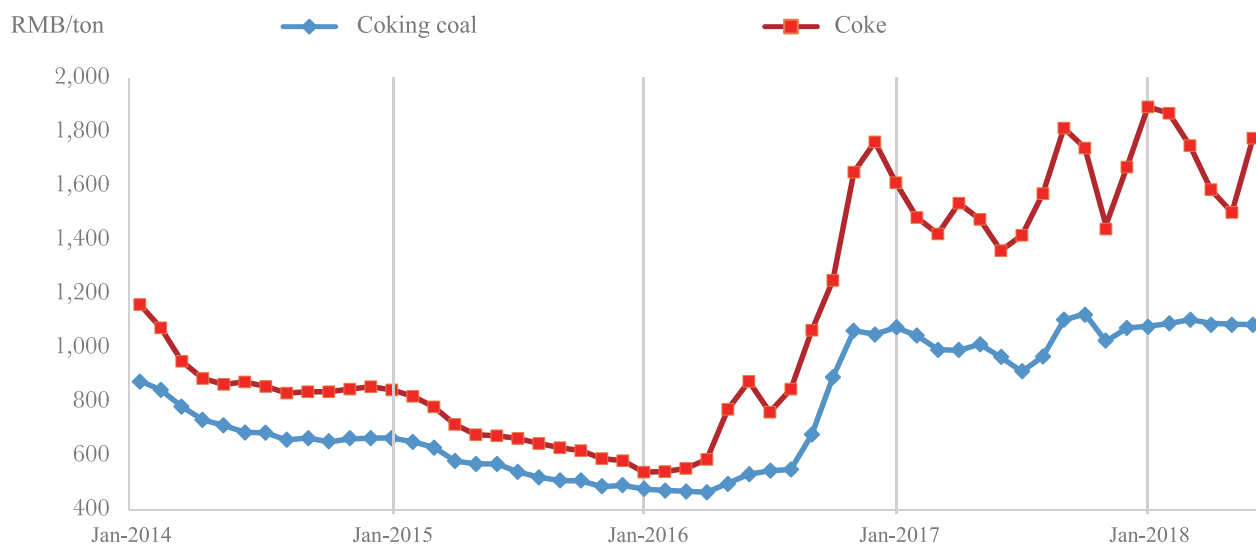
	First six months in 2018 Average selling price ⁽¹⁾ RMB/ton (except coal gas in RMB/m ³)	2017 Average selling price ⁽¹⁾ RMB/ton (except coal gas in RMB/m ³)
Coke	1,727.9	1,542.6
Coke	1,799.2	1,608.7
Coke breeze	1,094.6	930.6
Refined Chemicals		
Benzene based chemicals	5,390.5	5,324.0
Pure benzene	5,718.7	5,790.9
Toluene	4,900.7	4,552.3
Coal tar based chemicals	3,258.2	2,892.7
Coal asphalt	3,458.8	3,099.6
Anthracene oil	2,679.7	2,392.9
Industrial naphthalene	3,979.5	3,300.3
Energy Products		
Coal gas	0.70	0.65

- (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.

MANAGEMENT DISCUSSION AND ANALYSIS

Increases or decreases in the prices of coal may not immediately result in changes in the prices of the Group's products or vice versa. In a rising market for the Group's products, the Group may benefit from the widening spread between the prices of raw materials and the Group's products, while in a falling market for the Group's products, the Group may suffer from the narrowing spread. Following the second half of 2016 when the price spread between the Group's purchase of coal and sale of coke widened, the spread continued to expand in 2017 and sustained in the first half of 2018, 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 from 2014 to June 2018 according to the Group's internal records:



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

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 acquisitions. 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 Jiyuan Jinning Energy Co., Ltd ("Jinning Energy") in December 2016. The Group has commenced the production of LNG in March 2018 and plans to fully launch the production and sales in the third quarter of 2018, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Production Capacity and Sales Volume

The fluctuations of the Group's results of operations were mainly driven by the changes in the average selling price of the Group's products and the average purchase price of coal, while the sales volume of the Group's products was mainly determined by the Group's production capacity. In recent years, the Group operated at nearly full capacity and full sales. In the first half of 2018, the Group's production capacity for coke was approximately 2.1 million tons (on a moist-free basis) per annum, and the Group's processing capacity for crude benzene and coal tar was approximately 120,000 tons and 180,000 tons per annum, respectively. At the same time, the Group's production capacity for coal gas was still maintained at 1,000 million m³ per annum. For the six months ended 30 June 2018, the Group has sold approximately 1.1 million tons of coke (on a moist basis). The Group has started to operate its newly completed LNG production facilities since March 2018, and expects that such production facilities will achieve an annual production capacity of approximately 123.0 million m³ 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 as at 30 June 2018 and 31 December 2017 were approximately RMB945.4 million and RMB567.0 million, respectively. The Group's finance costs for the six months ended 30 June 2018 and the corresponding period of 2017 were approximately RMB21.6 million and RMB26.9 million, respectively, accounting for approximately 0.7% and 1.1% of the Group's total revenue for the respective periods. The increased borrowings at the end of June 2018 relative to end of the year 2017 aims to enhance liquidity and provide reserve for future development of the Company. The finance cost decreased as compared to that during the corresponding period mainly due to a comparative decrease in average borrowings level. The Group's ability to pay the interest incurred with respect to the borrowings, or repay or refinance the Group's borrowings could have an impact on the financial position and operation results of the Group.

