

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## Kinetic Development Group Limited

### 力量發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1277)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

### FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2022	2021	
	<i>RMB' million</i>	<i>RMB' million</i>	
Revenue	<b>3,010.0</b>	2,285.8	+31.7%
Gross profit	<b>2,095.3</b>	1,295.2	+61.8%
Gross profit margin	<b>69.6%</b>	56.7%	+12.9p.p.
Profit attributable to equity shareholders of the Company	<b>1,365.3</b>	922.3	+48.0%
Net profit margin	<b>45.3%</b>	40.3%	+5.0p.p.
Earnings per share — Basic and Diluted	<b>16.20 RMB cents</b>	10.94 RMB cents	
Interim dividend per share	<b>6.0 HK cents</b>	5.5 HK cents	

The board of directors (the “**Board**”) of Kinetic Development Group Limited (the “**Company**”) announces the unaudited interim consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period ended 30 June 2021 as follows:

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2022 – unaudited*

		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>REVENUE</b>	4	<b>3,009,958</b>	2,285,840
Cost of sales		<u>(914,623)</u>	<u>(990,608)</u>
<b>Gross profit</b>		<b>2,095,335</b>	1,295,232
Other incomes and losses, net	5	<b>9,212</b>	62,972
Losses on fair value changes of financial assets		<b>(33,751)</b>	–
Selling expenses		<b>(12,319)</b>	(4,541)
Administrative expenses		<u>(123,057)</u>	<u>(80,147)</u>
<b>PROFIT FROM OPERATIONS</b>		<b>1,935,420</b>	1,273,516
Share of profits of associates		<b>10,401</b>	14,344
Finance costs	7	<u>(10,945)</u>	<u>(3,829)</u>
<b>PROFIT BEFORE TAXATION</b>	6	<b>1,934,876</b>	1,284,031
Income tax expense	8	<u>(572,724)</u>	<u>(361,699)</u>
<b>PROFIT FOR THE PERIOD</b>		<b>1,362,152</b>	922,332
<b>Other comprehensive income for the period that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of operations outside Mainland China		<u>(9,304)</u>	<u>4,515</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>1,352,848</b></u>	<u><b>926,847</b></u>

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
<b>Profit for the period attributable to:</b>			
Equity shareholders of the Company		<b>1,365,349</b>	922,332
Non-controlling interests		<b>(3,197)</b>	–
		<u><b>1,362,152</b></u>	<u>922,332</u>
<b>Total comprehensive income for the period attributable to:</b>			
Equity shareholders of the Company		<b>1,356,045</b>	926,847
Non-controlling interests		<b>(3,197)</b>	–
		<u><b>1,352,848</b></u>	<u>926,847</u>
Basic and diluted earnings per share attributable to equity shareholders of the Company (RMB cents)	9	<u><b>16.20</b></u>	<u>10.94</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 – unaudited

		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,438,211	1,247,473
Right-of-use assets	11	121,872	25,640
Intangible assets	12	3,222,959	537,815
Interest in associates		99,949	84,346
Goodwill		8,027	8,027
Deferred tax assets		45,792	23,346
Other non-current assets	13	1,814,695	896,555
<b>Total non-current assets</b>		<b>6,751,505</b>	2,823,202
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	14	207,897	269,382
Inventories	15	135,132	63,442
Trade and other receivables	16	200,265	236,351
Pledged and restricted deposits	17	683,150	155,595
Cash at bank	17	1,438,693	2,387,239
Current portion of other non-current assets	13	57,000	107,000
<b>Total current assets</b>		<b>2,722,137</b>	3,219,009
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	994,753	329,560
Contract liabilities		303,133	118,557
Bank loans	19	498,574	275,695
Lease liabilities	20	15,081	–
Income tax payable		655,887	667,460
<b>Total current liabilities</b>		<b>2,467,428</b>	1,391,272
<b>NET CURRENT ASSETS</b>		<b>254,709</b>	1,827,737
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,006,214</b>	4,650,939

		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans	19	<b>733,000</b>	–
Lease liabilities	20	<b>83,555</b>	2,268
Long-term payables	21	<b>683,815</b>	26,391
Deferred tax liabilities		<b>43,255</b>	44,800
Accrual for reclamation costs		<b>5,707</b>	5,438
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>1,549,332</b>	78,897
		<hr/>	<hr/>
<b>Net assets</b>		<b>5,456,882</b>	4,572,042
		<hr/>	<hr/>
<b>EQUITY</b>			
Share capital		<b>54,293</b>	54,293
Reserves		<b>5,409,572</b>	4,521,535
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		<b>5,463,865</b>	4,575,828
Non-controlling interests		<b>(6,983)</b>	(3,786)
		<hr/>	<hr/>
<b>Total equity</b>		<b>5,456,882</b>	4,572,042
		<hr/>	<hr/>

# NOTES TO THE FINANCIAL INFORMATION EXTRACTED FROM UNAUDITED INTERIM FINANCIAL REPORT

*For the six months ended 30 June 2022*

## 1. CORPORATE AND GROUP INFORMATION

Kinetic Development Group Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 27 July 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company’s registered office address is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company and its subsidiaries (collectively referred to as the “**Group**”) are mainly engaged in the extraction and sale of coal products. There has been no significant change in the Group’s principal activities during the period.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is King Lok Holdings Limited, which was incorporated in the British Virgin Islands with limited liability.

