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河南金馬能源股份有限公司
HENAN JINMA ENERGY COMPANY LIMITED

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

Stock Code: 6885

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

FINANCIAL HIGHLIGHTS

Revenue	: RMB5,890.7 million
Profit for the period attributable to owners of the Company	: RMB43.2 million
Basic earnings per share	: RMB0.08
Interim dividend per share	: RMB0.05

RESULTS

The board of directors (the “**Board**”) of Henan Jinma Energy Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 together with comparative figures for the six months ended 30 June 2022.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	NOTES	Six months ended	
		30/06/2023	30/06/2022
		RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	3	5,890,693	6,528,836
Cost of sales		(5,674,501)	(5,703,674)
Gross profit		216,192	825,162
Other income	4	56,575	28,520
Other gains and losses	5	(18,121)	(7,267)
Impairment losses under expected credit loss ("ECL") model, net of reversal	6	–	3,071
Selling and distribution expenses		(119,492)	(115,015)
Administrative expenses		(75,771)	(80,865)
Finance costs	7	(59,189)	(38,439)
Share of result of a joint venture		8,728	12,760
Share of results of associates		(4,608)	1,216
Profit before tax	8	4,314	629,143
Income tax credit (expense)	9	25,297	(145,048)
Profit for the period		29,611	484,095
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value gain on:			
Bills receivables measured at fair value through other comprehensive income ("FVTOCI"), net of income tax		365	1,961
Total comprehensive income for the period		29,976	486,056
Profit (loss) for the period attributable to:			
– Owners of the Company		43,168	309,983
– Non-controlling interests		(13,557)	174,112
		29,611	484,095
Total comprehensive income for the period attributable to:			
– Owners of the Company		44,071	311,103
– Non-controlling interests		(14,095)	174,953
		29,976	486,056
Earnings per share (RMB)			
– Basic	11	0.08	0.58

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	<u>30/06/2023</u>	<u>31/12/2022</u>
		RMB'000	RMB'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	6,853,240	5,998,533
Right-of-use assets	12	376,994	326,462
Intangible assets	12	434,567	449,462
Goodwill		10,669	10,669
Interest in a joint venture		67,312	83,084
Interests in associates		95,361	99,969
Deferred tax assets	13	117,935	85,124
Deposit for acquisition of property, plant and equipment and right-of-use assets		28,047	70,851
		<u>7,984,125</u>	<u>7,124,154</u>
CURRENT ASSETS			
Inventories		434,685	571,078
Trade and other receivables	14	627,287	800,520
Tax recoverable		18,713	19,076
Amount due from a shareholder	15	42,355	70,490
Amounts due from related parties	16	36,281	78,389
Bills receivables at FVTOCI	17	1,302,273	1,065,648
Restricted bank balances	18	548,610	587,735
Bank balances and cash		792,136	913,992
		<u>3,802,340</u>	<u>4,106,928</u>
CURRENT LIABILITIES			
Borrowings	18	2,177,032	1,387,680
Trade and other payables	19	2,923,561	2,841,560
Contract liabilities		134,263	283,139
Lease liabilities		1,445	1,864
Tax payable		14,002	18,995
		<u>5,250,303</u>	<u>4,533,238</u>
NET CURRENT LIABILITIES		<u>(1,447,963)</u>	<u>(426,310)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,536,162</u>	<u>6,697,844</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	<u>30/06/2023</u>	<u>31/12/2022</u>
		RMB'000	RMB'000
		(unaudited)	(audited)
CAPITAL AND RESERVES			
Share capital		535,421	535,421
Reserves		2,975,860	2,978,560
Equity attributable to owners of the Company		3,511,281	3,513,981
Non-controlling interests		1,161,404	1,212,499
TOTAL EQUITY		<u>4,672,685</u>	<u>4,726,480</u>
NON-CURRENT LIABILITIES			
Borrowings	18	1,640,452	1,835,440
Payable for purchase of property, plant and equipment		97,946	–
Lease liabilities		2,330	2,693
Deferred revenue		19,542	20,644
Deferred tax liabilities	13	86,777	96,957
Perpetual loan		16,430	15,630
		<u>1,863,477</u>	<u>1,971,364</u>
		<u>6,536,162</u>	<u>6,697,844</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company								Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000 (Note i)	FVTOCI reserve RMB'000	Statutory surplus reserve fund RMB'000 (Note ii)	Retained profits RMB'000	Special reserve RMB'000 (Note iii)	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2023 (audited)	535,421	386,695	(7,611)	267,710	2,302,249	29,517	3,513,981	1,212,499	4,726,480
Profit (loss) for the period	-	-	-	-	43,168	-	43,168	(13,557)	29,611
Other comprehensive income (expense) for the period	-	-	903	-	-	-	903	(538)	365
Total comprehensive income (expense) for the period	-	-	903	-	43,168	-	44,071	(14,095)	29,976
Dividend declared (Note 10)	-	-	-	-	(26,771)	-	(26,771)	(37,000)	(63,771)
Obligation to acquire non-controlling interest of a subsidiary (Note (iv))	-	(20,000)	-	-	-	-	(20,000)	-	(20,000)
Transfer and utilisation	-	-	-	-	(4,747)	4,747	-	-	-
At 30 June 2023 (unaudited)	<u>535,421</u>	<u>366,695</u>	<u>(6,708)</u>	<u>267,710</u>	<u>2,313,899</u>	<u>34,264</u>	<u>3,511,281</u>	<u>1,161,404</u>	<u>4,672,685</u>
At 1 January 2022 (audited)	535,421	386,695	(8,084)	267,710	2,012,756	30,915	3,225,413	1,078,874	4,304,287
Profit for the period	-	-	-	-	309,983	-	309,983	174,112	484,095
Other comprehensive income for the period	-	-	1,120	-	-	-	1,120	841	1,961
Total comprehensive income for the period	-	-	1,120	-	309,983	-	311,103	174,953	486,056
Dividend declared (Note 10)	-	-	-	-	(107,084)	-	(107,084)	(14,700)	(121,784)
Transfer and utilisation	-	-	-	-	(5,322)	5,322	-	-	-
At 30 June 2022 (unaudited)	<u>535,421</u>	<u>386,695</u>	<u>(6,964)</u>	<u>267,710</u>	<u>2,210,333</u>	<u>36,237</u>	<u>3,429,432</u>	<u>1,239,127</u>	<u>4,668,559</u>

Notes:

- (i) The balance mainly comprises (i) reserves arose from shareholding reform of the Company prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2016 and (ii) the difference between the carrying amount of consideration paid and 25% of the net assets value of Shanghai Jinma Energy Co., Ltd. ("Shanghai Jinma") 上海金馬能源有限公司, a non-wholly owned subsidiary, when acquiring the non-controlling interest of Shanghai Jinma in year 2019.
- (ii) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the entities established in the PRC is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of the group entities) to the reserve fund (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the entity.
- (iii) The Company and its subsidiaries (collectively referred to as the "Group") is required to make appropriations based on its revenue in accordance with CaiQi [2012] No. 16 and CaiZi [2022] No. 136 "Administrative measures for the accrual and use of expenses for work safety by enterprises" that is issued by the Ministry of Finance and the Safety Production General Bureau. The reserve is for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders.
- (iv) On 26 June 2023, the Group has entered into an equity transfer agreement with Henan Hongkong (Jiyuan) Coking Group Co., Ltd. (豫港(濟源)焦化集團有限公司) ("Yugang Coking"), pursuant to which Yugang Coking has agreed to sell, and the Group has agreed to purchase additional 10% of the equity interest in Henan Jinrui Energy Co., Ltd. (河南金瑞能源有限公司), a subsidiary of the Company, at the consideration of RMB20.0 million. The non-controlling shareholder was still entitled to profits sharing until this equity transaction was settled on 14 August 2023. A liability of RMB20.0 million was initially recognised against the capital reserve and a prepayment of RMB10.0 million reduced the liability to the amount of RMB10.0 million as of 30 June 2023 (Note 19).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000 (unaudited)	RMB'000 (unaudited)
OPERATING ACTIVITIES		
Profit before tax	4,314	629,143
Adjustments for		
Interest income on bank deposits	(10,536)	(15,910)
Interest income on bills receivables at FVTOCI	(15,024)	(9,984)
Gain on disposal of property, plant and equipment	(84)	(120)
Depreciation of property, plant and equipment	160,229	125,921
Depreciation of right-of-use assets	5,781	5,447
Amortisation of intangible assets	14,895	22,926
Impairment losses under ECL model, net of reversal	–	(3,071)
Write-down of inventories	13,585	–
Share of results of associates	4,608	(1,216)
Share of result of a joint venture	(8,728)	(12,760)
Finance costs	59,189	38,439
Release of assets-related government subsidies	(1,102)	(1,102)
Fair value changes from financial assets at fair value through profit or loss ("FVTPL")	–	(93)
Interest received on execution of a judgment	(28,302)	–
Net foreign exchange loss (gain)	310	(254)
Operating cash flows before movements in working capital	199,135	777,366
Decrease in inventories	122,808	57,764
Increase in bills receivables at FVTOCI	(221,223)	(384,957)
Decrease in financial assets at FVTPL	–	18,093
Decrease in trade and other receivables	213,733	108,185
Decrease (increase) in amount due from a shareholder	28,135	(93,312)
Decrease (increase) in amounts due from related parties	42,108	(21,457)
Decrease (increase) in trade and other payables	(219,439)	394,690
Increase in amount due to a related party	–	359
Decrease in contract liabilities	(148,876)	(38,461)
Cash generated from operations	16,381	818,270
Income tax paid	(22,337)	(109,983)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(5,956)	708,287

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
INVESTING ACTIVITIES		
Interest received	10,536	15,910
Dividend received from a joint venture	24,500	4,900
Purchase of property, plant and equipment	(555,444)	(615,687)
Deposit for acquisition of property, plant and equipment	(28,047)	(166,112)
Refundable deposit received from constructors	1,225	5,912
Refundable deposit returned to constructors	(4,500)	(5,542)
Purchase of intangible assets	–	(392,800)
Refund of deposit for acquisition of property, plant and equipment and intangible assets	–	50,000
Proceeds from disposal of property, plant and equipment	654	516
Loans to other companies	(40,500)	–
Interest received on execution of a judgment	28,302	–
Purchase of right-of-use assets	(16,313)	–
Payment for acquisition of a business in prior year	–	(425)
Investments in an associate	–	(98,000)
Placement of restricted bank balances	(727,104)	(833,622)
Withdrawal from restricted bank balances	766,229	905,021
NET CASH USED IN INVESTING ACTIVITIES	(540,462)	(1,129,929)
FINANCING ACTIVITIES		
Interest paid	(106,339)	(49,213)
New borrowings raised	1,241,309	1,371,432
Repayment of borrowings	(646,945)	(593,249)
Repayments of lease liabilities	(782)	(1,101)
Deposit for acquisition of non-controlling interest of a subsidiary	(10,000)	–
Dividends paid	(27,188)	–
Dividends paid to non-controlling interests of subsidiaries	(25,600)	(14,700)
NET CASH FROM FINANCING ACTIVITIES	424,455	713,169
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(121,963)	291,527
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	913,992	576,951
Effect of foreign exchange rate changes	107	254
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by:		
Bank balances and cash	792,136	868,732

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

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

As at 30 June 2023, the Group had net current liabilities of approximately RMB1,447,963,000. In addition, there were outstanding capital commitments amounting to RMB807,391,000 (Note 20). The directors of the Company (the “Directors”) are of the opinion that, taking into account the current operation of the Group as well as undrawn banking facilities (Note 18) available to the Group, the Group has sufficient working capital to enable it to meet in full its financial obligations as and when they fall due in the coming twelve months from the end of the interim reporting period. Therefore, these condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial assets, which are measured at fair value.

