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JINTAI ENERGY HOLDINGS LIMITED

金泰能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

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

The board (the “**Board**”) of directors (the “**Directors**”) of Jintai Energy Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Unaudited	
		Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
Revenue	3	13,957	111,050
Cost of sales		(1,460)	(82,692)
Gross profit		12,497	28,358
Other income		7,474	14,616
Other (losses)/gains — net		(6,039)	4,371
Loss on disposal of subsidiaries	10	(1,758)	—
Share of loss of an associate		(578)	—
Reversal of impairment loss/(impairment loss) on trade and other receivables		89	(4)
Distribution expenses		(2,590)	(2,811)
Administrative expenses		(14,133)	(16,527)
Operating (loss)/profit		(5,038)	28,003
Finance income		72	681
Finance expenses		(7,992)	(4,556)
Finance expenses — net		(7,920)	(3,875)
(Loss)/profit before income tax		(12,958)	24,128
Income tax (expense)/credit	4	(299)	729
(Loss)/profit for the period		(13,257)	24,857
(Loss)/profit for the period attributable to:			
Owners of the Company		(42,522)	14,084
Non-controlling interests		29,265	10,773
		(13,257)	24,857
(Loss)/earnings per share attributable to owners of the Company			
Basic (loss)/earnings per share (HK cents)	5	(0.95)	0.32
Diluted (loss)/earnings per share (HK cents)	5	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
(Loss)/profit for the period	(13,257)	24,857
Other comprehensive (expense)/income for the period		
<i>Items that may be reclassified to profit or loss</i>		
— Currency translation differences	(2,769)	33,693
— Reclassification of translation reserve upon disposal of subsidiaries	<u>1,430</u>	<u>7</u>
Total comprehensive (expense)/income for the period	<u>(14,596)</u>	<u>58,557</u>
Total comprehensive (expense)/income attributable to:		
Owners of the Company	(43,829)	46,690
Non-controlling interests	<u>29,233</u>	<u>11,867</u>
	<u>(14,596)</u>	<u>58,557</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Note</i>	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,320	2,552
Advance payments for assets acquisition		–	163,575
Right-of-use assets		2,779	2,440
Interest in an associate		–	126,866
		4,099	295,433
Current assets			
Derivative financial asset		1,817	–
Trade and other receivables and prepayments	7	41,176	49,963
Advance payments for assets acquisition		–	101,529
Amounts due from non-controlling interests of a subsidiary		24,500	24,500
Cash and cash equivalents		264,171	49,238
		331,664	225,230
Total assets		335,763	520,663
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		5,569	5,569
Other reserves		408,620	415,273
Accumulated losses		(343,051)	(306,816)
		71,138	114,026
Non-controlling interests		14,012	(12,760)
Total equity		85,150	101,266

	<i>Note</i>	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Convertible loan notes	9	131,136	–
Lease liabilities		1,052	524
		<u>132,188</u>	<u>524</u>
Current liabilities			
Trade and other payables	8	58,344	79,907
Current income tax liabilities		98	1,504
Amount due to a shareholder		–	126,118
Amount due to an associate		–	121,276
Amounts due to related parties		4,979	10,953
Borrowings		13,387	30,390
Bond payables		28,588	29,028
Lease liabilities		1,342	1,955
Contract liabilities		11,687	17,742
		<u>118,425</u>	<u>418,873</u>
Net current assets/(liabilities)		<u>213,239</u>	<u>(193,643)</u>
Total assets less current liabilities		<u>217,338</u>	<u>101,790</u>
Total liabilities		<u>250,613</u>	<u>419,397</u>
Total equity and liabilities		<u>335,763</u>	<u>520,663</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with HKAS 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and in compliance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

This interim condensed consolidated financial information was unaudited but have been reviewed by the Audit Committee of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of amendments to HKFRSs effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Application of amendments to HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- i. Amendments to HKAS 8 Definition of Accounting Estimates
- ii. Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of those amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in the Group’s condensed consolidated financial statements.

3 SEGMENT INFORMATION

The Company's board of directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the board of directors for the purposes of allocating resources and assessing performance.

The board of directors considers the business from business lines perspective, and assesses the performance of the Group in three business lines, (1) energy business which comprises mainly the trading of fuel oil and kerosene; (2) drilling services which represent provision of drilling services; and (3) operation of digital energy trading parks.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit or loss from each segment without allocation of finance income or expenses, and the unallocated operating expenses since these activities are driven by the central function and the related income or expenses are not divided between segments.