### 2.1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 18 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 2.2.

The preparation of interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Group's annual financial statements for that financial year but is derived from those financial statements. The auditor has reported on those financial statements on 28 April 2022. The auditor's report was unqualified but included a reference to a matter to which the auditor drew attention by way of emphasis with qualifying its report.

## 2.2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. OPERATING SEGMENT INFORMATION

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of the extraction and sales of coal products. Therefore, the Group's management considers that there is only one operating segment under the requirements of HKFRS 8, *Operating Segments*. In this regard, no segment information is presented for the period.

No geographic information is shown as the Group's operating results is entirely derived from its business activities in the People's Republic of China (the "PRC").

#### 4. REVENUE

The principal activities of the Group are the extraction and sale of coal products. Revenue represents the sales value of goods supplied to customers, excluding value added taxes or any trade discounts.

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue from contracts with customers</b>		
Sale of coal products	3,007,788	2,285,840
Others	2,170	–
	<u>3,009,958</u>	<u>2,285,840</u>

#### 5. OTHER INCOMES AND LOSSES, NET

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	19,319	57,345
Foreign exchange differences, net	–	(2,809)
Interest income	6,699	7,606
Loss on disposal of property, plant and equipment	(10,966)	–
Write-down of inventories	(3,697)	–
Others	(2,143)	830
	<u>9,212</u>	<u>62,972</u>

## 6. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cost of sales		
— Transportation and storage costs	502,173	623,217
— Cost of inventories sold	412,450	367,391
	<u>914,623</u>	<u>990,608</u>
Depreciation	46,522	45,897
Amortisation of intangible assets	15,588	15,315
Amortisation of right-of-use assets	392	231
Write-down of inventories	3,697	—
Staff costs:		
Salaries, wages, bonuses and benefits	172,407	126,195
Contribution to defined contribution plans	5,217	4,414
	<u>177,624</u>	<u>130,609</u>

Cost of inventories sold for the six months ended 30 June 2022 included RMB136,308,000 (six months ended 30 June 2021: RMB124,968,000) relating to staff costs, depreciation and amortisation, which amounts are also included in the respective amounts disclosed separately above for each of these types of expenses.

## 7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest expenses	6,658	2,324
Unwinding of discount	4,287	1,505
	<u>10,945</u>	<u>3,829</u>

## 8. INCOME TAX EXPENSE

The major components of income tax expense in the consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax — Mainland China	596,715	344,044
Deferred income tax		
Reversal and origination of temporary differences	(23,991)	17,655
<b>Total tax expense for the period</b>	<b>572,724</b>	<b>361,699</b>

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Company and its subsidiary, Blue Gems Worldwide Limited and Porus Power Limited, are not subject to any income tax in the Cayman Islands and BVI, respectively.
- (b) PRC corporate income tax was provided at a rate of 25% (2021: 25%) on the taxable income of the companies comprising the Group, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.
- (c) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if certain criteria are met. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. During the period, the Group provided for and paid withholding tax subject to a tax rate of 10%.

## 9. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit for the period attributable to equity shareholders of the Company of RMB1,365,349,000 and the 8,430,000,000 shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the profit for the period attributable to equity shareholders of the Company of RMB922,332,000 and the 8,430,000,000 shares in issue during the period.

There were no dilutive potential ordinary shares during the six-month periods ended 30 June 2022 and 2021, and therefore, diluted earnings per share is the same as the basic earnings per share.

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Carrying amount</b> <b>RMB'000</b>
At 1 January 2022	1,247,473
Acquisition of a subsidiary ( <i>Note 23</i> )	203,210
Additions	45,016
Disposals	(10,966)
Depreciation	<u>(46,522)</u>
At 30 June 2022	<u><u>1,438,211</u></u>

The Group is in the process of applying for the title of certificates of certain properties with a carrying value of RMB288,139,000 (31 December 2021: RMB292,579,000) as at 30 June 2022. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

## 11. RIGHT-OF-USE ASSETS

	<b>Carrying amount</b> <b>RMB'000</b>
At 1 January 2022	25,640
Additions	105,132
Amortisation during the period	<u>(8,900)</u>
At 30 June 2022	<u><u>121,872</u></u>

## 12. INTANGIBLE ASSETS

	<b>Carrying amount</b> <b>RMB'000</b>
At 1 January 2022	537,815
Acquisition of a subsidiary ( <i>Note 23</i> )	2,700,732
Amortised during the period	<u>(15,588)</u>
At 30 June 2022	<u><u>3,222,959</u></u>