Other than change in accounting policies resulting from application of amendments to IAS 12 in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

Segments*	For the six months ended 30 June 2023 (unaudited)						Total RMB'000
	Coke RMB'000	Coking by-products RMB'000	Refined chemicals RMB'000	Energy products RMB'000	Trading RMB'000	Other services RMB'000	
Types of goods or service							
<i>Sales of goods</i>							
Coke	4,239,373	-	-	-	247,594	-	4,486,967
Ammonium sulphate	-	14,735	-	-	-	-	14,735
Benzene based chemicals	-	96,681	647,289	-	-	-	743,970
Coal tar based chemicals	-	215,634	392,781	-	378	-	608,793
Coal gas	-	-	-	443,080	-	-	443,080
Liquefied natural gas ("LNG")	-	-	-	163,662	49,227	-	212,889
Coal	-	-	-	-	322	-	322
Refined oil	-	-	-	-	84,210	-	84,210
Others	-	11,552	-	50,089	6,054	3,250	70,945
	<u>4,239,373</u>	<u>338,602</u>	<u>1,040,070</u>	<u>656,831</u>	<u>387,785</u>	<u>3,250</u>	<u>6,665,911</u>
<i>Providing services</i>							
Trading agency	-	-	-	-	2,252	-	2,252
Energy supply	-	-	-	87,141	-	114,610	201,751
Others	-	-	-	-	-	25,054	25,054
	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,141</u>	<u>2,252</u>	<u>139,664</u>	<u>229,057</u>
Total	<u>4,239,373</u>	<u>338,602</u>	<u>1,040,070</u>	<u>743,972</u>	<u>390,037</u>	<u>142,914</u>	<u>6,894,968</u>

* Each of segments are defined in segment information as follows.

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the six months ended 30 June 2023 (unaudited)		
	Segment revenue RMB'000	Eliminations RMB'000	Consolidated RMB'000
Coke	4,239,373	-	4,239,373
Coking by-products	338,602	312,315	26,287
Refined chemicals	1,040,070	14,354	1,025,716
Energy products	743,972	340,880	403,092
Trading	390,037	211,367	178,670
Other services	142,914	125,359	17,555
Revenue from contracts with customers	<u>6,894,968</u>	<u>1,004,275</u>	<u>5,890,693</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (continued)

Disaggregation of revenue from contracts with customers (continued)

Segments*	For the six months ended 30 June 2022 (unaudited)						
	Coking	Refined	Energy		Other		Total
	Coke	by-products	chemicals	products	Trading	services	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service							
<i>Sales of goods</i>							
Coke	4,465,198	-	-	-	571,491	-	5,036,689
Ammonium sulphate	-	21,436	-	-	-	-	21,436
Benzene based chemicals	-	109,842	658,701	-	-	-	768,543
Coal tar based chemicals	-	216,963	403,016	-	-	-	619,979
Coal gas	-	-	-	385,792	-	-	385,792
LNG	-	-	-	192,694	40,009	-	232,703
Coal	-	-	-	-	19,370	-	19,370
Refined oil	-	-	-	-	27,507	-	27,507
Others	-	12,000	-	46,207	31,314	2,733	92,254
	<u>4,465,198</u>	<u>360,241</u>	<u>1,061,717</u>	<u>624,693</u>	<u>689,691</u>	<u>2,733</u>	<u>7,204,273</u>
<i>Providing services</i>							
Trading agency	-	-	-	-	21,488	-	21,488
Energy supply	-	-	-	6,700	-	91,803	98,503
Others	-	-	-	-	-	24,387	24,387
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,700</u>	<u>21,488</u>	<u>116,190</u>	<u>144,378</u>
Total	<u>4,465,198</u>	<u>360,241</u>	<u>1,061,717</u>	<u>631,393</u>	<u>711,179</u>	<u>118,923</u>	<u>7,348,651</u>

* Each of segments are defined in segment information as follows.

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the six months ended 30 June 2022 (unaudited)		
	Segment revenue	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000
Coke	4,465,198	521	4,464,677
Coking by-products	360,241	326,805	33,436
Refined chemicals	1,061,717	15,320	1,046,397
Energy products	631,393	275,098	356,295
Trading	711,179	96,091	615,088
Other services	118,923	105,980	12,943
Revenue from contracts with customers	<u>7,348,651</u>	<u>819,815</u>	<u>6,528,836</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (continued)

Performance obligations for contracts with customers

The Group is mainly engaged in the production and sales of coke, coking by-products and derivative chemical products, coal gas, LNG, trading of coke and coal and provision of Other Services (as defined below), for which revenue is recognised at point in time.

For sales of and trading as a principal of coke, coking by-products, refined chemicals and energy products, revenue is recognised when control of the products has transferred, being when the products have been delivered to the location specified in the sales contract. Following the delivery, the customer has the ability to direct the use of the products and bears the risks of obsolescence and loss in relation to the products.

For trading of coke and coal as an agent, revenue is recognised at a point in time when the agent service has been completed, being when the goods have been delivered from the suppliers to the customers, and collectability of the related receivables is reasonably assured.

In general, for some customers with long-term relationships, the normal credit term is 30 to 60 days upon delivery. For other general customers, non-refundable prepayment from these customers is required in advance according to the contracts entered and recognised as a contract liability until the products have been delivered to the customer.

Performance obligation of sales of goods or providing services is part of a contract that has an original expected duration of one year or less. Applying the practical expedient in IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

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

The Group's operating segments under IFRS 8 "Operating Segments" are (i) sales of coke ("Coke"), (ii) sale of coking by-products, mainly ammonium sulphate ("Coking by-products"), (iii) sales of refined chemicals, mainly benzene based chemicals and coal tar based chemicals ("Refined chemicals"), (iv) sales of energy products, mainly coal gas, electricity and LNG ("Energy products"), (v) trading of coke, coal, refined oil and mining equipment ("Trading"), and (vi) provision of other business including but not limited to provision of steam, water, catering and fire prevention and management services ("Other Services").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results

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

	Sales of goods						Total RMB'000
	Coke	Coking	Refined	Energy	Trading	Other	
	RMB'000	by-products RMB'000	chemicals RMB'000	products RMB'000	RMB'000	Services RMB'000	
For the six months ended 30 June 2023 (unaudited)							
External sales							
– contracts with customers	4,239,373	26,287	1,025,716	403,092	178,670	17,555	5,890,693
Inter-segment sales							
– contracts with customers	–	312,315	14,354	340,880	211,367	125,359	1,004,275
	<u>4,239,373</u>	<u>338,602</u>	<u>1,040,070</u>	<u>743,972</u>	<u>390,037</u>	<u>142,914</u>	<u>6,894,968</u>
Segment results	<u>155,169</u>	<u>(399)</u>	<u>(11,811)</u>	<u>50,763</u>	<u>17,240</u>	<u>5,995</u>	216,957
Other income							56,575
Other gains and losses							(18,121)
Selling and distribution expenses							(119,492)
Administrative expenses							(75,771)
Finance costs							(59,189)
Share of result of a joint venture							8,728
Share of results of associates							(4,608)
Unallocated expenses							<u>(765)</u>
Profit before tax							<u>4,314</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Sales of goods						Total RMB'000
	Coke	Coking	Refined	Energy	Trading	Other	
	RMB'000	by-products RMB'000	chemicals RMB'000	products RMB'000	RMB'000	Services RMB'000	
For the six months ended							
30 June 2022 (unaudited)							
External sales							
– contracts with customers	4,464,677	33,436	1,046,397	356,295	615,088	12,943	6,528,836
Inter-segment sales							
– contracts with customers	521	326,805	15,320	275,098	96,091	105,980	819,815
	<u>4,465,198</u>	<u>360,241</u>	<u>1,061,717</u>	<u>631,393</u>	<u>711,179</u>	<u>118,923</u>	<u>7,348,651</u>
Segment results	<u>678,722</u>	<u>13,030</u>	<u>56,278</u>	<u>50,982</u>	<u>30,864</u>	<u>3,944</u>	833,820
Other income							28,520
Other gains and losses							(7,267)
Impairment losses, under ECL model, net of reversal							3,071
Selling and distribution expenses							(115,015)
Administrative expenses							(80,865)
Finance costs							(38,439)
Share of result of a joint venture							12,760
Share of results of associates							1,216
Unallocated expenses							(8,658)
Profit before tax							<u>629,143</u>

Entity-wide disclosures

Geographical information

During the six months ended 30 June 2023 and 2022, all of the Group's revenue from external customers were generated from the PRC whereas all non-current assets are located in the PRC as at 30 June 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. OTHER INCOME

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest received on execution of a judgment (Note (i))	28,302	–
Interest income on bank deposits	10,536	15,910
Interest income on bills receivables at FVTOCI	15,024	9,984
Release of asset-related government subsidies	1,102	1,102
Rental income	550	410
Government grants (Note (ii))	749	154
Others	312	960
	56,575	28,520

Notes:

- (i) In November 2021, the Group brought legal claim against Huozhou Coal Power Group Hongtong Yilong Co., Ltd. (“Yilong Coal”) demanding for repayment of the loan amounting to RMB60,940,000 and accrued interest. In March 2022, the Higher People’s Court of Henan Province ordered Yilong Coal to repay the Group the entire amount of loan and the interest accrual. During the current interim period, the Group received interest of RMB28,302,000.
- (ii) The amounts represent the subsidies received from the local governments for the Group’s local business development, there were no unfulfilled conditions in the periods in which they were recognised.