The Group's bond payables, borrowings, convertible loan notes, amount due to a shareholder, amount due to an associate, amounts due to related parties, and current income tax liabilities are not considered to be segment liabilities for reporting to the board of directors as they are managed on a central basis.

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Revenue from external customers		
Energy business	–	78,928
Operation of digital energy trading parks	13,957	32,122
	<u>13,957</u>	<u>32,122</u>
Total	13,957	111,050
	<u>13,957</u>	<u>111,050</u>
Timing of revenue recognition		
At a point in time	–	78,928
Over time	13,957	32,122
	<u>13,957</u>	<u>32,122</u>
Total	13,957	111,050
	<u>13,957</u>	<u>111,050</u>
Segment profit/(loss)		
Energy business	–	(1,539)
Operation of digital energy trading parks	8,974	22,077
	<u>8,974</u>	<u>22,077</u>
Total	8,974	20,538
	<u>8,974</u>	<u>20,538</u>

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets		
Energy business	266,937	201,152
Drilling services	733	880
Operation of digital energy trading parks	13,718	24,294
Services business of customs declaration	–	35
	<hr/>	<hr/>
Total	281,388	226,361
	<hr/>	<hr/>
Segment liabilities		
Energy business	41,993	59,879
Drilling services	8	9
Operation of digital energy trading parks	18,737	32,980
Services business of customs declaration	–	31
	<hr/>	<hr/>
Total	60,738	92,899
	<hr/> <hr/>	<hr/> <hr/>

Revenue from external customers by country, based on the destination of the customers is as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	13,957	111,050
	<hr/> <hr/>	<hr/> <hr/>

A reconciliation of total segment profit to net (loss)/profit is provided as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment profit	8,974	20,538
Loss on disposal of subsidiaries	(1,758)	–
Share of loss of an associate	(578)	–
Fair value change in derivative financial asset	1,211	–
Gain on modification of convertible loan notes	1,983	–
Net foreign exchange (loss)/gain	(9,233)	4,328
Unallocated operating income	89	7,730
Unallocated operating expenses	(5,726)	(4,593)
	<hr/>	<hr/>
Operating (loss)/profit	(5,038)	28,003
Finance income	72	681
Finance expenses	(7,992)	(4,556)
	<hr/>	<hr/>
(Loss)/profit before income tax	(12,958)	24,128
Income tax (expense)/credit	(299)	729
	<hr/>	<hr/>
(Loss)/profit for the period	(13,257)	24,857
	<hr/> <hr/>	<hr/> <hr/>

Reportable segments' assets are reconciled to total assets as follows:

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment assets	281,388	226,361
Unallocated assets	54,375	294,302
	<hr/>	<hr/>
Total assets	335,763	520,663
	<hr/> <hr/>	<hr/> <hr/>

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Unaudited	Audited
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Total segment liabilities	60,738	92,899
Unallocated liabilities	16,666	265,576
Bond payables	28,588	29,028
Borrowings	13,387	30,390
Convertible loan notes	131,136	–
Current income tax liabilities	98	1,504
	<u> </u>	<u> </u>
Total liabilities	250,613	419,397
	<u> </u>	<u> </u>

4 INCOME TAX EXPENSE/(CREDIT)

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current income tax		
— PRC income tax	299	(729)
	<u> </u>	<u> </u>

No provision for Hong Kong profits tax has been made, as the Group's subsidiaries in Hong Kong did not derive any assessable profit for the six months ended 30 June 2023 and 30 June 2022.

Taxation on PRC income has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Enterprise Income Tax ("EIT") at the rate of 25% (six months ended 30 June 2022: 25%).

Pursuant to the PRC Enterprise Income Tax Law and its detailed implementation rules, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax upon the distribution of such profits to foreign investors.

5 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	<u>(42,522)</u>	<u>14,084</u>
	shares	shares
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,455,021	4,455,021
Effect of dilutive potential ordinary shares:		
Share options	–	–
Convertible loan notes	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,455,021</u>	<u>4,455,021</u>
	30 June	30 June
	2023	2022
	HK Cents	HK Cents
Basic (loss)/earnings per share	(0.95)	0.32
Diluted (loss)/earnings per share	<u>N/A</u>	<u>N/A</u>

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the six months ended 30 June 2023 and 30 June 2022.