### 13. OTHER NON-CURRENT ASSETS

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Prepayment for the proposed acquisitions to		
— Related parties	<b>1,799,998</b>	735,700
— Third parties	<u>—</u>	<u>150,000</u>
	<b>1,799,998</b>	885,700
Loans granted to a related party	<b>57,000</b>	107,000
Others	<u><b>14,697</b></u>	<u>10,855</u>
Total	<b>1,871,695</b>	1,003,555
Less:		
Current portion of loans granted to a related party	<u><b>57,000</b></u>	<u>107,000</u>
Other non-current assets	<u><b>1,814,695</b></u>	<u>896,555</u>

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Trust wealth management investments	<u><b>207,897</b></u>	<u>269,382</u>

On 25 December 2020, the Group entered into a subscription agreement with Northern International Trust Co., Ltd. (“**Northern Trust**”) to subscribe a trust wealth management investment amounting to RMB252,530,000 for a period of 1 year, which is redeemable on demand. During the six months ended 30 June 2022, the Group recognised investment loss amounting to RMB942,000 due to partial redemption of the investment. As at 30 June 2022, the fair value of the rest of the investment declined to RMB127,460,000, resulting in a loss of RMB22,343,000 on fair value changes, due to price movement in its investment in a corporate bond issued by Guangzhou R&F Properties Co., Ltd. (“**Guangzhou R&F**”) in 2018 with an annual interest rate of 6.58%. Subsequent to 30 June 2022, the fair value of the trust wealth management investment was in the range between RMB100,000,000 and RMB117,000,000.

On 28 December 2020, the Group entered into a subscription agreement with Beijing International Trust Co., Ltd. (“**Beijing Trust**”) to subscribe a trust wealth management investment amounting to RMB151,500,000 for a period of 10 years, which is redeemable on demand. During the six months ended 30 June 2022, the Group recognised investment income amounting to RMB908,000 due to partial redemption of the investment. As at 30 June 2022, the fair value of the rest of the investment declined to RMB80,437,000, resulting in a loss of RMB11,408,000 on fair value changes, due to price movement in its investment in a corporate bond issued by Guangzhou R&F in 2020 with an annual interest rate of 6.30%. Subsequent to 30 June 2022, the fair value of the trust wealth management investment was in the range between RMB80,000,000 and RMB82,000,000.

## 15. INVENTORIES

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Coal products	51,406	20,383
Raw materials, accessories and chemicals	51,308	33,873
Biological assets	26,472	–
Others	9,643	9,186
	<u>138,829</u>	<u>63,442</u>
Less: write-down of inventories	<u>3,697</u>	–
	<u><b>135,132</b></u>	<u><b>63,442</b></u>

During the six months ended 30 June 2022, there was write-down of inventories amounting to RMB3,697,000.

## 16. TRADE AND OTHER RECEIVABLES

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Trade debtors	7,382	4,774
Other receivables		
— Government subsidy receivables	75,590	125,590
— Prepayments and deposits	108,738	99,776
— Others	8,555	6,211
	<u>200,265</u>	<u>236,351</u>

As at the end of the reporting period, the aging analysis of trade debtors, based on the invoice date and net of provisions is as follows:

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Within 6 months	<u><b>7,382</b></u>	<u>4,774</u>

Trade debtors are generally due within 30 to 90 days from the date of billing.

The allowances for trade and other receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. As the directors of the Company are of opinion that the amount of expected credit losses is minimal, no loss allowance for trade and other receivables recognised as at 30 June 2022 under HKFRS 9.

#### 17. CASH AT BANK AND PLEDGED AND RESTRICTED DEPOSITS

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Cash and bank balances	<b>1,438,693</b>	2,387,239
Restricted deposits	<b>83,150</b>	59,102
Pledged deposits	<u><b>600,000</b></u>	<u>96,493</u>
	<b>2,121,843</b>	2,542,834
Less:		
Pledged for bank loans	<b>600,000</b>	96,493
Restricted deposits	<u><b>83,150</b></u>	<u>59,102</u>
Cash and cash equivalents	<u><b>1,438,693</b></u>	<u>2,387,239</u>

As at 30 June 2022, the Group's bank balances of approximately RMB83,150,000 (31 December 2021: RMB59,102,000) were deposited with banks as a mine environment restoration guarantee fund pursuant to the related government regulations.

As at 30 June 2022, the Group's bank balances of RMB600,000,000 (31 December 2021: RMB96,493,000) were deposited as guarantee fund for the Group to obtain bank loan of RMB1,198,574,000 (31 December 2021: RMB275,695,000).

## 18. TRADE AND OTHER PAYABLES

		<b>30 June 2022</b>	31 December 2021
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Payables for mining rights	23	<b>622,000</b>	–
Taxes payable other than income tax		<b>145,239</b>	188,046
Payables for construction	(a)	<b>109,361</b>	85,312
Other payables and accruals	(b)	<b>115,487</b>	52,206
Amounts due to related parties		<b>2,666</b>	3,996
		<b><u>994,753</u></b>	<b><u>329,560</u></b>

*Notes:*

- (a) Payables for material and construction are non-interest-bearing.