5. OTHER GAINS AND LOSSES

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain on fair value changes from financial assets at FVTPL	–	93
Net loss arising on bills receivables at FVTOCI	(20,421)	(13,419)
Gain on disposal of property, plant and equipment	84	120
Gain on disposal of scrap	879	5,633
Foreign exchange (loss) gain, net	(310)	254
Others	1,647	52
	(18,121)	(7,267)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment losses under expected credit loss model, net of reversal, recognised on trade receivables	–	3,071

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

During the current interim period, the Group recognised the impairment allowance of nil (for the six months ended 30 June 2022: nil and RMB73,000, respectively) on trade receivables and other receivables.

During the current interim period, the Group reversed the impairment allowance of nil (for the six months ended 30 June 2022: RMB3,144,000), upon collection of the receivables.

During the current interim period, the Group wrote off trade receivable of RMB301,000 (for the six months ended 30 June 2022: nil), due to no realistic prospect of recovery.

7. FINANCE COSTS

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expense on:		
– bank borrowings	103,208	49,204
– other borrowing	3,702	–
– lease liabilities	116	107
– perpetual loan	800	–
	107,826	49,311
Less: amounts capitalised in property, plant and equipment	(48,637)	(10,872)
	59,189	38,439
Capitalisation rate – per annum	4.88%	4.49%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

8. PROFIT BEFORE TAX

Profit before tax for the period has been arrived at after charging the following items:

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Staff costs		
Directors' and supervisors' remuneration	1,191	996
Other staff costs	119,490	101,183
Other staffs' benefit	11,421	8,586
	132,102	110,765
Capitalised in inventories	(99,660)	(72,726)
Capitalised in property, plant and equipment	(3,463)	(11,157)
	28,979	26,882
Depreciation of property, plant and equipment	160,229	125,921
Capitalised in inventories	(154,111)	(119,517)
	6,118	6,404
Depreciation of right-of-use assets	5,781	5,447
Capitalised in property, plant and equipment	(633)	(502)
	5,148	4,945
Amortisation of intangible assets included in		
– cost of sales	14,895	12,863
– administrative expenses	–	10,063
Cost of inventories recognised as expenses (including write-down of inventories amounting to RMB13,585,000 (2022: nil))	5,673,736	5,695,016

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

9. INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax		
– current tax	32,913	175,116
– (over-provision) under-provision in prior year	(15,206)	2,494
– deferred tax (Note 13)	(43,004)	(32,562)
	<u>(25,297)</u>	<u>145,048</u>

10. DIVIDEND

On 23 May 2022, a final dividend in respect of the year ended 31 December 2021 of RMB0.20 per share, in an aggregate amount of RMB107,084,000, was declared by the Company. Such dividend included in dividend payable as at 30 June 2022 has been fully settled in July 2022.

On 22 May 2023, a final dividend in respect of the year ended 31 December 2022 of RMB0.05 per share, in an aggregate amount of RMB26,771,000, was declared by the Company. Such dividend had been fully settled in June 2023.

Subsequent to the end of the current interim period, an interim dividend of RMB0.05 per share, amounting to RMB26,771,000 in aggregate, has been proposed by the directors of the Company (2022 interim dividend of RMB0.05 per share, amounting to RMB26,771,000 in aggregate).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

11. EARNINGS PER SHARE

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

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>43,168</u>	<u>309,983</u>
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>535,421</u>	<u>535,421</u>

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

12. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the current interim period, the construction in progress of the Group increased by approximately RMB984,892,000, mainly including coking equipment upgrading project increased by RMB823,681,000 (for the six months ended 30 June 2022: RMB914,033,000), and other property, plant and equipment increased by RMB30,614,000 (for the six months ended 30 June 2022: RMB14,304,000) in order to upgrade its manufacturing capabilities.

Carrying amounts of property, plant and equipment of approximately RMB570,000 was disposed of during the current period mainly including supporting equipment (for the six months ended 30 June 2022: RMB396,000).

During the six months ended 30 June 2023 the Group acquired right-of-use assets of RMB56,313,000 (for the six months ended 30 June 2022: Nil) in respect of leasehold land.

Impact of variable lease payments is immaterial to the Group.

During the six months ended 30 June 2023, the Group acquired intangible assets of nil (for the six months ended 30 June 2022: RMB301,887,000 in respect of coke capacity).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. DEFERRED TAX ASSETS/LIABILITIES

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

	Allowance for inventories	ECL provision	Accelerated tax depreciation and temporary difference on deductible expenses	Fair value change of bills at FVTOCI and receivables assets at FVTPL	Unrealised profits	Fair value adjustments upon acquisition of business	Deferred revenue	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	655	12,534	(29,265)	2,738	36,401	(9,763)	5,712	-	19,012
(Charge) credit to profit or loss	(655)	(768)	(613)	(141)	32,890	2,124	(275)	-	32,562
Charge to the comprehensive income	-	-	-	(654)	-	-	-	-	(654)
At 30 June 2022 (unaudited)	-	11,766	(29,878)	1,943	69,291	(7,639)	5,437	-	50,920
Credit (charge) to profit or loss	3,507	(11,437)	(68,813)	928	4,526	1,959	(276)	6,187	(63,419)
Credit to the comprehensive income	-	-	-	666	-	-	-	-	666
At 31 December 2022(audited)	3,507	329	(98,691)	3,537	73,817	(5,680)	5,161	6,187	(11,833)
(Charge) credit to profit or loss	(111)	(75)	(46,945)	(1,344)	2,351	1,238	(275)	88,165	43,004
Charge to the comprehensive income	-	-	-	(13)	-	-	-	-	(13)
At 30 June 2023 (unaudited)	3,396	254	(145,636)	2,180	76,168	(4,442)	4,886	94,352	31,158

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30/06/2023	31/12/2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Deferred tax assets	117,935	85,124
Deferred tax liabilities	(86,777)	(96,957)
	31,158	(11,833)

As at 30 June 2023, the Group had unused tax losses of RMB377,892,000 (31 December 2022: RMB25,324,000) available to offset against future profits. Deferred tax assets of RMB88,165,000 (2022: RMB6,187,000) has been recognised during the interim period in respect of increase in tax losses of RMB352,660,000 (2022: RMB24,748,000). All tax losses will expire within 5 years from the year of origination.

At 30 June 2023 and 31 December 2022, the Group had no other material unrecognised deductible temporary differences.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

14. TRADE AND OTHER RECEIVABLES

	<u>30/06/2023</u>	31/12/2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables – contract with customers	255,371	171,744
Less: Allowance for ECL	–	(301)
	<u>255,371</u>	<u>171,443</u>
Other receivables	2,036	2,314
Less: Allowance for ECL	(73)	(73)
	<u>1,963</u>	<u>2,241</u>
Loans to other companies (Note)	40,500	–
Prepayments to suppliers	201,097	322,777
Prepaid other taxes and charges	127,811	303,195
Refundable deposits to suppliers	545	864
Total trade and other receivables	<u>627,287</u>	<u><u>800,520</u></u>

Note: Amounts of RMB20,500,000 being interest free and of RMB20,000,000 bearing an annual interest of 5% are loaned to two independent third parties during the current interim period, with a repayment schedule of less than one year.

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:

	<u>30/06/2023</u>	31/12/2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 90 days	232,588	171,149
91 – 180 days	8,108	–
181 – 365 days	14,381	204
More than 1 year	294	90
	<u>255,371</u>	<u><u>171,443</u></u>

The normal credit term to the customers is ranged between 30 to 60 days. As at 30 June 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of nil (31 December 2022: RMB595,000) which are past due less than 90 days as at the reporting date is considered as not in default because the customers show no financial difficulties and repaid receivables continuously during the current interim period. At 30 June 2023, trade receivables of RMB294,000 has been past due over 90 days or more and is not considered as in default because there had not been significant change in credit quality and the amounts are considered recoverable (31 December 2022: RMB301,000 has been past due 90 days or more and all of which is considered as in default and impairment allowance of RMB301,000 was recognised accordingly).

The Group does not hold any collateral over these balances. Details of impairment assessment of trade receivables are set out in Note 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

15. AMOUNT DUE FROM A SHAREHOLDER

	<u>30/06/2023</u>	<u>31/12/2022</u>
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade nature		
Maanshan Iron & Steel Company Limited ("Maanshan Steel") 馬鞍山鋼鐵股份有限公司	<u>42,355</u>	<u>70,490</u>

The amounts in trade nature are receivables from contracts with customers.

The normal credit term is 30 to 60 days. The amount due from a shareholder in trade nature is aged within 90 days based on invoice date, none of the balance is past due as at 30 June 2023 and 31 December 2022.

The Group does not hold any collateral over these balances and these balances are unsecured and interest-free.

16. AMOUNTS DUE FROM RELATED PARTIES

	<u>30/06/2023</u>	<u>31/12/2022</u>
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade nature		
Jiangxi PXSteel Industrial Co., Ltd.'s ("Jiangxi PXSteel") subsidiaries (Note i)	35,657	45,375
Xiamen Jinma ITG Co., Ltd. (Note ii)	–	32,640
Jiyuan Fangsheng Chemicals Co., Ltd. ("Fangsheng Chemicals") 濟源市方升化學有限公司(Note iii)	<u>624</u>	<u>374</u>
	<u>36,281</u>	<u>78,389</u>

Notes:

- (i) Jiangxi PXSteel is one of the shareholders of the Company. The balance is receivables from contracts with customers.
- (ii) The balance is prepayment for purchase of coal.
- (iii) The entity is controlled by a shareholder of the Company. The balance is prepayment for purchase of materials.

The normal credit term is 30 to 60 days. The amounts due from related parties (excluding prepayment for purchase of goods) are aged within 90 days based on invoice date, none of the balance is past due as at 30 June 2023 and 31 December 2022.

The Group does not hold any collateral over these balances and these balances are unsecured and interest-free.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

17. BILLS RECEIVABLES AT FVTOCI

	<u>30/06/2023</u>	<u>31/12/2022</u>
	RMB'000	RMB'000
	(unaudited)	(audited)
Bills receivables at FVTOCI	<u>1,302,273</u>	<u>1,065,648</u>

Under IFRS 9, certain bills which were held by the Group for the practice of discounting/endorsing to financial institutions/suppliers before the bills due for payment were classified as “bills receivables at FVTOCI”. At 30 June 2023 and 31 December 2022, all the bills are with a maturity period of less than one year.