The computation of the diluted (loss)/earnings per share for the six months ended 30 June 2023 and 2022 does not assume the conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in a decrease in loss per share/an increase in earnings per share for the six months ended 30 June 2023 and 2022.

The computation of diluted (loss)/earnings per share for the six months ended 30 June 2023 and 2022 does not assume the exercise of the Company's share options granted because the exercise price of these share options was higher than the average market price for shares for the six months ended 30 June 2023 and 2022.

6 DIVIDENDS

The Board of Directors did not propose any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
Trade receivables from third parties	–	14,721
Less: allowance for impairment of trade receivables	–	(89)
	<hr/>	<hr/>
Trade receivables — net of impairment recognised	–	14,632
Consideration receivable for disposal of subsidiaries	2,106	14,768
Other receivables	25,673	5,612
Value added tax receivables	760	1,424
Prepayments to suppliers	11,283	11,803
Deposits paid	1,004	842
Prepaid expenses	350	882
	<hr/>	<hr/>
Total	41,176	49,963
	<hr/> <hr/>	<hr/> <hr/>

The Group normally allows a credit period of 0–180 days from invoice date to its customers and may further extend the credit period to selected customers depending on their trade volume and settlement history. At 30 June 2023 and 31 December 2022, the aging analysis of trade receivables based on invoice date was as follows:

	Unaudited 30 June 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
121–365 days	–	9,288
Over 365 days	–	5,344
	<hr/>	<hr/>
	–	14,632
	<hr/> <hr/>	<hr/> <hr/>

8 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade payables	9	2,152
Accrued salaries	764	1,459
Accrued expenses	5,042	6,118
Other payable	49,231	66,878
Interest payable	3,298	3,300
	<u>58,344</u>	<u>79,907</u>

The suppliers normally allow credit periods ranging from 60 to 365 days for the Group. As at 30 June 2023 and 31 December 2022, the aging analysis of trade payables based on invoice date was as follows:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 30 days	–	395
31–60 days	–	789
61–90 days	–	959
91–120 days	–	–
Over 120 days	9	9
	<u>9</u>	<u>2,152</u>

9 CONVERTIBLE LOAN NOTES

The Company issued HK\$110,952,907, 10% convertible loan notes (“Convertible Notes”) at a par value of HK\$1,000,000 each on 17 July 2019. The Convertible Notes are denominated in Hong Kong dollars and are secured by certain shareholders of the Company, who have jointly, severally unconditionally and irrevocably guaranteed the due and punctual payment of all sums expressed to be payable by the Company under the Convertible Notes. The Convertible Notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the Convertible Notes and their settlement date on 17 July 2020 at a conversion price of HK\$0.184 per share. The Company have the options to redeem all or some of the Convertible Notes at par value plus accrued interest at any time between the date of issue of the Convertible Notes and the settlement date. If the Convertible Notes have not been converted or early redeemed, they will be redeemed on 17 July 2020 at par. Interest of 10% were paid in November of 2019 and May of 2020.

On 4 May 2020, a convertible notes holder signed a deed of assignment to transfer all rights and obligation of the Convertible Notes to another party. On 16 July 2020, the Company and the new holder signed a supplemental deed to revise the terms of Convertible Notes under which the Convertible Notes would be redeemed on 17 July 2021 at a conversion price of HK\$0.1340 per Convertible Notes. The effective interest adopted in the valuation of the liability component was 23.70% per annum. Except for the above mentioned, all other terms of the Convertible Notes remain unchanged.

On 4 August 2021, the Company and the noteholder signed the second supplemental deed to revise the terms of the Convertible Notes. Pursuant to the second supplemental deed, the Convertible Notes would be redeemed on 17 July 2022 and the interest on the notes was charged at 10% per annum until the settlement date. Except for the above, all other terms of the Convertible Notes remain unchanged.

Upon the modification of the terms of the Convertible Notes, the Convertible Notes contained liability component and conversion option derivative component. The fair value of the Convertible Notes at 4 August 2021 was estimated to be HK\$161,924,000, which was valued by an independent financial advisor. The fair value of the Convertible Notes comprised the liability component amounted to HK\$114,871,000. The effective interest rate adopted in the valuation of liability component was 6.36% per annum.