An aging analysis of the payables for material and construction as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2022</b>	31 December 2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 year	<b>81,903</b>	44,953
1 to 2 years	<b>10,080</b>	13,545
Over 2 years	<b>17,378</b>	26,814
	<b><u>109,361</u></b>	<b><u>85,312</u></b>

- (b) Other payables and accruals are non-interest bearing, which are expected to be settled within one year or repayable on demand.

## 19. BANK LOANS

	30 June 2022			31 December 2021		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
<b>Current</b>						
Bank loan — secured				1 month HIBOR plus 1.80%	2022	275,695
Bank loan — secured	1.70%	2022	198,574	—	—	—
Current portion of long-term bank loan — secured	5.00%	2023	300,000	—	—	—
			<u>498,574</u>			<u>275,695</u>
<b>Non-current</b>						
Long-term bank loan — secured	5.00%	2024	700,000	—	—	—
Long-term bank loans — secured	6.65%	2024	33,000	—	—	—
			<u>733,000</u>			<u>—</u>
			<u><u>1,231,574</u></u>			<u><u>275,695</u></u>

As at 30 June 2022, the Group's bank loan amounting to RMB198,574,000 was secured by the Group's pledged deposits amounting to RMB200,000,000.

As at 30 June 2022, the Group's bank loan amounting to RMB1,000,000,000 was jointly guaranteed by Mr. Zhang Li and Mr. Zhang Liang, Johnson and secured by the Group's pledged deposits amounting to RMB400,000,000 and the mining right of Dafanpu coal mine held by Inner Mongolia Zhunge'er Kinetic Coal Limited (“Kinetic Coal”), of which RMB300,000,000 will be due within one year.

As at 30 June 2022, the Group's bank loans amounting to RMB33,000,000 was guaranteed by Kinetic Coal and Mr. Ju Wenzhong, a director of the Company.

## 20. LEASE LIABILITIES

The lease liabilities were repayable as follows:

	30 June 2022 <i>RMB'000</i>	31 December 2021 <i>RMB'000</i>
Within 1 year	15,081	—
1 to 5 years	71,204	—
Over 5 years	12,351	2,268
	<u><u>98,636</u></u>	<u><u>2,268</u></u>

## 21. LONG-TERM PAYABLES

		<b>30 June 2022</b>	31 December 2021
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
Present value of payables for further default payment and overdue payment fee	23	<b>656,690</b>	–
Present value of compensation payable in relation to the demolition and relocation		<u>27,125</u>	<u>32,682</u>
		<b>683,815</b>	32,682
Less: current portion recorded in trade and other payables		<u>–</u>	<u>6,291</u>
		<b>683,815</b>	<b>26,391</b>

## 22. DIVIDENDS

The Board of Directors proposed an interim dividend of HKD6.0 cents per share (six months ended 30 June 2021: HKD5.5 cents per share), payable to shareholders of the Company on or before 30 November 2022. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to receive the proposed interim dividend will be further announced. The total amount of the interim dividend to be distributed is estimated to be approximately RMB432,555,000 (six months ended 30 June 2021: RMB380,953,000).

## 23. ACQUISITION OF A SUBSIDIARY

### Acquisition of Ningxia Sunshine Mining Co., Ltd. (“Ningxia Sunshine”)

On 27 January 2022, Kinetic Coal entered into an equity transfer agreement with China Sunshine Investment Co., Ltd (“**Sunshine Investment**”) to acquire 49% equity interests of Ningxia Sunshine and repay the shareholder loan from Sunshine Investment with the consideration of RMB378,000,000 and RMB7,607,000, respectively; on 3 June 2022, Kinetic Coal entered into an equity transfer agreement with Shougang Group Co., Ltd (“**Shougang Group**”) to acquire 51% equity interests of Ningxia Sunshine and repay the shareholder loan from Shougang Group with the consideration of RMB380,000,000 and RMB876,425,000, respectively. The total aggregated consideration of the acquisition was RMB1,642,032,000.

Ningxia Sunshine is principally engaged in coal mine construction, extraction and sale of coal products, and its identifiable assets are mainly mining rights. The acquisition was completed in June 2022 and recognised as an acquisition of assets, rather than a business combination.

The recognised amounts of assets acquired and liabilities assumed from the acquisition of the subsidiary comprise the following:

	<i>RMB'000</i>
Intangible assets	2,700,732
Property, plant and equipment	203,210
Interest in an associate	22,355
Cash at bank	24
Trade and other receivables	3
Trade and other payables	(627,602)
Long term payables	(656,690)
	<hr/>
Total consideration paid in cash	1,642,032
Less: cash of a subsidiary acquired	24
prepayment for the proposed acquisition	150,000
	<hr/>
Net cash outflow arising from the acquisition of a subsidiary	<u><u>1,492,008</u></u>

#### **24. EVENTS AFTER REPORTING PERIOD**

- (a) After the end of the reporting period, the Board of Directors proposed an interim dividend, further details are disclosed in Note 22.
- (b) Subsequent to 30 June 2022, the Group prepaid a partial consideration of approximately RMB504 million according to the property purchase framework agreement between the Group and Hainan Hangxiao Real Estate Development Co., Ltd., a subsidiary of Guangzhou R&F, for the proposed acquisition of Fuli Shoufu property project; and granted a loan of approximately RMB52 million to Guizhou Liliang Energy Co., Ltd. (“**Guizhou Liliang**”) according to the loan agreement entered into with Guizhou Liliang in relation to the proposed acquisitions. The proposed acquisitions by the Company are still in progress and the financial impact of the proposed acquisitions is under the review of the Company.