The Group considers the credit risk is limited because counterparties are banks with good credit standing and are highly likely to be paid, and the ECL are considered as insignificant.

18. BORROWINGS

	<u>30/06/2023</u>	<u>31/12/2022</u>
	RMB'000	RMB'000
	(unaudited)	(audited)
Bank borrowings	3,817,484	3,143,120
Other borrowing (Note)	–	80,000
	<u>3,817,484</u>	<u>3,223,120</u>
Secured	2,135,452	1,891,040
Unsecured	1,682,032	1,332,080
	<u>3,817,484</u>	<u>3,223,120</u>
Fixed-rate borrowings	2,003,915	2,006,491
Floating-rate borrowings	1,813,569	1,216,629
	<u>3,817,484</u>	<u>3,223,120</u>
Carrying amount repayable:		
Within one year	2,177,032	1,387,680
More than one year, but not more than two years	823,546	771,747
More than two years, but not more than five years	816,906	1,063,693
	<u>3,817,484</u>	<u>3,223,120</u>
Less: Amount shown under current liabilities	<u>(2,177,032)</u>	<u>(1,387,680)</u>
Amount due after one year shown under non-current liabilities	<u>1,640,452</u>	<u>1,835,440</u>

Note: This borrowing was borrowed from an independent third party for a period of 6 months at an interest rate of 12% per annum with no collateral. During the current interim period, the Group has repaid this borrowing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

18. BORROWINGS (continued)

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

	Six months ended 30/06/2023 (unaudited)	Year ended 31/12/2022 (audited)
Effective interest rate:		
– Fixed-rate borrowings	3.70%-6.00%	3.70%-6.30%
– Floating-rate borrowings	2.80%-5.60%	3.62%-5.60%

As at 30 June 2023, the Group had unutilised bank facilities of approximately RMB637,756,000 (As at 31 December 2022: RMB629,371,000).

Pledge of assets

At the end of the reporting period, the Group had pledged the following assets to banks as securities against general banking facilities, including banks borrowings and bills payables granted to the Group:

	30/06/2023 RMB'000 (unaudited)	31/12/2022 RMB'000 (audited)
Right-of-use assets	202,588	211,510
Restricted bank balances	548,610	587,735
Bills receivables at FVTOCI	531,596	205,198
Property, plant and equipment (Note)	4,168,236	2,790,127
	5,451,030	3,794,570

Note: As at 30 June 2023, carrying amounts of property, plant and equipment of approximately RMB4,032,274,000 (31 December 2022: RMB2,648,239,000) was pledged to banks as securities but no hypothecation has been established.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

19. TRADE AND OTHER PAYABLES

	<u>30/06/2023</u>	31/12/2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade payables	452,080	732,017
Bills payables	1,162,150	1,057,580
	1,614,230	1,789,597
Salaries and wages payables	14,622	31,831
Other tax payables	29,926	46,696
Consideration payable for purchase of property, plant and equipment	1,211,397	928,769
Obligation arising from acquisition of non-controlling interest of a subsidiary	10,000	–
Interest payable	5,709	5,022
Accruals	2,932	12,267
Dividend payables	11,400	–
Consideration payable for acquisition of business	3,222	3,222
Refundable deposit from suppliers	12,775	16,050
Other payables	7,348	8,106
	1,309,331	1,051,963
	2,923,561	2,841,560

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

	<u>30/06/2023</u>	31/12/2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 90 days	1,067,124	1,139,065
91 – 180 days	519,054	568,947
181 – 365 days	17,758	70,330
Over 1 year	10,294	11,255
	1,614,230	1,789,597

At the end of the reporting period, the Group's bills payables were issued by banks with maturities within 1 year and were secured by the Group's restricted bank balances and bills receivables at FVTOCI.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

20. CAPITAL COMMITMENTS

	<u>30/06/2023</u>	<u>31/12/2022</u>
	RMB'000	RMB'000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the Group's condensed consolidated financial statements in respect of acquisition of – property, plant and equipment	<u>807,391</u>	<u>1,133,486</u>

21. TRANSFER OF FINANCIAL ASSETS

The Group (i) endorsed certain bills receivables for the settlement of trade and other payables; and (ii) discounted certain bills receivables to banks for raising of cash. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because endorsed and discounted bills receivables are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were derecognised on the condensed consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivables at the end of the reporting period are as follows:

	<u>30/06/2023</u>	<u>31/12/2022</u>
	RMB'000	RMB'000
	(unaudited)	(audited)
Endorsed bills for settlement of payables	2,523,197	2,885,122
Discounted bills for raising cash	<u>1,064,806</u>	<u>1,363,804</u>
Outstanding endorsed and discounted bills receivables with recourse	<u>3,588,003</u>	<u>4,248,926</u>

The outstanding endorsed and discounted bills receivables are with maturities no more than 6 months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30/06/2023	31/12/2022		
	(unaudited)	(audited)		
Bills receivables at FVTOCI	Assets- RMB1,302,273,000	Assets- RMB1,065,648,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.

There were no transfer between Level 1 and 2 during both interim periods.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management considers that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the condensed consolidated financial statements approximate their fair values.

23. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and related parties are disclosed below.

(a) Transactions with related parties

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000 (unaudited)	RMB'000 (unaudited)
Sales of products and services to:		
Jiangxi PXSteel's subsidiaries	992,136	1,112,279
Maanshan Steel	377,761	645,700
Henan Jinjiang Refinery Co., Ltd. ("Jinjiang Refinery") 河南金江炼化有限公司 (Note)	78,747	63,258

Note: Jinjiang Refinery is a joint venture of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

23. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Purchase of raw materials and services:		
Fangsheng Chemicals	6,054	3,612
Jinjiang Refinery	3,474	4,315

(b) Compensation and key management personnel

The remuneration of key management personnel of the Group during the periods was as follows:

	Six months ended	
	30/06/2023	30/06/2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and allowance	2,797	2,312
Retirement benefit scheme contributions	162	136

Key management represents the directors of the Company and other senior management personnel of the Group. The remuneration of key management is determined with reference to the performance of the Group and the individuals.

24. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 13 July 2023, the Group announced entering into an equity transfer agreement with the shareholders of Henan Yurui Chemical Technology Company Limited (“Yurui Chemical”) 河南宇銳化工科技有限公司, pursuant to which the Group has agreed to purchase 100% of the equity interest in Yurui Chemical, at an aggregate consideration of RMB66,000,000 which was determined after arm’s length negotiations. The acquisition has not been completed at the end of the current interim period.

Yurui Chemical is a company established in the PRC with limited liability and ceased its operation since April 2021. Both Yurui Chemical and its shareholders are not related party of the Group. The acquisition of Yurui Chemical, together with the relevant land and buildings which are located at the industrial area of the Group and adjacent to the existing production facilities of the Group, is beneficial to the Group’s future expansion plan.

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, coke, LNG and nonferrous materials mainly through the Group's trading company. As a continuing effort in extending the Group's vertical integration business model and expanding the Group's product portfolio along the coking chemical value chain, the Group has actively engaged in and developed the business of the production and sale of LNG and hydrogen recently. The Group's production value chain has expanded to higher-end new energy product following the research and development as well as investment in hydrogen.

In the first half of 2023, 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 by-products;
- **Energy products:** which involves the processing of coking furnace crude gas into coal gas, extraction of LNG from coal gas and sale of coal gas and LNG; in addition, hydrogen is also extracted from coal gas for sale, and heat generated from the coking furnaces is utilized to produce electricity for sale; and
- **Trading:** which mainly involves the trading of coal, coke, and nonferrous materials.

The Board believes that as China aims to hit peak emissions of carbon dioxide and for carbon neutrality which bring changes to the economic and social development mode, the coking coal industry in China will continue with its supply-side reform and speed up its industry consolidation as well as structural improvement and reform. In addition, the refined chemicals and energy products segment of business will strengthen its competitiveness by means of product line extension and technological development. All of these will bring new opportunities to the Group's long-term business development and growth. The Company will continue to seize the market opportunity to achieve a stable improvement in the Group's results through continuous investment in production process and environmental protection facilities, constantly improve the standard of serving the iron and steel and chemical industry in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change RMB million
	2023 RMB million (unaudited)	2022 RMB million (unaudited)	
Revenue	5,890.7	6,528.8	(638.1)
Gross profit	216.2	825.2	(609.0)
Profit for the period	29.6	484.1	(454.5)
Basic earnings per share (in RMB)	0.08	0.58	(0.50)
Interim dividend per share (in RMB)	0.05	0.05	0.00
Gross profit margin	3.7%	12.6%	(8.9%)
Net profit margin	0.5%	7.4%	(6.9%)
	As at	As at	
	30 June	31 December	
	2023	2022	Change
	RMB million	RMB million	RMB million
	(unaudited)	(audited)	
Total assets	11,786.5	11,231.1	555.4
Total equity	4,672.7	4,726.5	(53.8)

MANAGEMENT DISCUSSION AND ANALYSIS

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 condition, 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 coke, coal, nonferrous materials and LNG trading increase when economic conditions recover. The market price for the coke recovered substantially in 2016, continued to remain stable from 2017 to 2019, and rose again from mid-2020 to early 2022. Afterwards, however, due to the impact of the ongoing geopolitical conflicts in Eastern Europe and the Novel Coronavirus (COVID-19) pandemic on the international and Chinese economy, coke price entered a downward trajectory but stabilized gradually and slightly rebound at the beginning of the third quarter of 2023. The Group's results of operations, working capital position, as well as operating cash flow changed correspondingly as a result.

Sale of the Group's products of coke, LNG and refined chemicals 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 and LNG is mainly provided for the use in production in surrounding industrial parks and for supplying gas to logistics customers, heavy trucks and buses at gas stations. Coking refined chemicals are often taken as cost-competitive substitutes for petroleum-based refined chemicals in China. As China 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 factors applicable to individual customers. Market forces of supply and demand generally determine the pricing of the Group's products. Historically, market prices of 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;

MANAGEMENT DISCUSSION AND ANALYSIS

- 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 the first six months of 2023 and the year of 2022 according to the Group's internal records.

