河南金馬能源股份有限公司

HENAN JINMA ENERGY COMPANY LIMITED

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

Stock Code: 6885

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

Revenue	: RMB7,451.8 million
Profit attributable to shareholders	: RMB832.4 million
Basic earnings per share	: RMB1.55
Proposed final dividend per share	: RMB0.35

RESULTS

The board of Directors (the "**Board**") of Henan Jinma Energy Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 together with comparative figures for the year ended 31 December 2017.

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	For the year ended 31 December	
		2018	2017
		RMB'000	RMB'000
Revenue	2	**7,451,793**	5,137,652
Cost of sales		**(6,090,402)**	(4,232,808)
Gross profit		**1,361,391**	904,844
Other income		**8,883**	6,885
Other gains and losses		**(898)**	(8,964)
Impairment losses, net of reversal		**(12,513)**	—
Selling and distribution expenses		**(83,008)**	(35,111)
Administrative expenses		**(93,465)**	(65,419)
Finance costs		**(48,300)**	(50,799)
Listing expenses		**—**	(15,930)
Share of result in a joint venture		**4,614**	3,418
Share of result in an associate		**(192)**	(77)
Profit before tax		**1,136,512**	738,847
Income tax expense	3	**(284,280)**	(191,011)
Profit for the year		**852,232**	547,836
Other comprehensive expense		**(1,884)**	—
Total comprehensive income for the year		**850,348**	547,836
Profit for the year attributable to:			
– Owners of the Company		**832,408**	532,330
– Non-controlling interests		**19,824**	15,506
Total comprehensive income for the year attributable to:			
– Owners of the Company		**830,524**	532,330
– Non-controlling interests		**19,824**	15,506
Earnings per share (RMB)			
– Basic	5	**1.55**	1.24

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018	2017
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,314,508	1,047,432
Prepaid lease payments		114,050	101,174
Intangible assets		63,820	78,661
Goodwill		8,001	8,001
Interest in a joint venture		54,925	55,211
Interests in an associate		41,191	41,383
Advance to an associate		60,940	60,940
Deferred tax assets		15,481	4,510
Deposit for acquisition of property, plant and equipment		10,400	7,738
		1,683,316	1,405,050
CURRENT ASSETS			
Inventories		281,752	156,174
Prepaid lease payments		2,936	2,843
Trade and other receivables	6	237,925	595,791
Amounts due from shareholders		196	299,567
Amounts due from related parties		40,762	1,187
Financial assets measured at fair value through profit or loss ("**FVTPL**")		70,000	—
Debt instruments at fair value through other comprehensive income ("**FVTOCI**")		1,083,797	—
Restricted bank balances		90,921	20,010
Bank balances and cash		583,157	481,704
		2,391,446	1,557,276

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018	2017
		RMB'000	RMB'000
CURRENT LIABILITIES			
Borrowings		596,600	282,000
Trade and other payables	7	660,804	477,435
Amount due to a shareholder		—	83,861
Amounts due to related parties		409	35,188
Contract liabilities		87,967	—
Tax payable		75,237	16,007
		1,421,017	894,491
NET CURRENT ASSETS		970,429	662,785
TOTAL ASSETS LESS CURRENT LIABILITIES		2,653,745	2,067,835
CAPITAL AND RESERVES			
Share capital		535,421	535,421
Reserves		1,744,204	1,098,695
Equity attributable to owners of the Company		2,279,625	1,634,116
Non-controlling interests		97,834	94,210
TOTAL EQUITY		2,377,459	1,728,326
NON-CURRENT LIABILITIES			
Borrowings		237,020	285,000
Long term payable		9,970	20,539
Deferred revenue		6,666	7,258
Deferred tax liabilities		22,630	26,712
		276,286	339,509
		2,653,745	2,067,835

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

1.1 BASIS OF PREPARATION

The consolidated financial statments have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") 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 (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

1.2 PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period.

Other than changes in accounting policies resulting from application of new and amendments to IFRSs, the accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 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 year, 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 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 consolidated statement of financial position arising from the application of all new and amendments to standards are described as below.

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

1.2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts on the opening balances of the 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 consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	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**

2. REVENUE AND SEGMENT INFORMATION

Information reported to the directors of the Company (the "**Directors**"), being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the Group's revenue and profit for the year.

The Group's operating segments under IFRS 8 "Operating Segments" are (i) sales of coke, (ii) sale of coking by-products, (iii) sales of refined chemicals, (iv) sales of energy products, mainly coal gas and LNG, (v) trading of coal, mining equipment and nonferrous materials, and (vi) other services including but not limited to provision of water, catering and fire prevention and management services.

Segment revenue and results

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

	Sales of goods						
	Coke RMB'000	Coking by-products RMB'000	Refined chemicals RMB'000	Energy products RMB'000	Trading RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2018							
Segment revenue	4,083,200	13,521	1,413,992	360,196	1,568,000	12,884	7,451,793
Segment results	1,137,132	3,345	120,411	93,789	25,657	1,044	1,381,378
Other income							8,883
Other gains and losses							(898)
Impairment losses, net of reversal							(12,513)
Selling and distribution expenses							(83,008)
Administrative expenses							(93,465)
Finance costs							(48,300)
Share of result in a joint venture							4,614
Share of result in an associate							(192)
Unallocated expenses							(19,987)
Profit before tax							1,136,512

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

	Sales of goods						
	Coke	Coking by-products	Refined chemicals	Energy products	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2018							
Amounts included in measure of segment results:							
Depreciation and amortization	**35,007**	**1,191**	**27,782**	**26,784**	**8,146**	**6,784**	**105,694**
Release of prepaid lease payments	—	—	—	—	—	**2,960**	**2,960**

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

Entity-wide disclosures

Geographical information

All of the Group's revenue from external customers were generated from the PRC and non-current assets are located in the PRC during the year ended 31 December 2018 and 2017.

Information about major customers

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

	2018	2017
	RMB'000	RMB'000
Maanshan Steel (Notes i and ii)	**1,030,544**	1,170,348
Jiangxi PXSteel and its subsidiaries (Notes i and ii)	**1,420,413**	897,488
Customer A (Note i)	**N/A***	607,228

Notes:

(i) Revenue from sale of coke.