Performance of the 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 57.6% and 66.1% of the Group's total revenue for the six months ended 30 June 2018 and 2017, respectively. The gross profit margin of the Group's coking segment was approximately 25.0% and 19.2% for the six months ended 30 June 2018 and 2017, respectively.

In terms of revenue, the refined chemicals segment was the Group's second largest business segment, contributing approximately 21.4% and 22.8% to the Group's total revenue for the six months ended 30 June 2018 and 2017, respectively. The gross profit margin of the refined chemicals segment for the six months ended 30 June 2018 and 2017 was approximately 10.3% and 8.1%, respectively.

In terms of revenue, the trading segment became the Group's third largest business segment, contributing approximately 16.9% and 5.2% to the Group's total revenue for the six months ended 30 June 2018 and 2017, respectively. The gross profit margin of the trading segment for the six months ended 30 June 2018 and 2017 was approximately 1.1% and 2.6%, respectively.

In terms of revenue, the energy products segment was the Group's fourth largest business segment, contributing approximately 3.8% and 5.5% to the Group's total revenue for the six months ended 30 June 2018 and 2017, respectively. The gross profit margin of the energy segment for the six months ended 30 June 2018 and 2017 was approximately 30.0% and 33.2%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	Six months ended 30 June			
	2018		2017	
	Segment revenue	Segment results	Segment revenue	Segment results
	RMB'000	RMB'000	RMB'000	RMB'000
Coke	1,896,549	474,749	1,658,856	317,831
Refined Chemicals	703,980	72,448	571,816	46,493
Energy Products	124,681	37,364	137,923	45,760
Trading	556,882	6,263	130,688	3,425

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 full production and sale in the third quarter of 2018, the contribution of energy segment to the Group's revenue and gross profit will grow.

RESULTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	3,293,855	2,511,075
Cost of sales	(2,716,920)	(2,103,804)
Gross profit	576,935	407,271
Other income	5,902	3,252
Other gains or losses	(4,646)	3,346
Selling and distribution expenses	(20,935)	(21,529)
Administrative expenses	(35,235)	(27,022)
Finance costs	(21,649)	(26,885)
Listing expenses	—	(4,500)
Share of result in a joint venture	8	2,054
Profit before tax	500,380	335,987
Income tax expense	(128,974)	(85,559)
Profit for the period	371,406	250,428
Profit for the period attributable to:		
– Owners of the Company	362,972	241,539
– Non-controlling interests	8,434	8,889
	371,406	250,428
Earnings per share (RMB)		
– Basic	0.68	0.60

MANAGEMENT DISCUSSION AND ANALYSIS

	<u>For the six months ended 30 June</u>	
	<u>2018</u>	<u>2017</u>
	<u>RMB'000</u>	<u>RMB'000</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Profit for the period	<u>371,406</u>	<u>250,428</u>
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on financial instruments:		
debt instruments measured at fair value		
through other comprehensive income	<u>(3,029)</u>	<u>—</u>
Other comprehensive expense for the period (net of tax)	<u>(3,029)</u>	<u>—</u>
Total comprehensive income for the period	<u>368,377</u>	<u>250,428</u>
Total comprehensive income for the period attributable to:		
– Owners of the Company	<u>360,204</u>	<u>241,539</u>
– Non-controlling interests	<u>8,173</u>	<u>8,889</u>
	<u>368,377</u>	<u>250,428</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Financial Information

- **Revenue**

The Group's revenue increased by approximately RMB782.8 million or approximately 31.2% from approximately RMB2,511.1 million in the first half of 2017 to approximately RMB3,293.9 million in the first half of 2018. The increase was primarily due to the increase in revenue as a result of the rising prices of coke, refined chemicals and energy products in the first half of 2018.

Coke: Revenue from sales of the Group's coke increased by approximately RMB237.6 million or approximately 14.3% from approximately RMB1,658.9 million in the first half of 2017 to approximately RMB1,896.5 million in the first half of 2018. Increased revenue from sales of coke during the period was primarily due to the increase in average selling price of coke by RMB187.7 or approximately 12.2% from RMB1,540.2 per ton for the first half of 2017 to RMB1,727.9 per ton for the first half of 2018 (both on a net of VAT basis), and the increase in the average selling price of coke was due to limited coke production in conforming with the environmental protection requirements in the first half of 2018, resulting in a decrease in coke supply in the market.

Refined Chemicals: The revenue from sales of the Group's refined chemicals increased by approximately RMB132.2 million or approximately 23.1% from approximately RMB571.8 million in the first half of 2017 to approximately RMB704.0 million in the first half of 2018. The increase was mainly attributable to an increase in the sales volume of benzene based chemicals by 16,600 tons or approximately 27.7% from 60,000 tons for the first half of 2017 to 76,600 tons for the first half of 2018; and an increase in the average selling price of coal tar based chemicals by RMB521.4 or approximately 19.1% from RMB2,736.8 per ton for the first half of 2017 to RMB3,258.2 per ton for the first half of 2018.

The increase in the sales volume of benzene based chemicals was mainly driven by rising market demand. The increase in the price of coal tar based chemicals was due to increasing demand and the increase in crude oil prices.

Energy Products: The revenue from sales of the Group's energy products decreased by approximately RMB13.2 million or approximately 9.6% from approximately RMB137.9 million in the first half of 2017 to approximately RMB124.7 million in the first half of 2018. Such decrease was primarily due to reduced demand in coal gas from customers because of environmental protection and factory maintenance reasons. However, there was an increase in average selling price of RMB0.07 per m³ or approximately 11.1% from RMB0.63 per m³ for the first half of 2017 to RMB0.70 per m³ for the first half of 2018.