	For the first six months of 2023	2022
	Average selling price⁽¹⁾	Average selling price ⁽¹⁾
	RMB/ton (except coal gas, in RMB/m³)	RMB/ton (except coal gas, in RMB/m ³)
Coke	2,323.33	2,768.78
Coke	2,460.26	2,930.02
Coke breeze	1,330.71	1,625.88
Refined Chemicals		
Benzene based chemicals	6,170.33	7,102.14
Pure benzene	6,290.09	7,171.24
Toluene	6,410.55	6,505.35
Coal tar based chemicals	4,599.40	5,333.80
Coal asphalt	5,007.55	5,795.35
Anthracene oil	4,056.54	4,824.56
Industrial naphthalene	4,894.24	4,757.89
Energy Products		
Coal gas	0.82	0.74
LNG	4,518.85	6,128.70

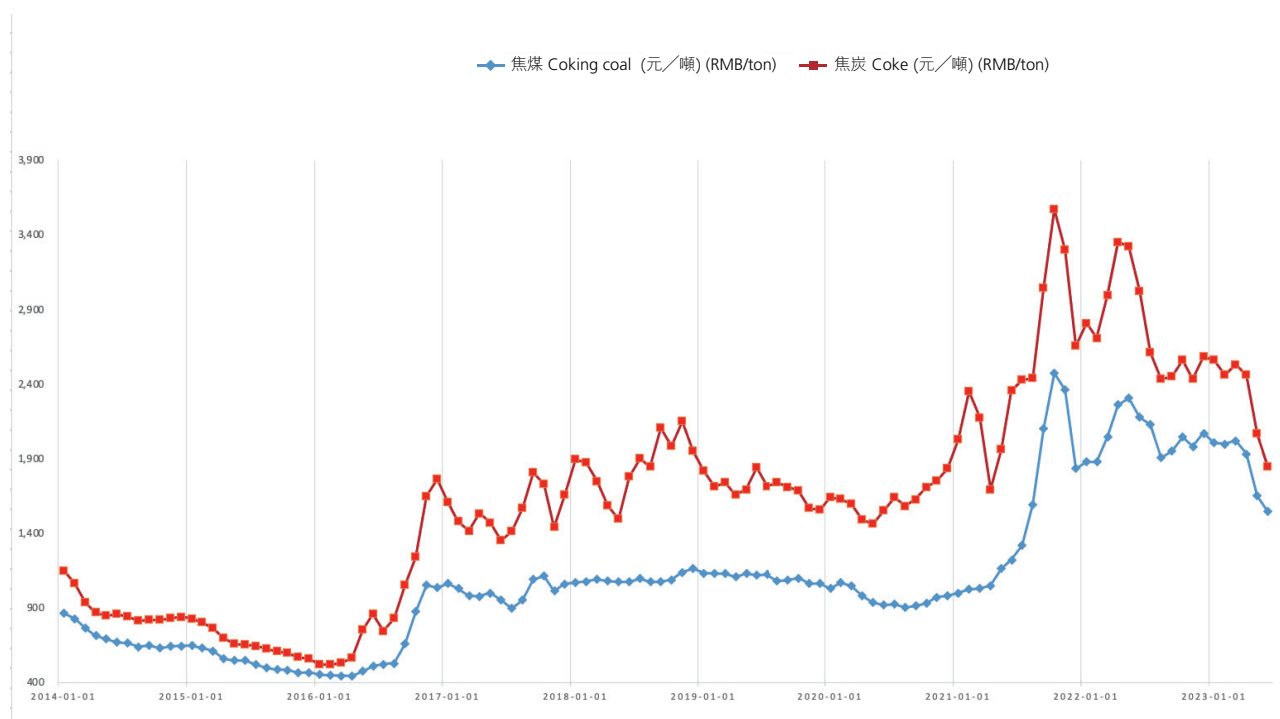
(1) Calculated by dividing the revenue of each relevant product by the sales volume of such product (except that the average selling prices of the coke segment, benzene-based chemicals and coal tar-based chemicals represent the weighted average prices of relevant products in the segment or category, respectively), after intra-group elimination.

MANAGEMENT DISCUSSION AND ANALYSIS

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 coking 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 coking coal and sale of coke widened, the spread continued to expand in 2017 and sustained in 2018. The price spread remained steady during 2019 to 2020. From mid-2021 to mid-2023, gross profit margin of the Group's coke was affected due to the narrowing of the price spread between coke and coking coal.

The following chart shows the average purchase price of coking coal and the average selling price of coke (net of VAT) from 2014 to June 2023 according to the Group's internal records:



MANAGEMENT DISCUSSION AND ANALYSIS

The Group believes that the prevailing market prices of coking 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 coking coal based on prevailing market prices and the prices of coking coal typically move in tandem, though at different speed and magnitude, with the prices of coke and iron and steel, considering of market price fluctuations, the Group believes that it is generally able to negotiate the prices of the Group's products.

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. The business of the Group in the first half of 2023 remained stable, with production capacity utilization rate of each of the principal products substantially maintained. Full sales of the Group has been consistently achieved with revenue of the Group. In the first half of 2023, the Group's current production capacity for coke was approximately 3.5 million tons per annum. Processing capacity for crude benzene and coal tar was approximately 200,000 tons and 180,000 tons per annum, respectively. At the same time, in the process of coking, the Group produces coal gas of approximately 1,140 million m³ per annum, for self-use (including the use in production of LNG and hydrogen) and sales, while the designed production capacity of LNG production facilities was approximately 123.0 million m³ per annum.

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 of coking chemical, refined chemicals as well as coal gas and LNG, and continued to invest in environmental protection facilities. The Group will further expand and deepen its involvement in the coking chemical value chain (including hydrogen energy industry chain) in 2023.

In line with the Group's business strategy in expanding its business vertically and horizontally along the coking chemical value chain of the coal chemical industry, the Group will make continuous efforts in identifying coal chemical projects with promising profit and development potentials, and develop these projects in a sound and effective manner through the establishment of JV companies.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Formation of Joint Venture for the Production and Sale of Coke**

As disclosed in Company's announcement dated 22 September 2020, an agreement was entered into for the establishment of a joint venture with Angang Group Xinyang Steel Co., Ltd.* (安鋼集團信陽鋼鐵有限責任公司) (the "Xinyang Steel") in Xinyang City, Henan Province, the PRC. This joint venture will be principally engaged in the production and sale of coke and heat generated from coking process. The construction project of an approximate 1.6 million tons coking furnace is progressing as planned. The first phase of the coking furnace started production in December 2022 and is currently under primary production adjustment. The second phase is almost completed and is expected to start production in the fourth quarter of 2023. The project has a cumulative investment of nearly RMB3,526 million as of 30 June 2023.

- **Expansion Plan for Benzene-based Chemicals**

The Company has started to prepare for a project of capacity expansion of 200,000 tons benzene-based chemicals in early 2022. Construction of the relevant facilities has been completed. It is expected to start production in the middle of the third quarter of 2023, with a total investment of approximately RMB375 million. Upon completion, it is expected that the Company will be in a better position to extend the benzene-based chemicals chain to develop new material.

- **Hydrogen Energy Industry Chain**

In view of the PRC government's strategic policy in developing clean energy, and in order to grasp the opportunity of the development of hydrogen fuel cell vehicles and the relevant industry in the Henan Province, leveraging on the Group's coking coal gas capacity of 1,140 million m³, the Group has been planning to fully tap into the hydrogen industrial chain, including production, transportation, storage and refueling, and has established a new hydrogen gas refueling station in Zhengzhou and Jiyuan respectively, both of which are estimated to be in operation in fourth quarter of 2023.

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

Below is the 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.

	For the six months ended 30 June		Change RMB'000
	2023 (unaudited) RMB'000	2022 (unaudited) RMB'000	
Continuing operations			
Revenue	5,890,693	6,528,836	(638,143)
Cost of sales	(5,674,501)	(5,703,674)	29,173
Gross profit	216,192	825,162	(608,970)
Other income	56,575	28,520	28,055
Other gains and losses	(18,121)	(7,267)	(10,854)
Impairment losses under expected credit loss ("ECL") model, net of reversal	–	3,071	(3,071)
Selling and distribution expenses	(119,492)	(115,015)	(4,477)
Administrative expenses	(75,771)	(80,865)	5,094
Finance costs	(59,189)	(38,439)	(20,750)
Share of result of a joint venture	8,728	12,760	(4,032)
Share of results of associates	(4,608)	1,216	(5,824)
Profit before tax	4,314	629,143	(624,829)
Income tax credit (expense)	25,297	(145,048)	170,345
Profit for the period	29,611	484,095	(454,484)

MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended 30 June		
	2023	2022	Change
	(unaudited)	(unaudited)	
	RMB'000	RMB'000	RMB'000
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value gain on:			
Bills receivables measured at fair value through other comprehensive income ("FVTOCI"), net of income tax	<u>365</u>	1,961	(1,596)
Total comprehensive income for the period	<u>29,976</u>	<u>486,056</u>	<u>(456,080)</u>
Profit (loss) for the period attributable to:			
— Owners of the Company	43,168	309,983	(266,815)
— Non-controlling interests	<u>(13,557)</u>	<u>174,112</u>	<u>(187,669)</u>
	<u>29,611</u>	<u>484,095</u>	<u>(454,484)</u>
Total comprehensive income for the period attributable to:			
— Owners of the Company	44,071	311,103	(267,032)
— Non-controlling interests	<u>(14,095)</u>	<u>174,953</u>	<u>(189,048)</u>
	<u>29,976</u>	<u>486,056</u>	<u>(456,080)</u>
Earnings per share (RMB)			
— Basic	<u>0.08</u>	<u>0.58</u>	<u>(0.50)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Financial Information