The Convertible Notes matured on 17 July 2022 and were not repaid by the Company or converted into shares of the Company upon their maturity. The total outstanding balance of the Convertible Notes of HK\$126,118,000, comprising the principal amount of the Convertible Notes of HK\$110,953,000 and the related interest payable and accrued interests of HK\$13,666,000 and HK\$1,499,000 was reclassified to amount due to a shareholder upon their maturity.

On 5 May 2023, the Company and the noteholder signed the third supplemental deed to revise the terms of the Convertible Notes. Pursuant to the third supplemental deed, the Convertible Notes would be redeemed on 17 July 2025 and the interest on the notes was charged at 8% per annum until the settlement date. Except for the above, all other terms of the Convertible Notes remain unchanged.

Upon the modification of the terms of the Convertible Notes on 5 May 2023, the Convertible Notes contain liability component, conversion option equity component and early redemption option derivative component. The fair value of the Convertible Notes at 5 May 2023 was estimated to be HK\$129,609,000 (representing principal of HK\$121,773,000 and accrued interest of HK\$7,836,000), which was valued by an independent financial advisor. The fair value of the Convertible Notes comprises the liability component, the equity component and the derivative component amounted to HK\$129,609,000, HK\$941,000 and HK\$606,000 respectively. The effective rate applied for the liability component carried at amortised cost at 30 June 2023 is 7.5% per annum.

Details of principal valuation parameters applied in determining the liability component and derivative conversion option component was summarised as follows:

	At 5 May 2023	At 30 June 2023
(a) Principal amount:	123,291	123,291
(b) Coupon rate:	8% per annum	8% per annum
(c) Maturity date:	17 July 2025	17 July 2025
(d) Conversion price:	HK\$0.134	HK\$0.134
(e) Risk-free rate:	4.18%	4.18%
(f) Expected volatility:	77.99%	84.3%
(g) Expected dividend yield:	<u>0%</u>	<u>0%</u>

The gain on modification of the Convertible Notes during the period amounted to HK\$1,983,000, which represents the excess of the carrying amount of the liability component of the Convertible Notes at the date of modification over the fair value of the Convertible Notes at that date, was recognised in profit and loss in respect of that period and was included in other income. In addition, on modification of the Convertible Notes, the equity component of the Convertible Notes amounted to HK\$941,000 was recognized to convertible notes reserve.

The movement of the liability, derivative and equity components of the Convertible Notes for the six months ended 30 June 2023 is set out below:

	Liability component <i>HK\$'000</i>	Derivative component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>
Reclassified from amount due to a shareholder upon modification	129,609	(606)	941
Gain on change in fair value of derivative financial asset	–	(1,211)	–
Interest charge	1,562	–	–
Exchange difference	(35)	–	–
Carrying amount at 30 June 2023 (Unaudited)	<u>131,136</u>	<u>(1,817)</u>	<u>941</u>

10. DISPOSAL OF SUBSIDIARIES

- (a) On 1 January 2023, the Group entered into a sale and purchase agreement with a third party in relation to the disposal of the entire issued share capital of two subsidiaries, Shandong Run Ze Industrial and Commercial Company Limited, and Dongying An Yu Energy Technology Company Limited together with its subsidiaries.

The disposal was completed on 1 January 2023 and the consideration for the disposal amounted to approximately RMB562,000 (equivalent to HK\$606,000), which was settled subsequent to 30 June 2023.

- (b) On 1 April 2023, the Group entered into a sale and purchase agreement with a third party in relation to the disposal of the entire issued share capital of a subsidiary, Blessing Garden Limited together with its subsidiaries.

The disposal was completed on 1 April 2023 and the consideration for disposal amounted to HK\$1,500,000, which was settled subsequent to 30 June 2023.

- (c) On 15 June 2023, the Group entered into a sale and purchase agreement with a third party in relation to the disposal of the entire issued share capital of a subsidiary, Beijing Times Changyun Enterprise Management Company Limited together with its associate.

The disposal was completed on 15 June 2023 and the consideration for the disposal amounted to RMB1 (equivalent to HK\$1), which was settled subsequent to 30 June 2023.