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

* The revenue of the Customer A contributed less than 10% of the total sales of the Group during the year ended 31 December 2018.

3. INCOME TAX EXPENSE

	2018	2017
	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT")		
Current tax	293,550	190,131
Underprovision in prior year	2,380	962
Deferred tax	(11,650)	(82)
	284,280	191,011

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

4. DIVIDENDS

On 19 March 2018, a final dividend in respect of the year ended 31 December 2017 of RMB0.20 (2017: nil) per share and a special dividend of RMB0.08 per share (2017: RMB0.25), in a total amount of dividend of RMB0.28 per share (2017:RMB0.25) and in an aggregate amount of RMB149,918,000 (2017: RMB100,000,000) was declared by the Company. Such dividend had been fully settled by June 2018 (2017: June).

On 10 October 2018, an interim dividend in respect of the six months period ended 30 June 2018 of RMB0.05 per share and in an aggregate amount of RMB26,771,000 was declared by the Company. Such dividend had been fully settled by November 2018.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of RMB0.35 (2017:RMB0.20) per share and in an aggregate amount of RMB187,397,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

5. EARNINGS PER SHARE

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

	2018	2017
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	832,408	532,330
	'000	'000
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	535,421	430,674

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

No diluted earnings per share is presented as for the years ended 31 December 2018 and 2017 because there was not potential ordinary share during both years.

6. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	RMB'000
Bills receivables	—	305,638
Trade receivables from sales of goods	88,446	140,262
Less: Allowance for credit losses	(10,422)	—
	78,024	140,262
Other receivables	23,017	55,160
Less: Allowance for credit losses	(3,888)	(1,797)
	19,129	53,363
Prepayments to suppliers	82,537	64,008
Prepaid other taxes and charges	53,335	32,520
Dividend receivables from joint venture company	4,900	—
	237,925	595,791

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

	2018	2017
	RMB'000	RMB'000
Within 90 days	67,245	139,014
91 - 180 days	5,992	536
181 - 365 days	665	628
Over 365 days	4,122	84
	78,024	140,262

As at 31 December 2018, total bills received amounting to RMB1,083,797,000 (31 December 2017: RMB305,638,000) are held by the Group for future settlement of trade receivables. The Group recognises their carrying amounts at the end of the reporting period and are measured at FVTOCI since the year 2018. All bills received by the Group are with a maturity period of not more than six months.

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Before accepting any new customer, the Group's management shall be responsible for assessment of the potential customer's credit quality and determination of credit limits and credit approvals for customers. Credit limits attributed to customers are reviewed periodically.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB32,997,000 which are past due as at the reporting date. Out of the past due balances, RMB665,000 has been past due 90 days or more but is not considered as in default. The Group does not hold any collateral over these balances.

6. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2017, included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB45,392,000, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. Based on the historical experience of the Group, trade receivables that are past due but not impaired are generally recoverable. The Group does not hold any collateral over these balances.

The following is an aging of trade receivables, which are past due but not impaired:

	2017
	RMB'000
Overdue by:	
Within 90 days	44,763
91 - 180 days	162
181 - 365 days	467
	45,392

Movements in the allowance for credit losses for other receivables are as follows:

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

7. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	RMB'000
Trade payables	288,633	228,798
Bills payables	148,953	50,000
	437,586	278,798
Receipt in advance from customers	—	31,744
Salaries and wages payables	18,472	16,777
Other tax payables	5,246	10,967
Consideration payable for purchase of property, plant and equipment	182,058	109,038
Accruals	7,339	7,957
Listing expenses payable	—	8,083
Shipping expenses payables	—	50
Consideration payable for a business combination	2,437	6,039
Other payables	7,666	7,982
	223,218	198,637
	660,804	477,435

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

	2018	2017
	RMB'000	RMB'000
Within 90 days	273,788	214,882
91 - 180 days	6,226	2,762
181 - 365 days	3,432	3,906
Over 1 year	5,187	7,248
	288,633	228,798

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

I am pleased to present the annual results of Jinma Energy Group for 2018, the second year after the listing of the Group.

The year 2018 was both a turbulent and fruitful year. Economic performance was uncertain due to the China-US trade dispute and the instability in international politics. However, with the State's stabilization policy, the demand from customers for the Group's products remained stable. Meanwhile, the stringent enforcement of environment protection policies by the government helped maintain the prices of products of the Group at a relatively high level on average. With the favorable influence from both supply and demand factors, the profit of the Group achieved a record high reaching RMB852.2 million, representing a growth of 55.6% over 2017.

Overall, the Group achieved a number of major developments in 2018 which are summarized as follows:

- Under the leadership of our senior management and the joint efforts of all our employees, the major businesses of each company of the Group maintained the results of full production and full sales.

  Revenue recorded RMB7,451.8 million, representing a growth of 45.0% over 2017, of which, the sales of energy products increased by 52.4% to RMB360.2 million and the revenue of trading business increased significantly by 487.5% to RMB1,568.0 million.

  Gross profit margin increased to 18.3% from 17.6% in 2017.

  Earnings per share increased by RMB0.31 to RMB1.55 from RMB1.24 in 2017.

  Return on equity increased to 42.5% from 42.3% in 2017.

- In respect of business operations, the production and construction team of the Company maintained its consistently strong execution capability.

The LNG production facilities with a total investment of RMB342.0 million began operation in March of the year as scheduled after construction for over a year, and commenced overall production and sale in the third quarter. The coke granule coal gas facilities, at a total investment of RMB174.5 million, aimed to provide coal gas to enable the LNG facility to reach full production capacity, was approximately 80% completed by the end of 2018. Therefore, it is estimated that the LNG production facilities can operate at 100% capacity in mid 2019, producing approximately 123 million m^3 of LNG for sale.

In respect of environmental protection facilities, the coke oven coal gas desulfurization and denitrification modification project with a total investment of RMB48.6 million, which began construction in 2018, was close to completion at the end of the year. It is now in use and facilitates the coke production of the Group in reaching the ultra-low emission standard, effectively reducing the payment of environmental resources tax newly imposed in 2018.