Trading: The Group's revenue from trading increased by approximately RMB426.2 million or approximately 326.1% from approximately RMB130.7 million in the first half of 2017 to approximately RMB556.9 million in the first half of 2018. The increase was primarily due to an increase in trading volume of coal (of various types and prices) by 0.755 million tons or approximately 634.5% from 0.119 million tons in the first half of 2017 to 0.874 million tons in the first half of 2018.

- **Cost of Sales**

Cost of sales increased by approximately RMB613.1 million or approximately 29.1% from approximately RMB2,103.8 million in the first half of 2017 to approximately RMB2,716.9 million in the first half of 2018. This was mainly due to the increase in the cost of raw materials for manufacturing segments, mainly coal, crude benzene and coal tar.

The cost of coal for the Group's manufacturing segments increased from approximately RMB1,487.9 million in the first half of 2017 to approximately RMB1,560.9 million in the first half of 2018. The increase in the cost of coal for the Group's manufacturing segments was principally driven by increase in the average purchase price of coal from approximately RMB1,000.3 per ton in the first half of 2017 to approximately RMB1,080.9 per ton in the first half of 2018 due to the national supply-side reform (the policies of the government restricted the number of operation days of mines in a year to reduce the coal supply) and the recovery of iron and steel industry which increases demand.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's cost of crude benzene also increased by approximately RMB41.7 million or approximately 17.6% from approximately RMB236.3 million in the first half of 2017 to approximately RMB278.0 million in the first half of 2018, primarily due to the consumption of crude benzene during the first half of 2018 increasing by approximately 14,000 tons as compared with the corresponding period of 2017. The cost of the Group's coal tar also increased by approximately RMB31.6 million or approximately 28.9% from approximately RMB109.5 million for the first half of 2017 to approximately RMB141.1 million for the first half of 2018, which was mainly attributable to an increase of average purchase price from approximately RMB2,415.0 per ton for the first half of 2017 to approximately RMB2,939.9 per ton for the first half of 2018. The production cost of the Group's coal gas for the first half of 2018 decreased by RMB2.2 million as compared with the corresponding period of 2017, as a result of the reduced production due to decreased sale.

The cost of sales for the Group's trading segment increased by approximately RMB423.3 million or approximately 332.5% from approximately RMB127.3 million for the first half of 2017 to approximately RMB550.6 million for the first half of 2018, mainly resulting from the increase in trading volume of coal of 0.755 million tons or approximately 634.5% from 0.119 million tons for the first half of 2017 to 0.874 million tons for the first half of 2018.

The Group's direct labor cost increased by approximately RMB8.4 million or approximately 27.4% from approximately RMB30.7 million for the first half of 2017 to approximately RMB39.1 million for the first half of 2018, which was primarily because of the distribution of performance-based bonus to employees in light of the Group's improving business performance and salary increment. The Group's manufacturing overhead decreased by approximately RMB0.7 million or approximately 0.7% from approximately RMB100.4 million for the first half of 2017 to approximately RMB99.7 million for the first half of 2018.

- **Gross Profit and Gross Profit Margin**

As a result of the foregoing, the Group's gross profit increased by approximately RMB169.6 million or approximately 41.6% from approximately RMB407.3 million in the first half of 2017 to approximately RMB576.9 million in the first half of 2018. The Group's gross profit margin increased from approximately 16.2% in the first half of 2017 to approximately 17.5% in the first half of 2018.

- **Segment Revenue and Segment Profit Margin**

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

Coke: The Group's segment results for the coke segment increased by approximately RMB156.9 million or approximately 49.4% from approximately RMB317.8 million in the first half of 2017 to approximately RMB474.7 million in the first half of 2018. The Group's segment profit margin of the coke segment increased from approximately 19.2% in the first half of 2017 to approximately 25.0% in the first half of 2018 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 due to the reduction in supply induced by environmental protection and the recovery of iron and steel industry and the construction industry in the first half of 2018.

Refined Chemicals: The segment results for the refined chemicals segment increased by approximately RMB25.9 million or approximately 55.7% from approximately RMB46.5 million in the first half of 2017 to approximately RMB72.4 million in the first half of 2018. The segment profit margin for the refined chemicals segment increased from approximately 8.1% in the first half of 2017 to approximately 10.3% in the first half of 2018, primarily because environmental protection requirements led to supply reduction in refined chemicals market and the increase in crude oil price.

MANAGEMENT DISCUSSION AND ANALYSIS

Energy Products: The Group's segment results for the energy products segment decreased by approximately RMB8.4 million or approximately 18.3% from approximately RMB45.8 million in the first half of 2017 to approximately RMB37.4 million in the first half of 2018. The segment profit margin decreased from approximately 33.2% in the first half of 2017 to approximately 30.0% in the first half of 2018. The decrease in profit margin was due to an increase in cost of production and decrease in sale.

Trading: The Group's segment results for the trading segment increased by approximately RMB2.9 million or approximately 85.3% from approximately RMB3.4 million in the first half of 2017 to approximately RMB6.3 million in the first half of 2018. The segment profit margin for the trading segment decreased from approximately 2.6% in the first half of 2017 to approximately 1.1% in the first half of 2018 primarily due to the Group's strategic increase in the trading volume of various coal types by lowering segment profit margin. As a result, although the profit margin of the Group's trading segment decreased in the first half of 2018, the segment profit of the Group increased significantly during the same period.