- **Revenue** decreased by approximately RMB638.1 million or approximately 9.8% as compared to the same period of the preceding year. This was mainly caused by the decrease in average selling prices of major products during the period. For details, please refer to the paragraph headed “Prices of the Group’s Raw Materials and Products” and “Business Segment Result” in this announcement.
- **Cost of sales** decreased by approximately RMB29.2 million or approximately 0.5% as compared to the same period of the preceding year. The decrease is smaller than the decrease in revenue mainly due to the fact that the price drop of coal, being the main raw material for the Group’s products, is less than the drop in the selling price of coal.
- **Gross profit** decreased by approximately RMB609.0 million or approximately 73.8% as compared to the same period of the preceding year. The gross profit margin of the Group decreased from approximately 12.6% in the first half of 2022 to approximately 3.7% in the first half of 2023. This decrease is mainly due to the fact that the drop of the purchase price of coal, which is the main raw material of the Group’s products, is lower than the selling prices of the products produced during the period, resulting in a narrowed margin spread between products and raw materials. For details, please refer to the section headed “Business Segment Result” in this announcement.
- **Other income** increased by approximately RMB28.1 million as compared to the same period of the preceding year. The income was mainly derived from interest received on execution of a judgment.
- **Other gains and losses** recorded increase in loss by approximately RMB10.9 million or approximately 149.4% as compared to the same period of the preceding year. This increase in loss was primarily due to an increase in net loss arising on bills receivables at FVTOCI.
- **Impairment losses, under expected credit loss model, net of reversal** decreased by approximately RMB3.1 million or approximately 100.0% as compared to the same period of the preceding year. The decrease was mainly due to the lack of reversal of impairment losses for the current period, under expected credit loss model.
- **Selling and distribution expenses** increased by approximately RMB4.5 million or approximately 3.9% as compared to the same period of the preceding year. The increase was mainly due to the sales of products produced from the first phase of the Group’s approximately 1.6 million tons coking furnace, which started production at the end of 2022, resulting in corresponding increase in distribution and selling expenses.
- **Administrative expenses** decreased by approximately RMB5.1 million or approximately 6.3% as compared to the same period of the preceding year. The decrease was mainly due to cost saving as a result of administrative streamlining during the period.
- **Finance costs** increased by approximately RMB20.8 million or approximately 54.0% as compared to the same period of the preceding year. The increase was mainly due to the increase in average interest-bearing borrowings balance during the period, and the increase of floating-rate borrowings in the first half of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Share of result of a joint venture** decreased by approximately RMB4.0 million or approximately 31.6% as compared to the same period of the preceding year. This was mainly due to the decrease in the operating profit of the joint venture resulting from reduction in production and sales due to maintenance of facilities during the period.
- **Share of result of associates** decreased by approximately RMB5.8 million or approximately 478.9% as compared to the same period of the preceding year. This was mainly due to the share of 49% of losses of the associates, and the losses arose from the wholesale business of coal and coke during the period.
- **Profit before tax** decreased by approximately RMB624.8 million or approximately 99.3% as compared to the same period of the preceding year. This was mainly due to the fact that the average price of coal, the Group's raw material for production, dropped less than the average price of the products it produced during the period, which resulted in a decrease in production profit.
- **Income tax expense** decreased by approximately RMB170.3 million or approximately 117.4% as compared to the same period of the preceding year. This was mainly due to (i) a decrease in income tax as a result of a decrease in profit; (ii) a reversal of income tax from tax benefits; and (iii) an increase in revenue from deferred income tax.
- **Profit for the period** decreased by approximately RMB454.5 million or approximately 93.9% as compared to the same period of the preceding year.
- **Bills receivables measured at fair value through other comprehensive income, net of income tax** decreased by approximately RMB1.6 million or approximately 81.4% as compared to the same period of the preceding year.
- **Total comprehensive income for the period** decreased by approximately RMB456.1 million or approximately 93.8% as compared to the same period of the preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Segment Result

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

	For the six months ended 30 June							
	Segment revenue		Segment result		Segment gross profit margin		Percentage in total revenue of the Group	
	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	%	%	%	%
Coke	4,239,373	4,464,677	155,169	678,722	3.7	15.2	72.0	68.4
Trading	178,670	615,088	17,240	30,864	9.6	5.0	3.0	9.4
Refined Chemicals	1,025,716	1,046,397	(11,811)	56,278	(1.2)	5.4	17.4	16.0
Energy Products	403,092	356,295	50,763	50,982	12.6	14.3	6.8	5.5

- Coke** segment revenue decreased by RMB225.3 million as compared to the same period of the preceding year. The decrease was mainly due to the fact that the average selling price of coke of the Group decreased by approximately 24% as compared to the corresponding period, however, the average purchase price of coking coal only decreased by approximately 15%, which resulted in a decrease in gross profit margin from 15.2% to 3.7%. In addition, the first phase of the Group's approximately 1.6 million tons coking furnace started production at the end of 2022, and was still under adjustment in the first half of 2023 due to the adoption of new coking technology, resulting in a relatively low rate of coal-coke conversion, and relatively high cost of coke production, and in turn affecting the gross profit and gross profit margin of the coke segment.
- Trading** segment revenue and result decreased by approximately RMB436.4 million and approximately RMB13.6 million respectively as compared to the same period of the preceding year. The decrease was mainly due to the fact that the Company's trading business in the first half of 2023 was constrained by the slow economic recovery following the COVID-19 pandemic. In contrast, the segment gross profit margin was increased significantly by 4.6% to 9.6% as compared to the 5.0% of the same period of the preceding year, mainly benefiting from a price-fixed purchase contract.
- Refined Chemicals** segment revenue decreased by approximately RMB20.7 million or approximately 2.0% as compared to the same period of the preceding year. However, the segment result decreased by approximately RMB68.1 million or approximately 121.0% as compared to the same period of the preceding year, to a loss of RMB11.8 million. This was mainly due to the fact that the average price of coal, which is the raw material for derivatives, remained at a high level and the drop during the period was relatively low as compared to the product price, thus, the overall segment gross profit margin recorded a decrease of 6.6% to -1.2% and the segment result made a loss. However, the coal average price issue has a lesser impact on the benzene-based refined chemical products and they have recorded a segment profit.
- Energy Products** segment revenue increased by approximately RMB46.8 million or 13.1% to RMB403.1 million respectively as compared to the same period of the preceding year. However, the segment result only kept flat at approximately RMB50.8 million. The main reason for this was that the average selling price of liquefied natural gas (LNG) in the first half of 2023 decreased by approximately 30% as compared to the same period in 2022, due to the drop from its previous high price which was caused by geopolitical conflicts. As a result, the gross profit margin of the segment also declined from 14.3% to 12.6%. The increase in segment revenue is mainly because the sales amount of electricity produced by the first phase of approximately 1.6 million tons coking furnace that started production at the end of 2022 is included.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

Financial Resources

In the first half of 2023, the Group's major financial resources were funded by the proceeds from the sales of the Group's products, shareholders' equity and bank borrowings. The Directors have confirmed that the Group did not experience any liquidity problems in the first half of 2023.

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 condensed consolidated statement of cash flows for the periods:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	(5,956)	708,287
Net cash (used in) investing activities	(540,462)	(1,129,929)
Net cash from financing activities	424,455	713,169
Net (decrease)/increase in cash and cash equivalents	(121,963)	291,527
Cash and cash equivalents at the beginning of the period	913,992	576,951
Impact of change in exchange rate	107	254
Cash and cash equivalents at the end of the period, representing bank balances and cash	792,136	868,732

MANAGEMENT DISCUSSION AND ANALYSIS

- **Cash Flow from Operating Activities**

In the first half of 2023, the Group's net cash outflow from operating activities of approximately RMB5.96 million was primarily attributable to (i) the operating cash flows before movements in working capital of approximately RMB199.1 million; (ii) decrease in inventories of approximately RMB122.8 million; (iii) decrease in amounts due from related parties of approximately RMB42.1 million; (iv) decrease in amounts due from a shareholder of approximately RMB28.1 million; and (v) decrease in trade and other receivables of approximately RMB213.7 million. Yet the net cash outflow from operating activities are partially offset by (vi) decrease in trade and other payables of approximately RMB219.4 million; (vii) increase in bills receivables at FVTOCI of approximately RMB221.2 million; (viii) decrease in accounts payable under contracts of approximately RMB148.9 million; (ix) income tax paid of approximately RMB22.3 million.

- **Cash Flow from Investing Activities**

In the first half of 2023, the Group's net cash used in investing activities of approximately RMB540.5 million was primarily due to (i) acquisition of or payment for deposit of acquisition of property, plant and equipment and right-of-use assets of approximately RMB599.2 million; (ii) loan of approximately RMB40.5 million to companies with business relationship with the Group; yet was partially offset by (iii) net recovery of approximately RMB39.1 million to restricted bank balances; (iv) interest received of approximately RMB10.5 million; and (v) dividends received from joint ventures of approximately RMB24.5 million.

- **Cash Flow from Financing Activities**

In the first half of 2023, the Group's net cash from financing activities of approximately RMB424.5 million was primarily due to a net decrease in bank and other borrowings of approximately RMB594.4 million; yet was partially offset by payment of dividends of approximately RMB52.8 million and interest expenses of approximately RMB106.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Liabilities

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

	As at 30 June 2023	As at 31 December 2022	Increase/ (decrease)
	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000
Bank borrowings:			
Secured	2,135,452	1,891,040	244,412
Unsecured	1,682,032	1,252,080	429,952
	3,817,484	3,143,120	674,364
Fixed-rate borrowings	2,003,915	1,926,491	77,424
Floating-rate borrowings	1,813,569	1,216,629	596,940
	3,817,484	3,143,120	674,364
Carrying amount repayable (based on scheduled payment terms)			
Within one year	2,177,032	1,307,680	869,352
More than one years, but not more than two years	823,546	771,747	51,799
More than two years, but not more than five years	816,906	1,063,693	(246,787)
	3,817,484	3,143,120	674,364
Less: Amount shown under current liabilities	(2,177,032)	(1,307,680)	(869,352)
Amount due after one year shown under non-current liabilities	1,640,452	1,835,440	(194,988)

The Group's bank borrowings in 2022 and the first half of 2023 were all borrowings denominated in Renminbi. As at 31 December 2022, approximately RMB1,891.0 million of the Group's borrowings were secured by the Group's property, plant and equipment, land use rights and bank bills. All remaining secured borrowings were credit borrowings. As at 30 June 2023, the Group's borrowings of approximately RMB2,135.5 million were secured by land use rights, construction in progress and bank bills.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	<u>As at</u> <u>30 June 2023</u>	<u>As at</u> <u>31 December 2022</u>
	(unaudited)	(audited)
Effective interest rate:		
– Fixed-rate borrowings	3.70%-6.00%	3.70%-6.30%
– Floating-rate borrowings	2.80%-5.60%	3.62%-5.60%

As at 30 June 2023, the Group had obtained banking facilities in an aggregate amount of approximately RMB12,210 million (2022: RMB5,335.0 million), of which total amount of approximately RMB6,672.9 million (2022: RMB2,334.3 million) is still available for use. As at 30 June 2023, the Group had total outstanding bank borrowings of approximately RMB3,649.1 million (2022: RMB3,143.1 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 RMB376.46 million falling due in the first half of 2023 according to needs).