Net liabilities disposed of

	Six months ended 30 June 2023 HK\$'000
Non-current assets	
Property, plant and equipment	1,108
Interest in an associate	120,725
Current assets	
Trade and other receivables	7,525
Cash and cash equivalents	14,827
Total assets	<u>144,185</u>
Current liabilities	
Trade and other payables	1,192
Amount due to an associate	115,928
Amounts due to related parties	6,067
Borrowings	19,844
Current income tax liabilities	1,412
Total liabilities	<u>144,443</u>
Net liabilities disposed of	<u>(258)</u>

Loss on disposal of subsidiaries

**Six months
ended
30 June 2023
HK\$'000**

Consideration for disposal

— Received	—
— Receivable	<u>2,106</u>
Total consideration for disposal	2,106
Net liabilities disposed of	258
Non-controlling interests	(2,692)
Exchange reserve released upon disposal	<u>(1,430)</u>
Loss on disposal	<u><u>(1,758)</u></u>

Cash outflow on disposal of subsidiaries

**Six months
ended
30 June 2023
HK\$'000**

Consideration for disposal received

Less: Bank balances and cash disposed of	<u>(14,827)</u>
Net cash outflow on disposal	<u><u>(14,827)</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was principally engaged in three businesses: (i) energy trading which comprised mainly the trading of fuel oil and kerosene; (ii) operation of digital energy trading park; and (iii) drilling services during the six months ended 30 June 2023 (the “**Current Period**”). In January 2023, the Group has disposed of the holding company of Shandong Ruiyuan Shipping Company Limited* (山東瑞源船務有限公司) (“**Shandong Ruiyuan**”), which was principally engaged in the provision of customs declaration services. After the disposal, the Group no longer operated customs declaration services.

The Group’s revenue during the Current Period was approximately HK\$13.96 million, representing a significant decrease of approximately 87.43% as compared to approximately HK\$111.05 million for the corresponding period in 2022 (the “**Corresponding Period**”). The gross profit during the Current Period was approximately HK\$12.50 million (2022 interim: gross profit approximately HK\$28.36 million), representing a significant decrease of approximately 55.92% or HK\$15.86 million.

Energy trading business

Since October 2021, taking into account the best interest of the Company and its shareholders, the Group has temporarily suspended its energy trading business due to the exposure of energy trading business to a higher risk due to the volatility in crude oil price as a result of the economic uncertainty subsequent to the prolonged COVID-19 pandemic worldwide and the military conflict between Ukraine and Russia. The Group will consider resuming such business when the global oil price becomes stable.

During the Current Period, the revenue derived from the energy trading business was nil (2022 interim: approximately HK\$78.93 million).

Digital energy trading parks

The business operation of the digital energy trading parks has been rapidly expanding since its commencement in the second half of 2020. The Group has signed cooperation agreements with various entities in 17 cities/regions of China, and successfully introduced not less than 724 enterprises into the digital energy trading parks as at the date of this announcement. The operation and service business of digital energy trading parks generates stable income to the Group through: (1) receiving fixed service fees from enterprises in the trading parks on an annual basis; (2) receiving service fees based on the value-added services provided to the enterprises in the trading parks; and (3) applying for tax incentives or financial subsidies from local governments based on the economic benefits of the operation of the trading parks.

During the Current Period, the revenue derived from the operation of digital energy trading parks was approximately HK\$13.96 million (2022 interim: approximately HK\$32.12 million). The Company believes that the digital energy trading parks business will continue to contribute economic benefits and bring new opportunities for the energy trading business of the Group in the future.

Drilling Services

The Group has completed drilling services of certain oil wells through its wholly-owned subsidiary, Ningxia Deliheng Oil and Gas Technology Service Company* (寧夏德力恒油氣技術服務有限公司) (“**Ningxia Deliheng**”) in 2021. Ningxia Deliheng had entered into the SL16-5-4 and SL27 Well Agreement in late 2019 with Beijing Huaye Jinqian Petroleum Energy Technology Development Company Limited, Yanchi Branch Company* (北京華燁金泉石油能源技術開發有限公司鹽池分公司) (“**Beijing Huaye**”) pursuant to which Ningxia Deliheng provided drilling services of 19 oil wells for Beijing Huaye for the purpose of extraction of oil under the SL16-5-4 and SL27 Well Agreement. The drillings were commenced by 4 June 2021 and has been completed in June 2021.

The Group has further entered into a new drilling service agreement with Beijing Huaye to provide drilling services for 63 oil wells with a contract sum of over RMB748 million in the second half of 2021. As certain conditions precedent have not yet been fulfilled, the new drilling services of the 63 oil wells of the Group has been deferred and has not yet commenced at the date of this announcement.