Save as above, the Group had no significant non-adjusting events subsequent to 30 June 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

### Market Review

In the first half of 2022, the international environment was severe and complex, and the Russian-Ukrainian crisis continued to escalate, which caused a huge impact on the development of the global economy. The risk of global stagflation increased significantly, and the international financial market was highly volatile. In the face of a new round of COVID-19 outbreak and the downward pressure on the economy, the Chinese government efficiently coordinated the pandemic prevention and control and the economic and social development, strengthened macro-control, and effectively implemented a basket of policies and measures to stabilize the economy, benefiting from which, China's economy has stabilized and recovered from the impact with a steady progress, and a continued growth in major economic indicators. According to the data from the National Bureau of Statistics of China ("NBSC"), China's GDP reached approximately RMB56.3 trillion in the first half of 2022, representing a year-on-year increase of approximately 2.5%. Sizable nationwide industrial enterprises achieved operating income of approximately RMB65.4 trillion, representing a year-on-year increase of approximately 9.1%. Sizable nationwide industrial enterprises achieved a total profit of approximately RMB4,270.22 billion, representing a year-on-year increase of approximately 1.0%.

In the first half of 2022, the supply of the coal market was tight in general. The energy reserve demand of the National People's Congress ("NPC") and the Chinese People's Political Consultative Conference ("CPPCC") and the Winter Olympics, together with the low temperature in February, had driven the demand to grow. The conflict between Russia and Ukraine dropped a bomb to the global energy market, resulting in a reduction in coal import. Meanwhile, after the restrictions on the mid-and long-term coal transaction prices in China were clarified, the coal prices rose rapidly in the market, after which, with the vigorous promotion of the policies for expanding production and ensuring supply, the coal prices declined. On the supply side, the total coal supply in China was relatively stable in the first half of the year, while the import volume was under remarkable pressure. According to the data from the NBSC, the raw coal output of China's sizable nationwide industrial enterprises amounted to approximately 2.19 billion tonnes in the first half of 2022, with a year-on-year increase of approximately 11.0%. China imported approximately 120 million tonnes of coal during the same period, with a year-on-year decrease of 17.5%. During the same period, the demand side showed a buoyant and upward trend in general and sustained a rapid growth in the demand for downstream electricity production. According to data from the NBSC, the nationwide power generation in the first half of the year was approximately 4.0 trillion kWh, with a year-on-year increase of 0.7%.

In the first half of 2022, coal prices demonstrated an overall trend of “sharp increase followed by a fluctuation in high-level”, with the average price shifting significantly upward as compared to the previous year. The high coal prices drove the industry’s overall growth in efficiency in the first half of the year. According to the data released by the NBSC, the principal business income of large-scale enterprises from the coal mining and coal washing industries in China amounted to approximately RMB3,369.80 billion in the first half of 2022, with a year-on-year increase of approximately 39.4%; while the total profit amounted to approximately RMB852.82 billion, with a year-on-year increase of approximately 119.8%.

In conclusion, in the first half of 2022, as adjusted by national policies, coal prices surged and fluctuated in high-level, leading to a doubled profit in the coal industry in general and an optimistic industry sentiment.

## **Business Review**

As a leading integrated coal enterprise in China, the Group’s business activities operate through the whole coal industry chain, covering coal production, washing, loading, transportation and trading.

During the reporting period, the Group kept abreast of the trend in the coal market with scientific approach and continued to boost development of end customers by using its own low-sulphur, high-quality brand products “Kinetic 2”. The Group continued to diversify the purchase and sales models on top of Free on Board, Delivered Ex Quay and local sales, and the downstream influence of the Group’s brand “Kinetic 2” was effectively extended. In the first half of 2022, the Group exceeded its target in sales volume and revenue. For the six months ended 30 June 2022, the Group recorded a total revenue of approximately RMB3,010.0 million, representing an increase of 31.7% as compared with the same period last year.

During the reporting period, various coal policies were frequently promulgated and coal prices remained high amid fluctuations. The Group made stringent evaluation of coal prices, and made delivery at high prices and based on production volume when appropriate to maximize sales profits. In the first half of the year, the average selling price of the Group’s 5,000 Kcal low-sulphur eco thermal coal per tonne amounted to approximately RMB924, representing an increase of approximately 39.2% year-on-year.

During the reporting period, the Group continued to implement refined management, formulate and optimize the systems in various operational aspects, and strived to control various management expenses and costs. For the six months ended 30 June 2022, the Group achieved a gross profit margin of approximately 69.6%, maintaining a leading position in the industry.