As at 30 June 2023, 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. 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 30 June 2023 and up to the date of this announcement. As at 30 June 2023, 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 six months ended 30 June 2023, the Group was not subject to any material covenant on any of the Group's outstanding debt and, during the first half of 2023, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON ASSETS

As at 30 June 2023, the Group had pledged certain of its assets with a total book value of approximately RMB5,451.0 million (31 December 2022: approximately RMB3,794.6 million) for the purpose of providing securities to banks against general banking facilities, including banks borrowings and bills payables granted to the Group.

FINANCIAL RATIOS

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

	For the six months ended 30 June 2023	Year ended 31 December 2022
Gearing ratio	0.82x	0.68x
Return on equity (annualized ratio)	1.2%	12.5%
Return on assets (annualized ratio)	0.5%	5.8%

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 slightly increased for the first half of 2023, mainly because the total interest-bearing bank borrowings increased in tandem with the rise in total equity.

Return on Equity

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

The decrease in the Group's return on equity from 12.5% to 1.2% was due to a decrease in the Group's profit, which was primarily driven by the significant decrease in margin spread between prices of major products and raw materials.

Return on Assets

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

The decrease in the Group's return on assets from 5.8% to 0.5% was mainly due to the significant decrease in the Group's profit.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTRACTUAL OBLIGATIONS AND CAPITAL EXPENDITURE

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

	<u>As at 30 June 2023</u>	<u>As at 31 December 2022</u>
	RMB'000 (unaudited)	RMB'000 (audited)
Capital expenditure contracted for but not provided in the Group's condensed consolidated financial statements		
– Acquisition of property, plant and equipment	<u>807,391</u>	<u>1,133,486</u>
	<u>807,391</u>	<u>1,133,486</u>

The Group's capital commitments for the six months ended 30 June 2023 were primarily related to the construction of coking facilities of 1.6 million tons per annum under the joint venture with Xinyang Steel. The Group expects to fund such capital commitments principally by bank loans and cash generated from the Group's operations.

Other than the transactions described in the above table, as at 30 June 2023, the Group had no other material contractual commitments.

Off-Balance Sheet Arrangements

The Group did not have any material off-balance sheet arrangements as at 30 June 2023. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

TRANSFER OF FINANCIAL ASSETS

During the first half of 2023, the Group (i) endorsed certain bills receivables for the settlement of trade and other payables; and (ii) discounted certain bills receivables to banks for raising of cash. In the opinion of the Directors, the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because the endorsed and discounted bills receivables are issued and guaranteed by reputable PRC banks. As a result, the relevant assets and liabilities were derecognised on the condensed consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivables at the end of the reporting period are as follows:

	As at 30 June 2023	As at 31 December 2022
	RMB'000 (unaudited)	RMB'000 (audited)
Endorsed bills for settlement of payables	2,523,197	2,885,122
Discounted bills for raising cash	1,064,806	1,363,804
Outstanding endorsed and discounted bill receivables with recourse	3,588,003	4,248,926

The outstanding endorsed and discounted bills receivables are with maturities of no more than 6 months.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the reporting period and up to the date of this interim announcement.

SUBSEQUENT IMPORTANT EVENTS AND OTHER COMMITMENTS

Save as disclosed in Note 24 of the condensed consolidated financial statements in this announcement, from the end of the reporting period to the date of this announcement, the Group had no other subsequent important events or other commitments that may materially affect the Group's financial condition and operation.

MARKET RISKS

Market risk is the risk of loss related to adverse changes in market prices. The Group is exposed to various types of market risks, including commodity price and liquidity risks, in the normal course of the Group's business. The Group aims to minimize risk through disciplined operating and financial activities. During the first half of 2023, 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 from listing (HK\$3.8 million and HK\$5.4 million as at 30 June 2023 and 31 December 2022 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Commodity Price Risk

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

Interest Rate Risk

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

As at 30 June 2023, the Group had fixed-rate borrowings in the amount of approximately RMB2,003.9 million (31 December 2022: approximately RMB2,006.5 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 30 June 2023 is the carrying amount of those assets stated in the condensed consolidated statements of financial position, and the maximum outstanding amount of contingent liabilities is as disclosed in the condensed consolidated financial statement.

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 credit risk, the Group's management continues to monitor the level of risk exposure to ensure that the Group can recover any overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are provided for irrecoverable amounts. In this regard, the Directors are of the view that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk in trade receivables and amounts due from shareholders and trading amounts due from related parties, with over 72% and 78% of exposure concentrated in the five largest outstanding balances for the six months ended 30 June 2023 and the year ended 31 December 2022, respectively. The Group believes the Group's credit risks on bank balances and deposits or bill 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

DISTRIBUTABLE RESERVES

As at 30 June 2023, the Company had distributable reserves (i.e. retained profits) of RMB2,064.7 million (2022: RMB1,957.8 million).

For the six months ended 30 June 2023, the Company had no immediate plan to distribute the retained profits of the Company accumulated prior to the first half of 2023.

NO MATERIAL ADVERSE CHANGE

As the control measures over COVID-19 in China were effective, China's economy was stable in the first half of 2023. The Board considered that there was no material impact on the operation and sales of the Group based on the available information currently. Therefore, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 30 June 2023 and up to the date of this announcement.

DIVIDEND AND DIVIDEND POLICY

On 22 May 2023, the Company declared a 2022 final dividend of RMB0.05 per share, in an aggregate amount of RMB26,771,000 which was fully settled in June 2023.

To show appreciation 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.

The Board was authorised by the shareholders to deal with all matters in relation to the Company's distribution of interim dividend for the year ending 31 December 2023 in its absolute discretion at the 2022 annual general meeting of the Company on 22 May 2023. To show appreciation to the shareholders, the Board has resolved to declare an interim dividend of RMB0.05 per share (inclusive of applicable tax) in cash for the six months ended 30 June 2023 to shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

To qualify for the distribution of interim dividend

As mentioned, the Board has resolved to declare an interim dividend of RMB0.05 per share (inclusive of applicable tax) in cash for the six months ended 30 June 2023. Shareholders whose names appear on the register of members of the Company on Thursday, 14 September 2023 will be entitled to the interim dividend. The relevant payment date of the said interim dividend is expected to be on or before Tuesday, 31 October 2023. The total amount of the interim dividends payable is approximately RMB26,771,000.

The interim dividend in respect of H Shares will be declared in Renminbi. In respect of the H Shares previously converted from the domestic shares of the Company pursuant to the “Full Circulation” scheme, the interim dividend will be paid in Renminbi and in respect of the other H Shares (such shareholders are referred to as the “Other H Shareholders”), the interim dividend will be paid in Hong Kong Dollars. The applicable exchange rate will be the average of the exchange rates for Renminbi to Hong Kong dollars as announced by the People’s Bank of China for the seven calendar days prior to 25 August 2023, the date on which the Board declared the said interim dividend, i.e. HK\$100:RMB91.8566. The interim dividend of HK\$0.0544327 (inclusive of the applicable tax) per H Share is payable to the Other H Shareholders.

TAX ON DIVIDENDS FOR H SHAREHOLDERS

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

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

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

Pursuant to the applicable provisions and the implementing regulations of the Individual Income Tax Law of the PRC 《中華人民共和國個人所得稅法》, the State Administration of Taxation on the Administrative Measures on Enjoying Tax Treaty Treatment by Non-resident Taxpayers (State Administrative of Taxation Announcement 2019 No.35) (“Tax Treaty Announcement”) and other relevant laws and regulations as well as regulatory documents, 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 interim 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 interim 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 interim dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Closure of Register of Members

For the purposes of determining shareholders' entitlement to the said interim dividend, the register of members of the Company will be closed. The following is the timetable for the payment of the said interim dividend, including the record date and the relevant book closure dates:

For holders of H shares of the Company

Latest time to lodge transfer documents for registration	4:30 p.m. on Friday, 8 September 2023
Closure of register of members	From Saturday, 9 September 2023 to Thursday, 14 September 2023 (both days inclusive)
Record date	Thursday, 14 September 2023
Interim dividend payment date	On or before Tuesday, 31 October 2023

During the above closure period, no transfer of H shares will be registered. To be eligible to qualify for the interim dividend, documents on transfers of H Shares, accompanied by the relevant share certificates must be lodged for registration with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 8 September 2023.

PENSION SCHEMES

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a certain percentage of the employees' salaries. Under these plans, no forfeited contributions can be used by the employers to reduce the existing level of contributions.

The Hong Kong based employees of the Group participate in the Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the employers' existing level of contributions can be reduced by contributions forfeited by the employers on behalf of those employees who leave the scheme prior to vesting fully in the contributions. During the year ended 31 December 2022 and the six months ended 30 June 2023, there were no such forfeited contributions. There were no forfeited contributions available for reducing future contributions as at 31 December 2022 and 30 June 2023, respectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company persists in becoming an enterprise full of sense of social responsibility, by adhering to the principle of harmonious development combining economic benefit and social benefit, promoting technological progress in the industry consistently and assuming 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 AND THE ARTICLES OF ASSOCIATION

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. The Articles are the code of conduct for the Company, regulating the organization and behavior of the Company, the rights and obligations shared between the Company and its shareholders, and between and among the Company's shareholders.

Meanwhile, the Company has also adopted the Corporate Governance Code (the "Code") in Appendix 14 of the Listing Rules, and formulated a series of rules (such as Internal Audit Rules, Internal Control Evaluation Rules, Compliance Management Rules, Authorization Management Rules and External Investment Management Rules, etc.) as well as the Terms of Reference of Nomination Committee, Remuneration Committee and Audit Committee, to achieve the objective of good corporate governance. This report will further clarify how the Company applies the principles of good corporate governance as set out in the Code, so as to enable shareholders' evaluation of such application.

During the six months ended 30 June 2023, the Company has complied with all the provisions under the Listing Rules and the Code.

The Company has also adopted the new terms of reference of the remuneration committee of the Company on 24 March 2023 in light of the relevant updates in the Listing Rules, a copy of which is published on the websites of the Company and the Stock Exchange.