- **Other Income**

Other income increased by approximately RMB2.6 million or approximately 78.8% from approximately RMB3.3 million in the first half 2017 to approximately RMB5.9 million in the first half of 2018. The increase was mainly due to the increase in bank deposit from RMB481.7 million as at the end of 2017 to RMB627.9 million as at the end of June 2018. Meanwhile, the daily balance of bank deposit during the first half of 2017 received a demand deposit interest rate of 0.35%, while, the daily balance of bank deposit during the first half of 2018 received an agreed deposit interest rate ranging from 1.32% to 1.95%, therefore, the bank deposit income recorded a substantial increase.

- **Other Gains or Losses**

Other gains or losses decreased by approximately RMB7.9 million or approximately 239.4 % from approximately RMB3.3 million in the first half of 2017 to losses of approximately RMB4.6 million in the first half of 2018. The decrease was mainly due to (i) Jinning Energy recognizing bad debt provision of RMB5.1 million in the first half of 2018; and (ii) recognition of a gain of RMB3.3 million as a result of the release of the obligation under financial guarantee contract in the first half of 2017.

- **Selling and Distribution Expenses**

Selling and distribution expenses decreased by approximately RMB0.6 million or approximately 2.8% from approximately RMB21.5 million in the first half 2017 to approximately RMB20.9 million in the first half of 2018. The decrease was primarily due to the transfer of transportation expenses of coke to certain customers.

- **Administrative Expenses**

Administrative expenses increased by approximately RMB8.2 million or approximately 30.4% from approximately RMB27.0 million in the first half of 2017 to approximately RMB35.2 million in the first half of 2018. The increase was primarily due to (i) the increase of employees' salaries and the remuneration paid to independent Directors and external Supervisors appointed for the first six months of 2018; (ii) the increase of legal consulting fees incurred for compliance governance in relation to listing.

- **Finance Costs**

Finance costs decreased by approximately RMB5.3 million or approximately 19.7% from approximately RMB26.9 million in the first half of 2017 to approximately RMB21.6 million in the first half of 2018. The decrease was mainly due to the decrease of average borrowing amount during the first six months of 2018 as compared to the corresponding period in 2017 and 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 RMB2.1 million or approximately 100% from approximately RMB2.1 million in the first half of 2017 to approximately RMB0.0 million in the first half of 2018. This was primarily because Jinjiang Refinery recorded a decrease of approximately RMB4.2 million in profit in the first half of 2018 compared to the corresponding period in 2017. The decrease was mainly attributable to factory maintenance and the decrease in customer demand. However, production and sales have rebounded in July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Profit Before Tax**

As a result of the foregoing, the Group's profit before tax increased by approximately RMB164.4 million or approximately 48.9% from approximately RMB336.0 million in the first half of 2017 to approximately RMB500.4 million in the first half of 2018.

- **Income Tax Expense**

Income tax expense increased by approximately RMB43.4 million or approximately 50.7% from approximately RMB85.6 million in the first half of 2017 to approximately RMB129.0 million in the first half of 2018. The significant increase was primarily due to the increase in the Group's profit during the same period.

- **Profit for the Period**

As a result of the foregoing, the Group's profit for the period increased by approximately RMB121.0 million or approximately 48.3% from approximately RMB250.4 million in the first half of 2017 to approximately RMB371.4 million in the first half of 2018. The Group's net profit margin increased from approximately 10.0% in the first half of 2017 to approximately 11.3% in the first half of 2018.

FINANCIAL POSITION

Financial Resources

In the first half of 2018, 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 in the first half of 2018.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow

The following table presents selected cash flow data from the Group's consolidated statements of cash flows for the periods indicated:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Net cash from operating activities	189,743	78,423
Net cash used in investing activities	(231,209)	(37,053)
Net cash from financing activities	188,968	5,409
Net increase in cash and cash equivalents	147,502	46,779
Cash and cash equivalents at the beginning of the year	481,704	106,740
Impact of change in exchange rate	(1,322)	—
Cash and cash equivalents at the end of the period, representing bank balances and cash	627,884	153,519

- Cash Flow from Operating Activities**

The Group's net cash from operating activities of approximately RMB189.7 million for the first half of 2018 was primarily attributable to (i) operating cash flows before movements in working capital of approximately RMB576.4 million, and (ii) the increase in trade and other payables of approximately RMB195.5 million, partially offset by (i) the increase in trade and other receivables of approximately RMB351.0 million mainly due to the increase in the sales of coke resulting from the increase in the prices of coke; (ii) the decrease in contract liabilities of approximately RMB64.1 million.

- Cash Flow from Investing Activities**

The Group's net cash used in investing activities of approximately RMB231.2 million for the first half of 2018 was primarily due to acquisition of property, plant and equipment of approximately RMB123.4 million in relation to the commencement of operation of the Group's production and environmental protection facilities, mainly including LNG production facilities, coal storage dome and coke granule coal gas facilities, the net amount of restricted bank balances of approximately RMB30.0 million and the net purchase of bank financial products of RMB58.3 million.