During the Current Period, the revenue derived from the drilling services business was nil (2022 interim: nil).

PROSPECTS

Looking forward to the second half of 2023, the risk of stagflation in the global economy is expected to increase and the overall market conditions will remain uncertain. The Group expects to face various challenges such as continued volatility in oil price caused by the continuation of the military conflict between Ukraine and Russia and the economic uncertainty subsequent to the prolonged COVID-19 pandemic.

1. Energy Trading

The Group will continue to explore opportunities of development of new energy-related products and services in order to strengthen the energy trading business and to enhance the business competitiveness and profitability. The Group will endeavour to have business cooperation with large state-owned enterprises in order to minimize the risk of energy trading business. The Group will also resume the energy trading business after the global oil price become relatively stable.

2. Digital Trading Industry Park Operation

The Group has been successful in developing the “digital trading industry park” operation service for the petrochemical energy industry and has signed cooperative contracts with various enterprises in 17 cities and regions of China to co-build the Jintai Energy Digital Trading Industry Park since its commencement. The Group has introduced not less than 724 enterprises to the digital park. This business project of the Group aims to achieve an operation of 30 industry digital parks, introducing more than 2,000 enterprises. The Group will continue to broaden its customer base to the digital trading industry in order to achieve a sustainable growth in the future.

3. Business Expansion

The Group will continue to explore new investment and business opportunities in various fields including oil exploration and development.

The Group will continue to endeavour to cooperate with large state-owned enterprises to jointly develop valuable oil fields, accomplish the two-way driving of oil field exploitation, construction and oil product trading.

To cope with the challenging environment, the Group will continue to evaluate various business development opportunities to strengthen our competitive advantages through deployment of more resources for seizing the market potentials and broaden its source of revenue so as to create value for shareholders. The Directors are confident to achieve sustainable growth and bring greater returns to our shareholders.

FINANCIAL REVIEW

Results of Operations

Revenue

During the Current Period, the revenue of the Group decreased significantly to approximately HK\$13.96 million (2022 interim: approximately HK\$111.05 million), representing a decrease of approximately 87.43% as compared to the Corresponding Period. The decrease in revenue was mainly attributable to the temporary suspension of its energy trading business, as well as a drop in revenue derived from the operation of digital energy trading parks. In the Current Period, no revenue was derived from the energy trading business while approximately HK\$78.93 million was derived in the Corresponding Period. Revenue derived from operation of digital energy trading parks was approximately HK\$13.96 million in the Current Period, representing a decrease of approximately 56.54% as compared with the Corresponding Period.

Net (Loss)/Profit

During the Current Period, the Group recorded a net loss attributable to the owner of the Company of approximately (HK\$42.52 million) (2022 interim: net profit of approximately HK\$14.08 million). The net loss in the Current Period was mainly attributable to the loss arising from waiver of the amount due from a non-wholly owned subsidiary before it was disposed of during the Current Period with the impact of approximately HK\$20.5 million; and the decrease in revenue derived from operation of digital energy trading parks and the foreign exchange losses of approximately HK\$9.23 million.

Operating Costs

The operating costs were approximately HK\$16.72 million during the Current Period (2022 interim: approximately HK\$19.34 million), representing a decrease of approximately 13.55% as compared to the Corresponding Period. The decrease was mainly due to the disposal of subsidiaries during the Current Period.

Finance Costs

The finance costs of the Group were approximately HK\$7.99 million during the Current Period, representing an increase of approximately 75.22% as compared with approximately HK\$4.56 million for the Corresponding Period. The increase was mainly due to the default interest accrued on the Convertible Notes recognised in the Current Period. The Convertible Notes matured in July 2022 and the third supplemental deed was signed and ordinary resolutions have been passed by the shareholders of the Company in May 2023. Default interest was recognised for this period.

(Loss)/Earnings per Share

For the Current Period, the basic loss per share was approximately (HK\$0.95) cents (2022: basic earnings per share of approximately HK\$0.32 cents), representing a decrease of approximately 396.88% as compared with the Corresponding Period.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$264.17 million (as at 31 December 2022: approximately HK\$49.24 million), which were mainly denominated in Hong Kong dollars (HK\$), US dollars (US\$) and Renminbi (RMB).