The real-time production control center, which began construction by end of 2017, commenced operation in 2018 and was recognized as the "2018 Smart Factory in Henan Province" by the Commission of Industry and Information Technology of Henan Province in October of the same year. This center illustrates the ease and efficiency of smart production control and energy management, and enhances the integrated resources utilization rate for the achiement of value maximization of resources and optimization of environmental benefit.

CHAIRMAN'S STATEMENT

Looking ahead, the continuous infrastructure construction in China will lead to a steady demand for coke in the steel industry. The Group will actively expand its vertical integrated business in the coking chemical value chain of the coal chemical industry. In January 2019, the Company issued an announcement to inform that it will establish a joint venture company by contributing approximately RMB1,145 million and the Company will hold 51% interest in the equity of the joint venture. Its business includes a focus on projects and opportunities in the coking chemical value chain. Subject to the approval of the shareholders of the Company at the extraordinary general meeting on 1 April this year, the Company will complete the registration of the joint venture company in Shenzhen and start to seek investment opportunities.

In view of our satisfactory results, I am pleased to announce that the Board of Jinma Energy recommended the payment of a final dividend of RMB0.35 per share to the shareholders of the Company according to the dividend policy formulated by the Company. Together with the interim dividend distributed, the dividend for the whole year amounts to RMB0.40 in 2018.

In summary, our Group will build on the Board's visionary leadership, management's strong execution capability, stringent corporate governance and abundant financial resources, and together with the support of shareholders and partners, to bring a long-term and stable development for the Group.

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

Yiu Chiu Fai
Chairman

18 March 2019

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 commenced operation of its LNG production facilities in the first quarter of 2018 and fully launched the production and sale in the third quarter.

In 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 , extraction of LNG from coal gas and sale of coal gas and LNG; and
- **Trading:** which mainly involves the trading of coal and nonferrous materials.

The Group's revenue for the year ended 31 December 2018 and 2017 was approximately RMB7,451.8 million and RMB5,137.7 million respectively, representing an increase of approximately 45.0% (2017: 55.8%).

The Group's gross profit for the year ended 31 December 2018 and 2017 was approximately RMB1,361.4 million and RMB904.8 million respectively, representing an increase of approximately 50.5% (2017: 107.9%).

The Group's profit for the year ended 31 December 2018 and 2017 was approximately RMB852.2 million and RMB547.8 million respectively, representing an increase of approximately 55.6% (2017: 105.3%).

The Group's gross profit margin for the year ended 31 December 2018 and 2017 was approximately 18.3% and 17.6% respectively. The Group's net profit margin for the corresponding period was approximately 11.4% and 10.7% respectively.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE GROUP

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

General Economic Conditions and the Demand in Downstream Industries

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

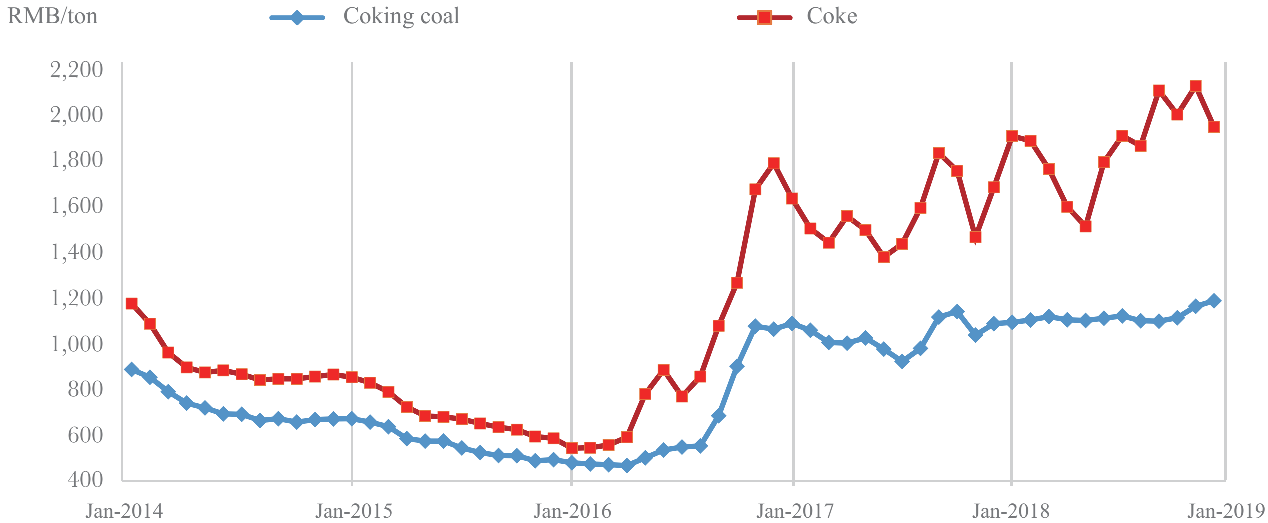
The following table sets forth the average selling price (net of VAT) of each of the Group's principal products during 2018 and 2017 according to the Group's internal records.

	Year ended 31 December	
	2018 Average selling price[(1)]	2017 Average selling price[(1)]
	RMB/ton (except coal gas in RMB/m³)	RMB/ton (except coal gas in RMB/m³)
Coke	**1,842.1**	1,542.6
Coke	**1,937.1**	1,608.7
Coke breeze	**1,062.0**	930.6
Refined Chemicals		
Benzene based chemicals	**5,400.0**	5,324.0
Pure benzene	**5,667.9**	5,790.9
Toluene	**5,102.8**	4,552.3
Coal tar based chemicals	**3,389.0**	2,892.7
Coal asphalt	**3,458.9**	3,099.6
Anthracene oil	**2,916.3**	2,392.9
Industrial naphthalene	**4,300.7**	3,300.3
Energy Products		
Coal gas	**0.69**	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 fixed-price purchase contracts with the Group's suppliers. The Group purchases coal based on the Group's production schedule. The purchase price is agreed between the Group and the suppliers based on arm's-length negotiation with reference to prevailing market prices at the time the Group places the orders. The supply of coal is also another factor affecting the results of the Group's operations. Tightened environmental protection regulations or an increase in industry consolidation driven by the government in the coal industry could reduce the supply or increase the price of coal. A fluctuation in coal supply may push the price of coal, which in turn will increase the costs of operating the Group's business.