- Cash Flow from Financing Activities**

The Group's net cash from financing activities of approximately RMB189.0 million in the first half of 2018 was primarily due to (i) a net increase in bank and other borrowings of approximately RMB378.4 million; (ii) payment of dividend of approximately RMB150.0 million; (iii) interest expenses of approximately RMB21.0 million; and (iv) dividend paid to minority shareholders of RMB15.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

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

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)	Increase/ (decrease) RMB' 000
Bank borrowings	945,400	567,000	378,400
Secured	259,400	—	259,400
Unsecured	686,000	567,000	119,000
	945,400	567,000	378,400
Fixed-rate borrowings	945,400	490,000	455,400
Floating-rate borrowings	—	77,000	(77,000)
	945,400	567,000	378,400
Carrying amount repayable (based on scheduled payment terms)			
Within one year	605,000	282,000	323,000
More than one year, but not more than two years	242,000	262,000	(20,000)
More than two years, but not more than five years	98,400	23,000	75,400
	945,400	567,000	378,400
Less: Amount due shown under current liabilities	(605,000)	(282,000)	(323,000)
Amount due after one year shown under non-current liabilities	340,400	285,000	55,400

The Group's bank and other borrowings during 2017 and the first half of 2018 were all borrowings denominated in Renminbi.

As at 30 June 2018, the Group's secured bank borrowings of RMB259.4 million were secured by land use rights.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2017 and 30 June 2018, the Group did not have any bank and other borrowings which were guaranteed by third parties and the Group's related parties.

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

	As at 30 June 2018	As at 31 December 2017
	RMB' 000	RMB' 000
Effective interest rate:		
– Fixed-rate borrowings	4.57%-6.75%	4.57%-6.75%
– Floating-rate borrowings	N/A	4.79%-6.30%

As at 30 June 2018, the Group had obtained banking facilities in an aggregate amount of approximately RMB1,154.0 million (As at 31 December 2017: RMB1,124.0 million), of which total amount of approximately RMB208.6 million is still available for use (As at 31 December 2017: RMB465.0 million). As at such date, the Group had total outstanding bank borrowings of approximately RMB945.4 million (As at 31 December 2017: RMB567.0 million). The Group intends to refinance the Group's bank borrowings or repay the Group's bank borrowings as and when they fall due with the Group's internally generated funds (refinancing has been achieved for bank borrowings of RMB182.5 million falling due in the first half of 2018 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 30 June 2018 and up to the date of this announcement. As at 30 June 2018, 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 six months ended 30 June 2018, the Group was not subject to any material covenant on any of the Group's outstanding debt and, in the first half of 2018, the Group did not experience any difficulty in obtaining bank loans and other borrowings, or any default in payment of bank loans and other borrowings or breach of covenants. The Company's Directors believe that the Group maintains good relationships with the Group's lenders generally and they expect that, based on the current prevailing market conditions, the Group will be able to obtain replacement financing commitments when the Group's short-term bank borrowings become due.

FINANCIAL RATIOS

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

	Six months ended 30 June 2018	Year ended 31 December 2017
Gearing Ratio	0.5x	0.3x
Return on Equity (annualized ratio)	41.8%	42.3%
Return on Assets (annualized ratio)	22.3%	20.6%

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

Gearing ratio is calculated by dividing the Group's total interest-bearing bank borrowings by the Group's total equity as at the end of each period.

The Group's gearing ratio recorded an increase in the first half of 2018, which was mainly due to the Group's borrowing increased by RMB378.4 million or approximately 66.7% from RMB567.0 million as at 31 December 2017 to RMB945.4 million as at 30 June 2018, while the total equity increased by RMB194.7 million or approximately 11.3% from RMB1,728.3 million in the beginning of the year to RMB1,923.0 million as at 30 June 2018.

Return on Equity

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

The annualized return on equity in 2018 is relatively lower than last year, which was mainly due to the increase of the profit attributable to owners of the Company in the first half of 2018 as compared with the corresponding period of last year was lower than the increase of the average equity in the first half of 2018 as compared with the corresponding period of last year.

Return on Assets

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

The Group's return on assets continued to increase in the first half of 2018 was also mainly due to the increase in profit as a result of a substantial increase in revenue of the Group.

CONTRACTUAL OBLIGATIONS AND CAPITAL EXPENDITURE

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

	As at 30 June 2018	As at 31 December 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but without provision in the consolidated financial statements	76,350	139,563
The Group's share of joint venture capital commitments made jointly with other joint venturers is as follows:		
Acquisition of property, plant and equipment	44,299	18,824
Operating lease commitments due within one year	695	695

The Group's capital commitments for the six months ended 30 June 2018 primarily relate to the construction of the Group's LNG facilities and office building, the Group's implementation of environmental protection measures by the construction of coal storage dome and the construction of the new coke granule coal gas facilities. The Group expects to fund such capital commitments principally by the net proceeds of the Listing, bank loans and cash generated from the Group's operations.

Other than the transactions described in the above table, as at 30 June 2018, the Group had no other material contractual commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the first half of 2018, the Group endorsed certain bills receivables for the settlement of the Group's trade and other payables. The Directors are of the opinion that the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practices in the PRC. The Directors consider that the risk of the default in payment of the endorsed and discounted bills receivables is low because all endorsed and discounted bills receivables are issued and guaranteed by reputable PRC banks. As a result, the relevant assets and liabilities were not recognized in the Group's financial statements. The Group's maximum exposure that may result from the default of these endorsed and discounted bills receivables as at the dates indicated are as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Endorsed bills for settlement of payables	1,902,787	2,070,608
Discounted bills for raising cash	—	105,929
Outstanding endorsed and discounted bills receivables with recourse	1,902,787	2,176,537

Save as disclosed above and as at 30 June 2018, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group. The Directors confirmed that there has not been any material changes in the contingent liabilities of the Group since 30 June 2018 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 disciplined operating and financial activities. During the first half of 2018, the Group has not entered into any foreign exchange or interest rate hedging contract or forward purchase or sale contract for commodities.