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 with the Directors and Supervisors, 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 during the six months ended 30 June 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

BOARD OF DIRECTORS

The Directors of the third session of the Board of Directors were appointed at the annual general meeting held on 23 May 2022 for a term of three years until the conclusion of the annual general meeting for the year ending 31 December 2024. The third session of the Board of Directors consists of nine directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The members of the third session of the Board of Directors are listed as follows:

Executive Directors

Mr. Yiu Chiu Fai (Chairman)

Mr. Wang Mingzhong (Chief Executive Officer)

Mr. Li Tianxi (Executive Deputy General Manager)

Non-executive Directors

Mr. Xu Baochun (Deputy Chairman)

Ms. Ye Ting

Mr. Wang Kaibao

Independent Non-executive Directors

Mr. Wu Tak Lung

Mr. Meng Zhihe

Mr. Cao Hongbin

SUPERVISORY COMMITTEE

The Supervisors of the third session of the Supervisory Committee were appointed at the annual general meeting held on 23 May 2022 for a term of three years until the conclusion of the annual general meeting for the year ending 31 December 2024. The third session of the Supervisory Committee consists of six Supervisors, including two shareholder representative Supervisors, two employee Supervisors and two independent Supervisors. The members of the third session of the Supervisory Committee are listed as follows:

Supervisors

Mr. Wong Tsz Leung (Chairman)

Mr. Wu Jiacun

Mr. Zhou Tao, David

Ms. Tian Fangyuan

Ms. Hao Yali

Mr. Fan Xiaozhu

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INFORMATION ON DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information on Directors, Supervisors and Chief Executive Officer of the Company for the six months ended 30 June 2023 and up to the date of this interim results announcement are as follows:

Directors	Details of change
Mr. Wu Tak Lung	has retired as the independent non-executive director of Minth Group Limited (Stock Code: 425) with effect from 31 May 2023. has resigned as the independent non-executive director of Sinomax Group Limited (Stock Code: 1418) with effect from 28 June 2023.
Mr. Cao Hongbin	has been appointed as the secretary general of the China Coking Industry Association in March 2023.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SECURITIES

As at 30 June 2023, the interests and short positions (if any) of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name	Nature of interest	Class of shares	Number of shares held (Note 1)	Approximate percentage of shareholding in the total share capital of the Company (Note 2)
Mr. Yiu Chiu Fai	Interests in controlled corporation (Note 3)	H shares	162,000,000 (L)	30.26%
	Beneficial owner	H shares	2,303,000 (L)	0.43%
Mr. Zhou Tao, David	Beneficial owner	H shares	8,000 (L)	0.001%

Notes:

- The letter "L" denotes the person's long position in such shares.
- The calculation is based on the total number of 535,421,000 Shares in issue, all of which are H shares.
- Mr. Yiu Chiu Fai (an executive Director) is the legal and beneficial owner of the entire issued share capital of Golden Star Chemicals (Holdings) Limited* ("Golden Star"). Golden Star, in turn, holds 96.3% of the issued share capital of Jinma Coking (BVI) Limited* ("Jinma Coking"), while Jinma Energy (Hong Kong) Limited* (formerly known as Jinma Coking (Hong Kong) Limited) ("Jinma HK") is wholly-owned by Jinma Coking. Accordingly, Mr. Yiu is deemed to be interested in Jinma HK's interest in the Company by virtue of the SFO.

Save as disclosed above, as at 30 June 2023, none of the Directors, Supervisors nor the chief executive had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During this reporting period or as of 30 June 2023, none of the Directors or Supervisors, or the entities connected with the Directors or Supervisors, has participated or is or was materially interested, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries was a party.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SECURITIES

As at 30 June 2023, so far as is known to the Directors, the following parties (other than a Director, Supervisor or Chief Executive Officer) were directly or indirectly interested or deemed to be interested in 5% or more of any class of the issued share capital of the Company:

Name	Nature of Interest	Class of Shares	Number of Shares Held (Note 1)	Approximate percentage of shareholding in the total share capital of the Company (Note 2)
Jinma HK	Beneficial owner	H shares	162,000,000 (L)	30.26%
Jinma Coking	Interests in controlled corporation (Note 3)	H shares	162,000,000 (L)	30.26%
Golden Star	Interests in controlled corporation (Note 4)	H shares	162,000,000 (L)	30.26%
Ms. Lam Yuk Wai	Interest of spouse (Note 5)	H shares	164,303,000 (L)	30.69%
Maanshan Steel	Beneficial owner (Note 6)	H shares	144,000,000 (L)	26.89%
Magang (Group) Holdings Co., Ltd.	Interests in controlled corporation (Note 6)	H shares	144,000,000 (L)	26.89%
Jiangxi PXSteel Industrial Co. Ltd.* ("Jiangxi PXSteel")	Beneficial owner	H shares	52,945,000 (L)	9.89%
Jiangxi Fangda Steel Group Co., Ltd.	Interests in controlled corporation (Note 7)	H shares	52,945,000 (L)	9.89%
Liaoning Fangda Group Industrial Co., Ltd.	Interests in controlled corporation (Note 7)	H shares	52,945,000 (L)	9.89%
Beijing Fangda International Enterprise Investment Co., Ltd.	Interests in controlled corporation (Note 8)	H shares	52,945,000 (L)	9.89%
Mr. Fang Wei	Interests in controlled corporation (Note 9)	H shares	52,945,000 (L)	9.89%
Jiyuan Jinma Xingye Investment Co., Ltd.* ("Jinma Xingye")	Beneficial owner	H shares	42,900,000 (L)	8.01%
Mr. Wang Lijie	Interests in controlled corporation (Note 10)	H shares	42,900,000 (L)	8.01%
Ms. Zheng Jing	Interest of spouse (Note 11)	H shares	42,900,000 (L)	8.01%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. The letter "L" denotes the entity/person's long position in such shares.
2. The percentage is based on the total number of 535,421,000 shares in issue of which all are H shares.
3. Jinma HK is wholly-owned by Jinma Coking. Accordingly, Jinma Coking is deemed to be interested in Jinma HK's interest in the Company by virtue of the SFO.
4. Jinma Coking is held as to 96.3% by Golden Star. Accordingly, Golden Star is deemed to be interested in Jinma Coking's, and in turn, Jinma HK's interest in the Company by virtue of the SFO.
5. Ms. Lam Yuk Wai is the wife of Mr. Yiu Chiu Fai, and thus, she is deemed to be interested in the same amount of shares as Mr. Yiu.
6. Magang (Group) Holdings Co., Ltd., whose actual controller was the State-owned Assets Supervision and Administration Commission of the State Council (being the holder of 51% of the interest in Magang (Group) Holdings Co., Ltd. through its 100% controlled China Baowu Steel Group Corporation Limited), is the holding company of Maanshan Steel and holds approximately 47.14% of the shares of Maanshan Steel. Accordingly, Magang (Group) Holdings Co., Ltd. is deemed to be interested in Maanshan Steel's interest in the Company by virtue of the SFO.
7. As per their confirmations, Jiangxi Fangda Steel Group Co., Ltd. ("Fangda Group") directly holds approximately 51.90% of Jiangxi PXSteel, thus, Fangda Group is the holding company of Jiangxi PXSteel. Accordingly, Fangda Group is deemed to be interested in Jiangxi PXSteel's interest in the Company by virtue of the SFO. On the other hand, Liaoning Fangda Group Industrial Co., Ltd. ("Liaoning Fangda") is directly and indirectly interested in approximately 60.46% of Jiangxi PXSteel, and hence Liaoning Fangda is the controlling company of Jiangxi PXSteel. Accordingly, Liaoning Fangda is deemed to be interested in Jiangxi PXSteel's interest in the Company by virtue of the SFO.
8. Beijing Fangda International Enterprise Investment Co., Ltd. ("Beijing Fangda") is the holding company of Liaoning Fangda and holds approximately 99.2% of the shares of Liaoning Fangda. Accordingly, Beijing Fangda is deemed to be interested in Liaoning Fangda's, and in turn, Jiangxi PXSteel's interest in the Company by virtue of the SFO.
9. Mr. Fang Wei (方威) is the sole equity holder of Beijing Fangda. Accordingly, Mr. Fang is deemed to be interested in Beijing Fangda's interest in the Company by virtue of the SFO.
10. Mr. Wang Lijie (王利傑) is the holder of approximately 33.44% of the equity interest of Jinma Xingye. Accordingly, Mr. Wang is deemed to be interested in Jinma Xingye's interest in the Company by virtue of the SFO.
11. Ms. Zheng Jing (鄭菁) is the wife of Mr. Wang Lijie, and thus, she is deemed to be interested in the same number of shares as Mr. Wang.

Save as disclosed above, there was no other interest recorded in the register that was required to be kept under Section 336 of the SFO as at 30 June 2023.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PROVISION OF FINANCIAL SUBSIDIES AND GUARANTEES TO ASSOCIATES OR SUBSIDIARIES

As at 30 June 2023, the Company has not provided financial subsidies and guarantees to the associates or subsidiaries of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICY

Employees are the Group's important asset. As at 30 June 2023, the Group had a total of 2,915 employees, including 11 senior management, 131 mid-level management and 2,773 ordinary employees. For the six months ended 30 June 2023, the staff cost of the Group amounted to approximately RMB132.10 million as compared to approximately RMB110.8 million for the same period last year.

The Company has established a Remuneration Committee which is responsible for advising the Board on the Company's policies and structures regarding remuneration of Directors, remuneration packages (including non-pecuniary benefits, pension rights and compensation) of individual executive Directors and remuneration packages of senior management officers. The Remuneration Committee reviews the remuneration policy for all Directors and the management of the Group based on the Group's overall operating results, individual performance and comparison of market practices.

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 Company. Remuneration of ordinary employees consists of basic salary, bonuses and various subsidies.

The Group has made full contributions to social insurance (including pension scheme, medical insurance, work injury insurance, unemployment insurance and maternity insurance) and housing provident funds for all employees in accordance with the relevant PRC labor laws and regulations.

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

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee of the Company was set up by the Board with specific terms of reference for the purpose of reviewing the Company's financial information, overseeing the Company's financial reporting system, risk management and internal control systems. The Audit Committee comprises three Directors, including Mr. Wu Tak Lung (independent non-executive Director), Mr. Xu Baochun (non-executive Director) and Mr. Meng Zhihe (independent non-executive Director), and is chaired by Mr. Wu Tak Lung.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

PUBLICATION OF THE INTERIM REPORT

The Company's interim report for the six months ended 30 June 2023 will be sent to the shareholders of the Company and will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.hnjmny.com) in due course.

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

APPRECIATION

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

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

Hong Kong, 25 August 2023

* *For identification purposes only*

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. XU Baochun, Mr. WANG Kaibao and Ms. YE Ting; and the independent non-executive directors of the Company are Mr. WU Tak Lung, Mr. MENG Zhihe and Mr. CAO Hongbin.