Increases or decreases in the prices of coal may not immediately result in changes in the prices of the Group's products or vice versa. In a rising market for the Group's products, the Group may benefit from the widening spread between the prices of raw materials and the Group's products. While in a falling market for the Group's products, the Group may suffer from the narrowing spread. Following the second half of 2016 when the price spread between the Group's purchase of coal and sale of coke widened, the spread continued to expand in 2017 and sustained in 2018, thus significantly benefiting the Group's profitability. The following chart shows the average purchase price of coking coal and the average selling price of coke (net of VAT) from 2014 to 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.

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 production capacity and full sales. In the year 2018, the capacity Group's production capacity for coke was approximately 2.1 million tons (on a moist-free basis) per annum, and the Group's processing capacity for crude benzene and coal tar was approximately 120,000 tons and 180,000 tons per annum, respectively. At the same time, the Group's production capacity for coal gas was approximately 1,000 million m^3 per annum, for self use, sales and production of natural gas. For the year 2018 and 2017, the Group has sold approximately 2.2 million tons of coke (on a moist basis) each year. The Group commenced operation of its LNG production facilities in the first quarter of 2018, fully launched the production and sale in the third quarter, and expects that such production facilities can achieve an annual production capacity of approximately 123.0 million m^3 of LNG.

Access to and Cost of Financing

In addition to cash generated from the Group's operations, the Group financed the Group's operations and capital expenditures primarily through bank and financial institution borrowings during the period. The Group's interest-bearing borrowings for the year ended 31 December 2018 and 2017 were approximately RMB833.6 million and RMB567.0 million, respectively. The Group's finance costs for the year ended 31 December 2018 and 2017 were approximately RMB48.3 million and RMB50.8 million, respectively, accounting for approximately 0.6% and 1.0% of the Group's total revenue for the respective periods. The increased borrowings at the end of 2018 relative to end of 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 the significant decrease in finance leasing and discounted bills interests, while these are no handling fee incurred in 2018 resulting from the earthly repayment of the finance lease borrowing in 2017. The Group's ability to pay the interest incurred with respect to the borrowings, or repay or refinance the Group's borrowings could have an impact on the financial position and operation results of the Group.

RESULTS OF OPERATIONS

Consolidated Statements of Profit or Loss and Other Comprehensive Income

Below is the 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.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	**7,451,793**	5,137,652
Cost of sales	**(6,090,402)**	(4,232,808)
Gross profit	**1,361,391**	904,844
Other income	**8,883**	6,885
Other gains and losses	**(898)**	(8,964)
Impairment loss, net of allowance	**(12,513)**	–
Selling and distribution expenses	**(83,008)**	(35,111)
Administrative expenses	**(93,465)**	(65,419)
Finance costs	**(48,300)**	(50,799)
Listing expenses	**–**	(15,930)
Share of result in a joint venture	**4,614**	3,418
Share of result in an associate	**(192)**	(77)
Profit before tax	**1,136,512**	738,847
Income tax expense	**(284,280)**	(191,011)
Profit for the year	**852,232**	547,836
Other comprehensive expense	**(1,884)**	–
Total comprehensive income	**850,348**	547,836
Profit for the year attributable to:		
– Owners of the Company	**832,408**	532,330
– Non-controlling interests	**19,824**	15,506
	852,232	547,836
Total comprehensive income attributable to:		
– Owners of the Company	**830,524**	532,330
– Non-controlling interests	**19,824**	15,506
Earnings per share (RMB)		
– Basic	**1.55**	1.24

Consolidated Financial Information

- **Revenue and gross profit margin**

  The Group's revenue increased by approximately RMB2,314.1 million or approximately 45.0% from approximately RMB5,137.7 million in 2017 to approximately RMB7,451.8 million in 2018. The increase was primarily due to the increase in revenue as a result of the rising prices and trading volume of coke, refined chemicals and energy products in 2018.

- **Cost of Sales**

  Cost of sales increased by approximately RMB1,857.6 million or approximately 43.9% from approximately RMB4,232.8 million in 2017 to approximately RMB6,090.4 million in 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 Group's direct labor cost increased from approximately RMB70.9 million in 2017 to approximately RMB86.7 million in 2018, which was primarily because of the increase in total staff number of the Group as well as the increase in distribution of performance-based bonus to employees in light of the Group's improving business performance and salary increment. The Group's manufacturing overhead increased from approximately RMB203.1 million in 2017 to approximately RMB239.5 million in 2018.

  The Group's gross profit increased by approximately RMB456.6 million or approximately 50.5% from approximately RMB904.8 million in 2017 to approximately RMB1,361.4 million in 2018. The Group's gross profit margin increased from approximately 17.6% in 2017 to approximately 18.3% in 2018.

- **Other Income**

  Other income increased by approximately RMB2.0 million or approximately 29.0% from approximately RMB6.9 million in 2017 to approximately RMB8.9 million in 2018. The increase was mainly due to the increase in the average balance of bank deposits in 2018. Meanwhile, the daily balance of bank deposit during 2017 received a demand deposit interest rate of 0.35%, while, the daily balance of bank deposit during 2018 received an agreed deposit interest rate ranging from 0.35% to 3.1%, therefore, the bank deposit income recorded a substantial increase.

- **Other gains and Losses**

  Other gains and losses decreased by approximately RMB8.1 million or approximately 90.0% from approximately RMB9.0 million in 2017 to approximately RMB0.9 million in 2018. The decrease was mainly due to the increase in investment revenue of financial assets of RMB6.3 million.

- **Impairment Losses, net of allowance**

  Impairment losses, net of allowance mainly represented the provision of expected credit loss of receivables as required by the accounting standard IFRS 9 which came into effect during the year ended 31 December 2018.

- **Selling and Distribution Expenses**

  Selling and distribution expenses increased by approximately RMB47.9 million or approximately 136.5% from approximately RMB35.1 million in 2017 to approximately RMB83.0 million in 2018. The increase was primarily due to transportation expenses of certain coke sale were transferred to the Group and which also reflected in increase in selling price.