Combining the above business strategies, the Group was able to achieve a breakthrough in the first half of the year, bringing considerable profit for the shareholders. For the six months ended 30 June 2022, the profit attributable to the equity shareholders of the Company amounted to approximately RMB1,365.3 million, with a year-on-year increase of approximately 48.0%. The Group's EBITDA reached approximately RMB2,008.3 million, with a year-on-year increase of approximately 48.8%.

Furthermore, the Group has always put safe production in top priority, and no major accident involving personal injury occurred in the first half of the year. The Group's Dafanpu Coal Mine in Inner Mongolia has maintained the honour of "Class A Coal Mine" in Zhunge'er Banner for seven consecutive years, has been rated as "Coal Industry Premium Safe and Efficient Mine" by the China National Coal Association since 2014, and was awarded the title of "Outstanding Unit for Safe Production" by the Energy Bureau of Zhunge'er Banner in April this year.

The Group also attaches great importance to environmental protection and sustainable development. The Dafanpu Coal Mine successfully passed the national green mine improvement acceptance, and continued to maintain the national green mine honor, which fully demonstrated the Group's comprehensive strength in sustainable development of the mining industry. In recent years, the Group has successfully established an ecological industrial chain integrating agricultural product planting, fruit wine production and livestock breeding in the mine reclamation area. On the basis of the steady growth of the principal business of coal, the Company will develop the ancillary business of agriculture and animal husbandry to seek more profit returns for shareholders.

Moreover, the Group made substantial progress in its coal mine merger and acquisition project in Ningxia. On 27 January 2022 and 3 June 2022, Inner Mongolia Zhunge'er Kinetic Coal Limited ("**Kinetic Coal**"), an indirect wholly-owned subsidiary of the Group, successively entered into agreements with China Sunshine Investment Co., Ltd and Shougang Group Co., Ltd to acquire 49% and 51% equity interests in Ningxia Sunshine Mining Co., Ltd. ("**Ningxia Sunshine**"), respectively, so as to develop and operate Weiyi Coal Mine and Yongan Coal Mine located in Ningxia Hui Autonomous Region. On 27 June 2022, the 100% equity interests in Ningxia Sunshine were transferred to Kinetic Coal upon the completion of registration, and the acquisition has been approved by more than 50% of the shareholders in writing in lieu of general meeting. At present, the circular concerning the acquisition is pending approval by The Stock Exchange of Hong Kong Limited and is currently expected to be released on or before 15 September 2022. The acquisition will enable the Group to tap into coking coal business and break through the limitations from operating a single coal mine with a single coal type, which is an important part of the Group's long-term development strategy.

## **Future Prospects**

Looking forward to the second half of 2022, the development of the geo-political situation and the pandemic are still the main uncertainties, which is expected to disturb the growth of the global economy. The World Economic Outlook Report released by the International Monetary Fund in April 2022 predicted that the growth rate of global economy will decline to 3.6% in 2022. The PRC government is expected to maintain healthy and sound macroeconomic policies, continue its support for the real economy and stimulate domestic driving force, and China's economic growth is expected to pick up steadily in the second half of the year.

In terms of the coal market, the tight supply situation in the coal industry brought about by the supply-side reform to reduce overcapacity has not been significantly improved despite the support from the policies for expanding production and ensuring supply. The mismatch between supply and demand and the high prosperity in the industry may sustain for a long time. In addition, it is expected that safety and environmental protection will remain a stern focus for coal mines, which highlights quality development in the industry. Under this background, the position of high-quality coal companies in the industry is expected to be further enhanced under the influence of favourable factors such as increase in output and effective cost control, and the high coal prices will drive the rapid growth of their annual performance.

Looking forward to the second half of 2022, the Group will continue to adhere to its development philosophy of triple emphasis on safety, efficiency and environmental protection, further implement refined operation strategy, adapt to market trends and flexibly adjust the sales pace and strategy to effectively improve the Group's operating efficiency with the competitive advantages of its high-standard and high-quality products.

In addition, the Group will continue to promote strategic mergers and acquisitions to achieve diversified business development. The Group will strive to complete the final procedures as required under the Listing Rules for acquisition of Ningxia Sunshine on or before 15 September 2022, and replicate the existing operational advantages to the operation of Yongan Coal Mine and Weiyi Coal Mine in Ningxia, optimize product mix with multiple coal types, expand business presence and further increase profit growth points, thereby creating greater value for the society and shareholders.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue of the Group increased from approximately RMB2,285.8 million for the six months ended 30 June 2021 to approximately RMB3,010.0 million for the six months ended 30 June 2022, representing an increase of approximately 31.7% as compared with the corresponding period last year.

The increase in the Group's revenue was mainly due to the increase in the Group's selling price of the coal. The average selling price of the Group's 5,000 kcal coal products increased by approximately 39.2% for the six months ended 30 June 2022 as compared with the same period last year.

### **Cost of sales**

For the six months ended 30 June 2022, the Group incurred cost of sales of approximately RMB914.6 million as compared to the Group's cost of sales of approximately RMB990.6 million for the six months ended 30 June 2021. The cost of sales of the Group mainly comprised transportation costs, salaries of coal mine workers, costs of supplementary materials, fuel and electricity, depreciation, amortisation and surcharges of mining operations. The decrease in the Group's cost of sales was mainly attributable to the decrease in transportation costs.