Other than the HK dollar proceeds of listing (being HKD183.6 million as at 30 June 2018) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Commodity Price Risk

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

Interest Rate Risk

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

As at 30 June 2018, the Group had fixed-rate borrowings in the amount of approximately RMB945.4 million.

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

Credit Risk

In the event that the Group's counterparties fail to perform their obligations, the Group's exposure to credit risk in relation to each class of recognized financial assets as at 30 June 2018 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 reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are provided for irrecoverable amounts. In this regard, the Directors are of the view that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk in trade receivables and amounts due from Shareholders and trading amounts due from related parties, with over 56% and 61% of exposure concentrated in five largest outstanding balances as at 30 June 2018 and 31 December 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 2018, the Group restructured the Group's financing to increase the weighing of the Group's long-term borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 30 June 2018 and up to the date of this announcement.

DIVIDEND AND DIVIDEND POLICY

On 19 March 2018, the Company declared a 2017 final dividend of RMB0.20 per share and a special dividend of RMB0.08 per share with total dividend of RMB0.28 per share in the total amount of RMB149,918,000, which were fully settled in June 2018.

The Group did not have any dividend policy or 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 adopt a dividend policy on 19 March 2018 which was subsequently approved by the shareholders of the Company on 28 May 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.

On 15 August 2018, the Board recommended the payment of an interim dividend of RMB0.05 per share for the six months ended 30 June 2018. The interim dividend is subject to the approval of the shareholders of the Company at the forthcoming extraordinary general meeting of the Company. Please refer to the 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 interim dividend.

DISTRIBUTABLE RESERVES

As at 30 June 2018, the Company had distributable reserves (i.e. retained earnings) of RMB741.4 million (at 31 December 2017: RMB542.2 million).

Recently, the Company had no plan to distribute the retained earnings of the Company accumulated prior to the first half of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

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, operations of Jinning Energy in December 2016 and the establishment of Jinrui Energy to develop LNG business in June 2016. Leveraging on the Group's successful track record and experience in coking chemical industry, the Group is expanding its value chain from coal gas to the production of downstream energy products, mainly LNG. Meanwhile, on 25 November 2017, the Board approved the expansion plan of benzene based and coal tar based chemicals to expand the refined chemicals segment.

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

- **LNG Production Facilities**

The Group strategically sets LNG production as the next phase of the Group's development target 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. The facilities has commenced production in March 2018 and will fully launch the production and sale of LNG in the third quarter of 2018. The total investment of the Group's LNG production facilities, mainly including cost of construction, cost of equipment procurement and installation as well as initial working capital, is estimated to be approximately RMB342.0 million. As at the end of June 2018, the Group's investment in LNG production facilities amounted to RMB328.0 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 m³ of LNG. Assuming that the annual production capacity of the Group's LNG production facilities is fully utilized, the Group estimates that the Group's LNG production will require approximately 300.0 million m³ of coal gas per year. To secure sufficient amount of coal gas required for the production of LNG, the Group plans to build a new coke granule coal gas facility to produce coal gas by heating small coke granule generated in the Group's coking process in an oxygen environment.

The Group commenced the construction of the Group's new coke granule coal gas facilities in August 2017. As at the end of June 2018, a completion level of 22.8% has been achieved. The new coke granule coal gas facility is expected to commence operation in the fourth quarter of 2018. The total investment in the Group's new coke granule coal gas facility, mainly including cost of construction, cost of equipment procurement and installation and initial working capital, is estimated to be approximately RMB174.5 million. As at the end of June 2018, the Group's investment in the new coke granule coal gas facilities amounted to RMB39.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

- **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 m³ of LNG per year. Of these gas stations, two of them had commenced operation in the first quarter of 2018, the third station is expected to be completed in the fourth quarter of 2018 and the fourth one is pending completion. As at the end of June 2018, the Group's investment in the construction of gas stations amounted to RMB51.6 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.

Expansion Plan of Benzene Based and Coal Tar Based Chemicals

- **Benzene Based Chemicals**

The Group plans to invest RMB38.0 million to expand the crude benzene processing capacity of Jinyuan Chemicals from 120,000 tons to 200,000 tons, and the completion of construction and commencement of operation are estimated to be in the fourth quarter of 2018.

- **Coal Tar Based Chemicals**

The Group plans to invest RMB56.0 million to expand the coal tar processing capacity of Bohigh Chemical from 180,000 tons to 300,000 tons, and the completion of construction and commencement of operation are estimated to be in the fourth quarter of 2019.

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

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENT PROTECTION FACILITIES

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

- **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 has built an approximately 48,000.0 m² of wind-proof, dust-proof and sheltered coal storage dome that has a 44 meters high 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 grid 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, and had been completed in April 2018 with a total capacity of 0.15 million tons. Total investment in the construction of the coal storage dome is estimated to be approximately RMB60.0 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 waste water can be reused in the Group's production processes after treatment. The investment in this project is approximately RMB6.1 million and the water treatment facilities have been in use since March 2018.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 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.