- **Administrative Expenses**

  Administrative expenses increased by approximately RMB28.1 million or approximately 43.0% from approximately RMB65.4 million in 2017 to approximately RMB93.5 million in 2018. The increase was primarily due to (i) the increase of employees' salaries and the remuneration paid to independent Directors and external Supervisors appointed in 2018; (ii) the Environment and Resource tax newly implemented in 2018.

- **Finance Costs**

  Finance costs decreased by approximately RMB2.5 million or approximately 4.9% from approximately RMB50.8 million in 2017 to approximately RMB48.3 million in 2018. The decrease was mainly due to the decrease in finance lease and discounted bills during 2018 as compared to 2017, and no handling fee was incurred in 2018 resulting from the early repayment of the finance lease borrowings in 2017.

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

  Share of result in a joint venture increased by approximately RMB1.2 million or approximately 35.3% from approximately RMB3.4 million in 2017 to approximately RMB4.6 million in 2018. The increase was mainly attributable to the factory maintenance of such joint venture commenced in 2017 and has completed in mid-2018, and its production and sales have rebounded.

- **Profit Before Tax**

  As a result of the foregoing, the Group's profit before tax increased by approximately RMB397.7million or approximately 53.8% from approximately RMB738.8 million in 2017 to approximately RMB1,136.5 million in 2018.

- **Income Tax Expense**

  Income tax expense increased by approximately RMB93.3 million or approximately 48.8% from approximately RMB191.0 million in 2017 to approximately RMB284.3 million in 2018. The significant increase was primarily due to the increase in the Group's profit for the period.

- **Other Comprehensive expense**

  Other comprehensive expense mainly reflects the changes on bill receivables measured at fair value.

- **Total Comprehensive Income**

  As a result of the foregoing, the Group's total comprehensive income increased by approximately RMB302.5 million or approximately 55.2% from approximately RMB547.8 million in 2017 to approximately RMB850.3 million in 2018. The Group's net profit margin increased from approximately 10.7% in 2017 to approximately 11.4% in 2018.

Business Segment Result

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

	Year ended 31 December					
	Segment revenue		Segment gross profit		Segment gross profit margin	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000		
Coke	**4,083,200**	3,401,916	**1,137,132**	752,239	**27.85%**	22.11%
Refined Chemicals	**1,413,992**	1,190,555	**120,411**	80,777	**8.52%**	6.78%
Trading	**1,568,000**	266,911	**25,657**	6,703	**1.64%**	2.51%
Energy Products	**360,196**	236,374	**93,789**	74,989	**26.04%**	31.72%

The coking segment has been the Group's largest business segment during the period, which contributed to approximately 54.8% and 66.2% of the Group's total revenue for the years ended 31 December 2018 and 2017, respectively. Revenue from sales of coke increased by approximately RMB681.3 million or approximately 20.0% from approximately RMB3,401.9 million in 2017 to approximately RMB4,083.2 million in 2018. The increase in revenue from sales of coke during the period was mainly because the average selling price of coke was driven by environmental protection requirement in 2018 which resulted in limited coke production and reduced coke supply. The average price increased by 20.4% from approximately RMB1,608.7 per ton in 2017 to RMB1,937.1 per ton in 2018 (both on an after VAT basis). The increased cost of coal for the Group's manufacturing segments was principally driven by increased average purchase price of coal from approximately RMB1,013.9 per ton in 2017 to approximately RMB1,096.8 per ton in 2018 due to the state's supply-side reform (the policies of the government restricted the number of operation days of mines in a year to reduce coal supply) and the increased demand of iron and steel industry. Results of the coking segment increased by approximately RMB384.9 million or approximately 51.2% from approximately RMB752.2 million in 2017 to approximately RMB 1,137.1 million in 2018. The gross profit margin of the Group's coking segment increased from approximately 22.1% in 2017 to approximately 27.8% in 2018.

The refined chemicals segment is the Group's second largest business segment, contributing approximately 19.0% and 23.2% of the Group's total revenue for the years ended 31 December 2018 and 2017, respectively. Revenue from sales of refined chemicals increased by approximately RMB223.4 million or approximately 18.8% from approximately RMB1,190.6 million in 2017 to approximately RMB1,414.0 million in 2018. The increase is also due to increased average selling price of phenyl chemicals by approximately 1.4% from approximately RMB5,324.0 per ton in 2017 to approximately RMB5,400 per ton in 2018; and increased average price of coal tar based chemicals by RMB496.3 approximately 17.2% from RMB2,892.7 per ton in 2017 to RMB3,389.0 per ton in 2018. The increase in their selling prices were mainly driven by a decrease in market supplies resulting from the environmental protection requirement on production limitation. The selling price of coal tar-based chemicals was increased driven by strong market damand and the increase in crude oil prices. The segment's gross profit margin increased from approximately 6.8% in 2017 to approximately 8.5% in 2018. This is due to the increase in selling price greater than the increase in cost of the refined chemicals, the segment's results increased by approximately RMB39.6 million or approximately 49.0% from approximately RMB80.8 million in 2017 to approximately RMB120.4 million in 2018.

The trade segment became the Group's third largest business segment, contributing approximately 21.0% and 5.2% of the Group's total revenue for the years ended 31 December 2018 and 2017, respectively. The Group's trade revenue increased by approximately RMB1,301.1 million or approximately 487.5% from approximately RMB266.9 million in 2017 to approximately RMB1,568.0 million in 2018. The increase is mainly due to increased trade volume of coal types at different prices by approximately 1.8 million tons or approximately 450% from 0.4 million tons in 2017 to 2.2 million tons in 2018; and expansion of non-ferrous metal materials trade in the second half of 2018. Results of the Group's trade segment increased by approximately RMB19.0 million or approximately 283.6% from approximately RMB6.7 million in 2017 to approximately RMB25.7 million in 2018. Gross profit margin of the segment decreased from approximately 2.5% in 2017 to approximately 1.6% in 2018, mainly due to the Group's business strategy of increasing the trade volume of coal types by reducing gross profit margin. Therefore, although the gross profit margin of the Group's trading segment decreased in 2018, the gross profit of the Group increased significantly during the same period.