### **Gross profit and gross profit margin**

For the six months ended 30 June 2022, the Group recorded a gross profit of approximately RMB2,095.3 million and a gross profit margin of approximately 69.6% as compared to the gross profit of approximately RMB1,295.2 million and the gross profit margin of approximately 56.7% for the six months ended 30 June 2021.

The increase in Group's gross profit margin for the six months ended 30 June 2022 was mainly attributable to the increase in the average selling price of the Group's coal products over the same period last year.

### **Selling expenses**

The Group's selling expenses increased from approximately RMB4.5 million for the six months ended 30 June 2021 to approximately RMB12.3 million for the six months ended 30 June 2022, representing an increase of 171.3% as compared with the corresponding period last year. The increase in the Group's selling expenses was mainly attributable to the increase in salaries of sales staff and marketing related expenses. The Group's selling expenses mainly comprised salaries of sales staff and marketing related expenses.

## Administrative expenses

The Group's administrative expenses increased from approximately RMB80.1 million for the six months ended 30 June 2021 to approximately RMB123.1 million for the six months ended 30 June 2022, representing an increase of 53.5% as compared with the corresponding period last year. The increase in the Group's administrative expenses was mainly attributable to the increase in staff cost during the reporting period. The Group's administrative expenses mainly comprised salaries and related personnel expenses of the administrative, finance and human resources departments, consultancy fees and other incidental administrative expenses.

## Finance costs

The Group's finance costs increased from approximately RMB3.8 million for the six months ended 30 June 2021 to approximately RMB10.9 million for the six months ended 30 June 2022, representing an increase of 185.8% as compared with the corresponding period last year. The increase in the Group's finance costs was mainly attributable to increase in average balance of interest-bearing liabilities and increase in interest rate during the period.

## Income tax expense

The major components of income tax expense in the consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax — Mainland China	596,715	344,044
Deferred income tax		
Reversal and origination of temporary differences	(23,991)	17,655
<b>Total tax expense for the period</b>	<b>572,724</b>	<b>361,699</b>

- (a) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Company and its subsidiary, Blue Gems Worldwide Limited and Porus Power Limited, are not subject to any income tax in the Cayman Islands and BVI, respectively.
- (b) PRC corporate income tax was provided at a rate of 25% (2021: 25%) on the taxable income of the companies comprising the Group, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

- (c) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if certain criteria are met. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. During the period, the Group provided for and paid withholding tax subject to a tax rate of 10%.

## **Profit for the period**

As a result of the foregoing, the Group recorded a consolidated net profit attributable to equity shareholders of the Company of approximately RMB1,365.3 million for the six months ended 30 June 2022, which increased substantially from the consolidated net profit attributable to equity shareholders of the Company of approximately RMB922.3 million for the six months ended 30 June 2021, representing an increase of 48.0% as compared with the corresponding period of last year. Net profit margin increased from 40.3% for the six months ended 30 June 2021 to 45.3% for the six months ended 30 June 2022.

## **Interim Dividends**

The Board proposed an interim dividend of 6.0 HK cents per share, payable to the shareholders of the Company on or before 30 November 2022. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to receive the proposed interim dividend will be further announced. The total amount of the interim dividend to be distributed is estimated to be approximately HKD505,800,000 (six months ended 30 June 2021: HKD463,650,000).

## **OTHER FINANCIAL INFORMATION**

### **Liquidity and Financial Resources**

For the six months ended 30 June 2022, the Group's cash at bank was mainly used for the development of the Group's Dafanpu Coal Mine and other business projects and for the proposed acquisitions, as well as repaying the debts of the Group and funding the Group's working capital. The Group financed its funding requirements mainly through a combination of interest-bearing bank loans and cash generated from operating activities. The Group's gearing ratio was approximately -3.9% as at 30 June 2022 as compared to the Group's gearing ratio of approximately -85.8% as at 31 December 2021. This ratio is calculated as net debt divided by capital plus net debt. Net debt is calculated as total borrowings less cash at bank. Capital is equivalent to the total equity.

As at 30 June 2022, the Group's cash at bank, amounting to approximately RMB1,438.7 million, were denominated in Renminbi (98.9%) and Hong Kong dollars (1.1%).

As at 30 June 2022 and 31 December 2021, the Group's secured bank loans were as follows:

	30 June 2022			31 December 2021		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
<b>Current</b>						
Bank loan — secured				1 month HIBOR plus 1.80%	2022	275,695
Bank loan — secured	1.70%	2022	198,574	—	—	—
Current portion of long-term bank loan — secured	5.00%	2023	300,000	—	—	—
			<u>498,574</u>			<u>275,695</u>
<b>Non-current</b>						
Long-term bank loan — secured	5.00%	2024	700,000	—	—	—
Long-term bank loans — secured	6.65%	2024	33,000	—	—	—
			<u>733,000</u>			<u>—</u>
			<u>1,231,574</u>			<u>275,695</u>

As at 30 June 2022, the Group's bank loan amounting to RMB198,574,000 was secured by the Group's pledged deposits amounting to RMB200,000,000.