During the six months ended 30 June 2018, the Company has complied with all the code provisions under the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules.

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 Model Code. Having made specific enquiries with the Directors, the Company hereby confirms that all the Directors and Supervisors have complied with the standards as set out in the Model Code for the trading of securities by Directors.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INFORMATION ON DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information on Directors, Supervisors and Chief Executive Officer of the Company for the six months ended 30 June 2018 and up to the date of this announcement are as follows:

Directors	Details of change
Mr. Lu Kecong	As at 26 June 2018, he resigned as a non-executive Director of the Company, the deputy chairman of the Board, the chairman of the Strategic Development Committee and the member of the Audit Committee The Board proposes to appoint Mr. Qiu Quanshan as a non-executive Director, subject to the approval by the shareholders of the Company, for a term commencing immediately after the conclusion of the forthcoming extraordinary general meeting and until the expiration of the term of the current session of the Board
Mr. Hu Xiayu	As at 26 June 2018, he was appointed as the deputy chairman of the Board of the Company, the chairman of the Strategic Development Committee and the member of the Audit Committee.
Supervisor	Details of change
Mr. Zhou Tao David	He has retired as an independent Director of 天地壹號飲料股份有限公司 (Tian Di No. 1 Beverage Inc.) since June 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2018, the interests and short positions (if any) of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name	Nature of interest	Class of securities	Number of Shares held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares of the Company (Note 2)	Approximate percentage of shareholding in the total share capital of the Company (Note 3)
Mr. Yiu Chiu Fai	Interests in controlled corporation (Note 4)	Unlisted foreign shares	162,000,000 (L)	40.50%	30.26%
	Beneficial owner	H shares	701,000 (L)	0.52%	0.13%

Notes:

1. The letter "L" denotes the person's long position in such Shares.
2. As advised by the PRC legal advisers of the Company, holders of the Unlisted Foreign Shares are treated as if they are in the same class as the holders of Domestic Shares. The percentage is based on the total number of 400,000,000 domestic shares and unlisted foreign shares in issue as the total number of domestic shares and 135,421,000 H shares in issue.
3. The calculation is based on the total number of 535,421,000 Shares in issue.
4. Mr. Yiu Chiu Fai (an executive Director) is the legal and beneficial owner of the entire issued share capital of Golden Star Chemicals (Holdings) Limited ("Golden Star"). Golden Star, in turns, holds 96.3% of the issued share capital of Jinma Coking (BVI) Limited ("Jinma Coking"), and Jinma Energy (Hong Kong) Limited ("Jinma HK") is wholly owned by Jinma Coking. Accordingly, Mr. Yiu is deemed to be interested in Jinma HK's interest in the Company by virtue of the SFO.

Save as disclosed above, as at 30 June 2018, none of the Directors, Supervisors nor the chief executive had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors or Supervisors of the Company or those entities connected with them are or were materially interested, directly or indirectly, in any significant transaction, arrangement or contract which the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries was a party.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the reporting period was the Company, its holding company or any of its subsidiaries nor fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SECURITIES