The energy products segment is the Group's fourth largest business segment, contributing approximately 4.8% and 4.6% of the Group's total revenue for the years ended 31 December 2018 and 2017, respectively. Revenue from sales of energy products increased by approximately RMB 123.8 million or approximately 52.4% from approximately RMB 236.4 million in 2017 to approximately RMB360.2 million in 2018. The increase is mainly due to production and sales of LNG went into full throttle in the third quarter of 2018. Results of the Group's energy products segment increased approximately RMB18.8 million or approximately 25.1% from approximately RMB75.0 million in 2017 to approximately RMB93.8 million in 2018. The gross profit margin of this segment decreased from approximately 31.7% in 2017 to approximately 26.0% in 2018, mainly attributable to the increase in average purchase price of coal, the raw material, is relatively higher than the average selling price of coal gas during the same period.

FINANCIAL POSITION

Financial Resources

In 2018, the Group's major financial resources were funded by the proceeds from the sales of the Group's products, shareholders' equity and borrowings from bank and financial institutions. The Directors have confirmed that the Group did not experience any liquidity problems in 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.

Cash Flow

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

	Year ended 31 December	
	2018	2017
	RMB' 000	RMB' 000
Net cash from operating activities	**530,046**	482,731
Net cash used in investing activities	**(452,156)**	(132,608)
Net cash from financing activities	**23,046**	27,286
Net increase in cash and cash equivalents	**100,936**	377,409
Cash and cash equivalents at the beginning of the year	**481,704**	106,740
Impact of change in exchange rate	**517**	(2,445)
Cash and cash equivalents at the end of the year, representing bank balances and cash	**583,157**	481,704

- **Cash Flow from Operating Activities**

  The Group's net cash from operating activities of approximately RMB530.0 million for 2018 was primarily attributable to (i) the Group's operating cash flows before movements in working capital of approximately RMB1,302.4 million; (ii) increase in trade and other receivables of approximately RMB447.6 million mainly due to an increase of bills receivable during the year; (iii) increase in the sales of coke resulting from the increase in the prices of coke, leading to an increase in inventories of approximately RMB134.6 million; (iv) decrease in contract liabilities of approximately RMB59.1 million; and (v) increase in amounts due from related parties of approximately RMB39.7 million, mainly resulting from the increase in sales to Jiangxi PXSteel Group; (vi) yet the net cash inflow from operating activities are partially offset by the increase in trade and other payables of approximately RMB145.1 million.

- **Cash Flow from Investing Activities**

  The Group's net cash used in investing activities of approximately RMB452.2 million for 2018 was primarily due to (i) acquisition of property, plant and equipment or payment of deposit for production and environmental protection facilities of approximately RMB282.2 million (mainly in relation to facilities such as coke granule coal gas, gas stations, benzene based chemicals and desulfurization and denitrification); (ii) net deposit of approximately RMB70.9 million from restricted bank balances; (iii) net investment of approximately RMB63.7 million from financial assets at fair value through profit or loss; and (iv) payment of approximately RMB14.8 million in relation to acquisition of Jiyuan Jinning Energy Co., Ltd. in 2016.

- **Cash Flow from Financing Activities**

  The Group's net cash from financing activities of approximately RMB23.0 million in 2018 was primarily due to a net increase in bank and other borrowings of approximately RMB266.6 million; yet partially offset by payment of dividends of approximately RMB192.9 million and interest expenses of approximately RMB47.7 million.

Liabilities

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

	As at 31 December		
	2018	2017	Increase/ (decrease)
	RMB'000	RMB'000	RMB'000
Bank borrowings	**833,620**	567,000	266,620
	833,620	567,000	266,620
Secured	**229,620**	–	229,620
Unsecured	**604,000**	567,000	37,000
	833,620	567,000	266,620
Fixed-rate borrowings	**450,000**	490,000	(40,000)
Floating-rate borrowings	**383,620**	77,000	306,620
	833,620	567,000	266,620
Carrying amount repayable (based on scheduled payment terms)			
Within one year	**596,600**	282,000	314,600
More than one year, but not more than two years	**152,600**	262,000	(109,400)
More than two years, but not more than five years	**84,420**	23,000	61,420
	833,620	567,000	266,620
Less: Amount due shown under current liabilities	**(596,600)**	(282,000)	(314,600)
	237,020	285,000	(47,980)

The Group's bank borrowings in 2018 and 2017 were all borrowings denominated in Renminbi. As at 31 December 2018, RMB229.6 million of the Group's borrowings were secured by the Group's land use rights. All remaining secured borrowings were credit borrowings. As at 31 December 2017, all the Group's borrowings were credit borrowings.

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

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

	As at 31 December	
	2018	2017
Effective interest rate:		
– Fixed-rate borrowings	**4.57% - 6.75%**	4.57% - 6.75%
– Floating-rate borrowings	**4.79% - 6.20%**	4.79%-6.30%

As at 31 December 2018, the Group had obtained banking facilities in an aggregate amount of approximately RMB1,159.0 million (2017: RMB1,124.0 million), of which total amount of approximately RMB160.0 million (2017: RMB465.0 million) is still available for use. As at such date, the Group had total outstanding bank borrowings of approximately RMB 833.6 million (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 RMB314.6 million falling due in 2018 according to needs).

Save as disclosed in this "Financial Position" section, the Directors confirm that there has been no material change in the Group's indebtedness and contingent liabilities since 31 December 2018 and up to the date of this announcement As at 31 December 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 Directors confirm that, for the year ended 31 December 2018, the Group was not subject to any material covenant on any of the Group's outstanding debt and, during 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 Directors believe that the Group maintains good relationships with the Group's lenders generally and they expect that, based on the current prevailing market conditions, the Group will be able to obtain replacement financing commitments when the Group's short-term bank borrowings become due.

FINANCIAL RATIOS

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

	As at 31 December	
	2018	2017
Gearing ratio	**0.4x**	0.3x
Return on equity	**42.5%**	42.3%
Return on assets	**24.2%**	20.6%

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 increased in 2018, mainly due to the fact that the Group increased bank borrowings for the purpose of stabilizing its cash flow and reserving funds for corporate development.

Return on Equity

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

The Group's return on equity increased from 2017 to 2018 was also due to an increase in the Group's profit primarily driven by a significant increase in the Group's revenue.