As at 30 June 2022, the Group's bank loan amounting to RMB1,000,000,000 was jointly guaranteed by Mr. Zhang Li and Mr. Zhang Liang, Johnson and secured by the Group's pledged deposits amounting to RMB400,000,000 and the mining right of Dafanpu coal mine held by Kinetic Coal, of which RMB300,000,000 will be due within one year.

As at 30 June 2022, the Group's bank loans amounting to RMB33,000,000 was guaranteed by Kinetic Coal and Mr. Ju Wenzhong, a director of the Company.

### Capital Expenditures and Commitments

The Group incurred capital expenditure of approximately RMB1,124.3 million for the six months ended 30 June 2022, which was mainly used for the proposed acquisitions, the purchase of machinery and equipment of the Dafanpu Coal Mine, construction of other business projects and to obtain leased lands.

The Group's capital commitments as at 30 June 2022 amounted to approximately RMB1,366.7 million which will be mainly used in the acquisition, construction and purchase of mining machinery and properties.

## **Other commitment**

According to the Group's production plan in the coming few years, the underground extraction activities will go into corresponding agricultural land area currently occupied by various domestic households. As such, management of the Group have been liaising with those affected households for relocation requests and providing monetary compensation. As of 30 June 2022, the Group estimated the aggregate future compensation payable for such purpose to be approximately RMB20,713,000 and corresponding payments are still in negotiation.

## **Events after the Reporting Period**

The details of the events after the reporting period are disclosed in Note 24 to the financial information extracted from unaudited interim financial report. Save as disclosed in this announcement, the Group had no significant non-adjusting events subsequent to 30 June 2022.

## **Financial Risk Management**

### ***(a) Interest Rate Risk***

The Group's interest rate risk arises primarily from the bank loan with a floating interest rate. The bank loan with a floating interest rate exposes the Group to cash flow interest rate risk and borrowings issued at fixed rates exposes the Group to fair value interest rate risk. The Group did not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group did not use derivative financial instruments to hedge its debt obligations. Therefore, a change in interest rates at the end of the reporting period would affect profit or loss. The Board will continue to closely monitor the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

### ***(b) Foreign Currency Risk***

The Company and its subsidiaries are not exposed to significant foreign currency risk since their transactions and balances are principally denominated in their respective functional currencies. The Group did not enter into any financial instruments to hedge against foreign currency risk for the six months ended 30 June 2022.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities. The Group utilises cash flow forecast and other relevant information to monitor its liquidity requirements and to ensure the Group has sufficient cash to support its business and operational activities.

## **Human Resources and Emolument Policy**

As at 30 June 2022, the Group had a total of approximately 1,183 full-time employees in the Mainland China and Hong Kong, China. For the six months ended 30 June 2022, the total staff costs, including the directors' emoluments, amounted to RMB177.6 million.

The Group's emolument policies are formulated based on the performance and experience of employees and in line with the salary trends in the Mainland China and Hong Kong, China. Other employee benefits include performance-related bonuses, insurance and medical coverage and share options. Appropriate training programs are also provided to employees by the Group in order to ensure continuous training and development of employees.

## **OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

#### **Corporate Governance Code**

As the Company believes that good corporate governance is essential to the shareholders of the Company, the Board is committed to maintaining a high standard of corporate governance practices by placing strong emphasis on a quality Board, sound internal controls and effective accountability to the shareholders of the Company as a whole.

The Board is of the view that the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") for the six months ended 30 June 2022.

#### **Directors' and Relevant Employees' securities Transactions**

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 as its own code of conduct regarding directors' securities transactions.

All the directors of the Company have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the six months ended 30 June 2022.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with the written guidelines on terms no less exacting than the required standards set out in the Model Code. Each of the relevant employees has been given a copy of the written guidelines.

No incident of non-compliance with these guidelines by the relevant employees was identified by the Company.

### **Audit Committee**

The audit committee of the Company comprises two independent non-executive directors, namely Ms. Liu Peilian and Mr. Chen Liangnuan and one non-executive director, Ms. Zhang Lin. Ms. Liu Peilian is the chairlady of the Audit Committee, who possesses the appropriate professional qualification on accounting or related financial management expertise. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal control system. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2022.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website at <http://www.kineticme.com>. The interim report for 2022 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Kinetic Development Group Limited**  
**Ju Wenzhong**  
*Chairman and Executive Director*

18 August 2022

*As at the date of this announcement, the board of directors of the Company comprises seven directors, of whom three are executive directors, namely Mr. Ju Wenzhong (Chairman), Mr. Li Bo (Chief Executive Officer) and Mr. Ji Kunpeng; one is a non-executive director, namely Ms. Zhang Lin, and three are independent non-executive directors, namely Mr. Chen Liangnuan, Ms. Liu Peilian and Ms. Xue Hui.*