As at 30 June 2018, so far as is known to the Directors, the following parties (other than a Director, Supervisor or Chief Executive Officer) were directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Nature of Interest	Class of Securities	Number of Shares Held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares of the Company (Note 2)	Approximate percentage of shareholding in the total Share Capital of the Company (Note 3)
Jinma HK	Beneficial owner	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
Jinma Coking	Interests in controlled corporation (Note 4)	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
Golden Star	Interests in controlled corporation (Note 5)	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
Ms. Lam Yuk Wai	Interest of spouse (Note 6)	Unlisted foreign shares	162,000,000(L)	40.50%	30.26%
		H shares	701,000(L)	0.52%	0.13%
Maanshan Steel	Beneficial owner	Domestic shares	144,000,000(L)	36.00%	26.89%
Magang (Group) Holdings Co., Ltd.	Interests in controlled corporation (Note 7)	Domestic shares	144,000,000(L)	36.00%	26.89%
Jiangxi PXSteel	Beneficial owner	Domestic shares	54,000,000(L)	13.50%	10.09%
Liaoning Fangda Group Industrial Co., Ltd.	Interests in controlled corporation (Note 8)	Domestic shares	54,000,000(L)	13.50%	10.09%
Beijing Fangda International Enterprise Investment Co., Ltd.	Interests in controlled corporation (Note 9)	Domestic shares	54,000,000(L)	13.50%	10.09%
Mr. Fang Wei	Interests in controlled corporation (Note 10)	Domestic shares	54,000,000(L)	13.50%	10.09%
Jiyuan Jinma Xingye Investment Co., Ltd (濟源市金馬興業投資有限公司)	Beneficial owner	Domestic shares	40,000,000(L)	10.00%	7.47%
Mr. Wang Lijie	Interests in controlled corporation (Note 11)	Domestic shares	40,000,000(L)	10.00%	7.47%
Ms. Zheng Jing	Interest of spouse (Note 12)	Domestic shares	40,000,000(L)	10.00%	7.47%
RAYS Capital Partners Limited	Investment manager (Note 13)	H shares	19,341,000(L)	14.28%	3.61%
Ruan David Ching Chi	Interests in controlled corporation (Note 13)	H shares	19,341,000(L)	14.28%	3.61%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner (Note 13)	H shares	17,931,000(L)	13.24%	3.35%
China Risun Group (Hong Kong) Limited (中國旭陽集團(香港)有限公司)	Beneficial owner	H shares	13,000,000(L)	9.60%	2.43%
ICBC International Asset Management Limited	Investment manager	H shares	9,392,000(L)	6.94%	1.75%
Ms. Huang Suhua	Beneficial owner	H shares	9,298,000(L)	6.87%	1.74%
Citigroup Inc.	Person having a security interest in shares	H shares	8,428,000(L)	6.22%	1.57%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. The letter “L” denotes the entity/person’s long position in such Shares.
2. As advised by the PRC Legal Advisers, holders of the Unlisted Foreign Shares are treated as if they are in the same class as the holders of Domestic Shares. The percentage is based on the total number of 400,000,000 domestic shares and unlisted foreign shares in issue as the total number of domestic shares and 135,421,000 H shares in issue.
3. The percentage is based on the total number of 535,421,000 Shares in issue.
4. Jinma HK is wholly owned by Jinma Coking. Accordingly, Jinma Coking is deemed to be interested in Jinma HK’s interest in the Company by virtue of the SFO.
5. Jinma Coking is held as to 96.3% by Golden Star. Accordingly, Golden Star is deemed to be interested in Jinma Coking’s, and in turn, Jinma HK’s interest in the Company by virtue of the SFO.
6. Ms. Lam Yuk Wai is the wife of Mr. Yiu Chiu Fai, and thus, she is deemed interested in the same amount of Shares as Mr. Yiu.
7. Magang (Group) Holdings Co., Ltd., being wholly owned by the state-owned Assets Supervision and Administration People’s Government of Anhui Province, is the holding company of Maanshan Steel and holds approximately 45.53% of the shares of Maanshan Steel. Accordingly, Magang (Group) Holdings Co., Ltd. is deemed to be interested in Maanshan Steel’s interest in the Company by virtue of the SFO.
8. As per their confirmations, while Liaoning Fangda Group Industrial Co., Ltd. (“Liaoning Fangda”) is directly and indirectly interested in approximately 60.46% of Jiangxi PXSteel, Liaoning Fangda is the holding company. Accordingly, Liaoning Fangda is deemed to be interested in Jiangxi PXSteel’s interest in the Company by virtue of the SFO.
9. Beijing Fangda International Enterprise Investment Co., Ltd. (“Beijing Fangda”) is the holding company of Liaoning Fangda and holds approximately 99.2% of the shares of Liaoning Fangda. Accordingly, Beijing Fangda is deemed to be interested in Liaoning Fangda’s, and in turn, Jiangxi PXSteel’s interest in the Company by virtue of the SFO.
10. Mr. Fang Wei (方威) is the sole equity holder of Beijing Fangda. Accordingly, Mr. Fang is deemed to be interested in Beijing Fangda’s interest in the Company by virtue of the SFO.
11. Mr. Wang Lijie (王利杰) is the holder of approximately 33.44% of the equity interest of Jinma Xingye. Accordingly, Mr. Wang is deemed to be interested in Jinma Xingye’s interest in the Company by virtue of the SFO.
12. Ms. Zheng Jing (鄭菁) is the wife of Mr. Wang Lijie, and thus, she is deemed interested in the same amount of Shares as Mr. Wang.
13. Mr. Ruan David Ching Chi is the holder of approximately 95.24% shares in RAYS Capital Partners Limited and RAYS Capital Partners Limited holds 100% of the shares of Asian Equity Special Opportunities Portfolio Master Fund Limited. Accordingly, Mr. Ruan David Ching Chi is deemed to be interested in the interest owned by RAYS Capital Partners Limited and Asian Equity Special Opportunities Portfolio Master Fund Limited in the Company by virtue of the SFO.

Save as disclosed above, there was no other interest recorded in the register that was required to be kept under Section 336 of the SFO as at 30 June 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, REDEMPTION AND SALE OF SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the six months ended 30 June 2018.

PROVISION OF FINANCIAL SUBSIDIES AND GUARANTEES FOR ASSOCIATES OR SUBSIDIARIES

As at 30 June 2018, financial guarantees were provided for banking facilities of RMB30.0 million and RMB200.0 million to Jinyuan Chemicals, a wholly-owned subsidiary, and Jinrui Energy, a subsidiary of the Company, respectively.

EMPLOYEES AND REMUNERATION POLICY

Employees are the Group's important asset. As at 30 June 2018, the Group had a total of 1,466 employees, including 12 senior management, 57 mid-level management and 1,397 ordinary employees. For the six months ended 30 June 2018, the staff cost of the Group amounted to approximately RMB61.3 million as compared to approximately RMB43.3 million for the same period last year.

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

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee of the Company was set up by the Board with specific terms of reference for the purpose of reviewing the Company's financial information, overseeing the Company's financial reporting system, risk management and internal control systems. The Audit Committee comprises three Directors, including Mr. Wu Tak Lung (independent non-executive Director), Mr. Hu Xiayu (non-executive Director appointed as a member of the Audit Committee on 26 June 2018) and Mr. Liu Yuhui (independent non-executive Director), and is chaired by Mr. Wu Tak Lung.

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

PUBLICATION OF THE INTERIM REPORT

The Company's interim report for the six months ended 30 June 2018 will be sent to the shareholders of the Company and will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.hnjmny.com) in due course.

The Company makes every effort to ensure consistency between the Chinese and English versions of the Company communication. In the event of any inconsistency, however, the English version shall prevail.

APPRECIATION

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.

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

Hong Kong, 15 August 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. 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.