Return on Assets

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

The Group's return on assets continued to increase from 2017 to 2018 was also mainly due to the significant increase in the Group's revenue, leading to the increase in profit higher than that of total assets.

CONTRACTUAL OBLIGATIONS AND CAPITAL EXPENDITURE

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but without provision in the consolidated financial statements	**62,042**	139,563
The Group's share of joint venture capital commitments made jointly with other joint venturers are as follows:		
Operating lease commitments due within one year	**1,031**	695

The Group's capital commitments for the year ended 31 December 2018 primarily relate to the construction of the Group's LNG facilities and office building, the Group's implementation of equipment for environmental protection by the construction of coal storage dome and the construction of the Group's new coke granule coal gas facilities. The Group expects to fund such capital commitments principally by the net proceeds of the Listing, bank loans and cash generated from the Group's operations.

Other than the transactions described in the above table, as at 31 December 2018, the Group had no other material contractual commitments.

SUBSEQUENT IMPORTANT EVENTS AND OTHER COMMITMENTS

From the end of reporting period ended to the date of this announcement, other commitments of the Group jointly invest and establish a joint venture, Shenzhen Jinma Energy Co., Ltd. (深圳金馬能源有限公司) with other investors. The Group holds 51% equity interest and committed payment of such investment amounted to RMB1,145 million, subject to the approval of shareholders at the extraordinary general meeting to be held on 1 April 2019.

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 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 Company's Directors consider that the risk of the default in payment of the endorsed and discounted bills receivables is low because all endorsed and discounted bills receivables are issued and guaranteed by reputable PRC banks. As a result, the relevant assets and liabilities were not recognized in the Group's financial statements. The Group's maximum exposure that may result from the default of these endorsed and discounted bills receivables as at the dates indicated are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Endorsed bills for settlement of payables	**2,665,785**	2,070,608
Discounted bills for raising cash	**–**	105,929
Outstanding endorsed and discounted bills receivables with recourse	**2,665,785**	2,176,537

Save as disclosed above and as at 31 December 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 Company's Directors confirmed that there has not been any material changes in the contingent liabilities of the Group since 31 December 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 discipline operating and financial activities. During 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 (HKD12.8 million and HKD185.2 million as at 31 December 2018 and 2017 respectively) pending remittance back to China, the Group has no exposure to significant exchange risks as all its operations are within China where there are no foreign currencies transactions, assets or liabilities.

Commodity Price Risk

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

Interest Rate Risk

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

As at 31 December 2018, the Group had fixed-rate borrowings in the amount of approximately RMB450.0 million (2017: RMB490.0 million).

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

Credit Risk

In the event that the Group's counterparties fail to perform their obligations, the Group's exposure to credit risk in relation to each class of recognized financial assets as at 31 December 2018 is the carrying amount of those assets stated in the consolidated statements of financial position, and the maximum outstanding amount of contingent liabilities as disclosed in the consolidated financial statements.

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

The Group has significant concentration of credit risk in trade receivables and amounts due from Shareholders and trading amounts due from related parties, with over 70% and 74% of exposure concentrated in five largest outstanding balances for the years ended 31 December 2018 and 2017, respectively. The Group believes the Group's credit risks on bank balances and deposits or bills receivables are limited and there is no significant concentration of credit risk because the Group's bank deposits or bills are deposited in or contracted with reputable state-owned banks with high credit ratings assigned by international credit-rating agencies.

Liquidity Risk

The Group's creditors are exposed to heightened default risk when the Group's multiple liabilities mature in rapid succession, which may impose higher-than-normal stress onto the working capital. As a result, it may cause short-term liquidity problems if the Group fails to refinance in time or manage the Group's liquidity effectively. In the management of the Group's liquidity risk, the Group's management monitors and maintains an adequate, but not excessive level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In 2018, the Group restructured the Group's financing to increase the weighting of the Group's secured borrowings.

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

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

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

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 31 December 2018 and up to the date of this announcement.

DIVIDEND AND DIVIDEND POLICY

On 15 August 2018, the Board recommended payment of an interim dividend of RMB0.05 per share. The interim dividend has been approved by the shareholders of the Company at an extraordinary general meeting held on 10 October 2018. On 18 March 2019, the Company declared a 2018 final dividend of RMB0.35 per share (with total dividend of RMB0.4 per share in the total amount of RMB214,168,000) which is subject to the approval of the shareholders at the forthcoming annual general meeting.

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

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had distributable reserves (i.e. retained earnings) of RMB1,068.8 million (2017: RMB542.2 million).

For the year ended 31 December 2018, the Company had no immediate plan to distribute the retained earnings of the Company accumulated prior to the year 2018.

MAJOR DEVELOPMENTS

The Group's strength in coking operations has in the past enabled the Group to extend the Group's engagement in the coking chemical value chain of the coal chemical industry through the acquisition of companies engaging in the production of upstream and downstream products in coking operations. As such, the Group actively expanded its business benzene based chemicals, coal tar based chemicals as well as coal gas and LNG. Following the capacity expansion plan of benzene based and coal tar based chemicals, the Group launched the capacity enhancement plan and construction plan of environment protection facilities in 2018. In 2019, the Group will further expand and deepen its industry chain.

Coke Granule Coal Gas Facilities and Gas Stations

- **Coke Granule Coal Gas Facilities**

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

  The Group commenced the construction of the Group's new coke granule coal gas facilities in August 2017. As at the end of 2018, a facility completion level of 80% has been achieved. 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 2018, the Group's investment in the new coke granule coal gas facilities amounted to RMB 142.8 million.

- **Gas Stations**

  The Group plans to invest approximately RMB125.0 million in the construction of gas stations located in Jiyuan City, and has established Henan Jinrui Gas Co., Ltd. for the operation of these gas stations and the management of sales and marketing of LNG products. It is expected that the four gas stations will have a total refilling capacity of approximately 80.0 million m^3 of LNG per year. Of these gas stations, two of them commenced operation in the first quarter of 2018, and construction of the other one has been completed in 2018 and has commenced operation at the end of 2018. As at the end of 2018, the Group's investment in the construction of gas stations amounted to RMB57.8 million.

  Upon completion of the gas stations, the Group will plan to procure natural gas from suppliers in neighboring areas for sale. The Group plans to supply the Group's LNG to logistics customers, heavy trucks and buses in the gas stations.

The investment in 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 Jiyuan Jinyuan Chemicals Co., Ltd. from 120,000 tons to 200,000 tons. As of the end of 2018, 65% of the expansion project for processing crude benzene has been completed, completion of construction and commencement of full operation are expected to take place in the third quarter of 2019.

- **Coal Tar Based Chemicals**

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

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

Environment Protection Facilities

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

- **Reconstruction project for desulfurization and denitrification of fume emitted from coke ovens**

  The Group invests in coke oven fume treatment to meet the Group's target of ultra-low emission. As at December 2018, the project is close to completion and is ready for operation in the first quarter of 2019. The total investment amount of this project is estimated to be approximately RMB48.6 million. As of the end of 2018, the Group has invested RMB46.9 million in this project.

- **Coke Dry Quenching Device Reconstruction project**

  The coke oven coke dry quenching device reconstruction project commenced in the third quarter of 2018 and RMB30 million has been invested during the preliminary stage of construction. The project is expected to have an investment amount of RMB162 million, and it is planned to commence operation in December 2019.

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

EMPLOYEES AND REMUNERATION

As at 31 December 2018, the Group had a total of 1,508 employees (2017: 1,361), including 18 senior management (2017: 16), 50 middle management (2017: 48) and 1,440 ordinary employees (2017: 1,297). For the year ended 31 December 2018, the staff cost of the Group amounted to approximately RMB127.5 million as compared to approximately RMB114.2 million for the same period last year.

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

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

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

CORPORATE GOVERNANCE & RELATED MATTERS

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

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

Corporate Governance Code

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

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

During the year ended 31 December 2018, the Company had complied with all the code provisions under the Code.

Securities Transactions by Directors

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

Board of Directors

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

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

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

The Board comprises three independent non-executive Directors, accounting for one-third of the members of the Board. The three independent non-executive Directors are experts in coking, economics and accounting respectively and have appropriate professional qualifications. Among them, Mr. Wu Tak Lung, chairman of the audit committee, has the appropriate accounting and financial management expertise and experience.

All three independent non-executive Directors have submitted written confirmations to the Company for their independence.

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

Save for entering into service contracts and except as otherwise disclosed in this announcement, none of the Directors, Supervisors and their connected entities had any material transactions, arrangements or contracts with the Company directly or indirectly in 2018.

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

The Company places considerable emphasis on the continuous professional development of Directors, and has arranged for Directors and Supervisors to attend training and seminars on the duties and responsibilities of directors in 2018. The Company has invited the Independent Commission Against Corruption to hold a lecture titled "The Role of Directors and Senior Management of a Company as a Guardian for Integrity" (《公司董事及高級管理人員的誠信管治角色》) for Directors. The Hong Kong Institute of Directors also provides corporate training courses for the Company which cover inside information disclosure and impacts of a recent consultation paper issued by Hong Kong Stock Exchange (the "**Stock Exchange**") on the board and directors. The Directors and Supervisors who were newly appointed in the year ended 31 December 2018 have also received a Memorandum on Directors' Responsibilities for Companies Listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Guidance for Boards and Directors issued by the Stock Exchange in July 2018, to understand their responsibilities and obligations under the Listing Rules. In accordance with the records maintained by the Company, as at 31 December 2018, all Directors have received the training under the code provisions in relation to continuous professional development under the Code.

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

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

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

The Directors of the Company are elected by the general meeting for a term of three years. Two of the non-executive Directors, Mr. Hu Xiayu and Mr. Wang Zhiming, have been in office since July 2016, the non-executive Director, Mr. Qiu Quanshan has been in office since October 2018 and the three independent non-executive Directors have been in office since September 2017.

Audit Committee

The Board has established the Audit Committee.

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

A list of the members of the Audit Committee of the Company is as follows:

Directors

Mr. Wu Tak Lung *(Chairman)*
Mr. Lu Kecong (resigned on 26 June 2018)
Mr. Hu Xiayu (appointed as a member on 26 June 2018)
Mr. Liu Yuhui

A summary of the main work performed by the Audit Committee in 2018 is as follows:

- reviewed the audited financial statements for 2017 and the unaudited condensed consolidated interim financial statements for 2018 of the Company;
- reviewed the interim report for 2018 of the Company;
- reviewed the report on the 2018 audit plan;
- reviewed letters from external auditors to the management;
- monitored and reviewed the financial reporting system and risk management and internal control system of the Group;
- reviewed and monitored the independence and objectivity of external auditors; and
- advised the Board on re-appointment of external auditors.

The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2018.

Responsibilities of Directors for Financial Statements

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

The financial statements of the Company for the year ended 31 December 2018 have been reviewed by the Audit Committee. The Directors confirm their responsibilities of preparing the Company's financial statements and presenting the results of the Company in a truthful and fair manner. The Directors are not aware of any material uncertainties relating to events or conditions which may cast doubt upon the Company's ability to continue as a going concern.

Purchase, Sale or Redemption of Securities of the Company

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Payment of Dividends

The Board recommended the payment of a final dividend of RMB0.35 per share for the year ended 31 December 2018. The final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 15 May 2019 (the "**AGM**"). Please refer to further announcement issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the final dividend. The final dividend is expected to be distributed on or before 30 June 2019.

The dividend to be paid will be denominated and paid in RMB. The cash dividend for holders of Domestic Shares will be paid in RMB and the cash dividend for holders of H Shares will be declared in RMB but paid in HK dollars (calculated according to the average of the exchange rates for RMB to HK dollars as announced by the People's Bank of China for the seven calendar days prior to the date of convening the AGM).

Tax on Dividends for H Shareholders

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

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

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

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

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

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

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

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

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

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

Annual General Meeting

The AGM will be held on 15 May 2019. The notice of the AGM will be issued and despatched to the shareholders of the Company, and will also be made available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www. hnjmny.com in due course.

Publication of the Annual Report

The 2018 annual report of the Company will be despatched to the shareholders of the Company, and will also be made available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hnjmny.com in due course.

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

Hong Kong, 18 March 2019

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, Mr. QIU Quanshan 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.