As at 30 June 2023, the Group's net current assets were approximately HK\$213.24 million (as at 31 December 2022: the Group's net current liabilities were approximately HK\$193.64 million). The Group's current ratio, being the ratio of total current assets to total current liabilities, was approximately 2.80 as compared to approximately 0.54 as at 31 December 2022.

The Group had bank and other borrowings of approximately HK\$13.39 million (as at 31 December 2022: approximately HK\$30.39 million) which were denominated in Renminbi and Hong Kong dollars. The aforesaid bank and other borrowings was accounted for current liabilities of the Group and repayable within one year.

On 20 March 2023, the Company entered into the third supplemental deed for the amendments to the terms and conditions of the Convertible Notes, and ordinary resolutions have been passed by the shareholders of the Company on 5 May 2023. As at 30 June 2023, the carrying amount of the principal and the interest payables of the Convertible Notes issued by the Group was approximately HK\$131.14 million. As at 31 December 2022, the Convertible Notes was matured and the Company was negotiating with the holder of the Convertible Notes on the appropriate arrangement. The carrying amount of the principal and the outstanding interest payables of the Convertible Notes was reclassified as amount due to a shareholder of approximately HK\$126.12 million.

The Group had issued bonds in the principal amount of approximately RMB23.48 million as consideration for the acquisition of entire equity interest of Lijin Shuntong Logistics Company Limited (利津順通物流有限公司) in August 2020. As at 30 June 2023, the carrying amount of the bonds was approximately HK\$28.59 million (as at 31 December 2022: approximately HK\$29.03 million). The bonds bear interest at 5% per annum, payable on the maturity date of 23 October 2023.

Capital Structure and Gearing Ratio

As at 30 June 2023, the total number of issued shares of the Company was 4,455,020,888 shares.

As at 30 June 2023, the share capital and equity attributable to owners of the Company amounted to approximately HK\$5.57 million and approximately HK\$71.14 million respectively (as at 31 December 2022: approximately HK\$5.57 million and approximately HK\$114.03 million respectively).

As at 30 June 2023, the gearing ratio of the Group was approximately 243% (as at 31 December 2022: approximately 163%), which was computed by dividing the total borrowings of approximately HK\$173.11 million (as at 31 December 2022: approximately HK\$185.54 million) by shareholder's equity of approximately HK\$71.14 million (as at 31 December 2022: approximately HK\$114.03 million).

Pledge on the Group's assets

As at 30 June 2023, no assets of the Group have been pledged as security for the borrowings of the Group (as at 31 December 2022: nil).

Significant Investments and Material Acquisitions or Disposals

Save as disclosed in this announcement, the Group did not have significant investment or any material acquisition or disposal of subsidiaries for the six months ended 30 June 2023.

Treasury Policies

The Group does not engage in any leverage or derivative arrangements. Most of the Group's assets and liabilities are denominated in HK dollars, Renminbi and US dollars and the exchange rates of such currencies were relatively stable over the Current Period. The Directors believe that the Group's exposure to fluctuation in those currencies does not have any significant adverse effect to the Group. Nonetheless, the Group will closely monitor its foreign currency exposure and arrange for hedging facilities when necessary.

Contingent Liabilities

Save for disclosed in this announcement, as at 30 June 2023, the Group did not have any material contingent liabilities.

Amendments to the Terms and Conditions of the Convertible Notes

On 29 May 2019, the Company has entered into a subscription agreement with Win Win International Strategic Investment Funds SPC (for the account and on behalf of Win Win Stable No. 1 Fund SP) ("**Win Win**"), pursuant to which the Company has issued the convertible notes in the principal amount of HK\$110,952,907. Win Win has subsequently transferred its interest in the convertible notes to Qilu International Funds SPC (for the account and on behalf of Zhongtai Dingfeng Classified Fund SP) ("**Qilu**") on 4 May 2020. The original maturity date was 17 July 2020 and the original conversion price was HK\$0.184 per conversion share.

On 16 July 2020, the Company has entered into a supplemental deed with Qilu to (a) amend the conversion price to HK\$0.134; (b) amend the number of conversion shares in light of the amendment to the conversion price; (c) extend the maturity date to 17 July 2021, and extend the end of the conversion period to 4:00 p.m. (Hong Kong time) on the maturity date; and (d) the interest payment dates shall be 18 January 2021 and 17 July 2021. On 23 October 2020, ordinary resolutions have been passed by the shareholders of the Company.

On 4 August 2021, the Company entered into the second supplemental deed (the “**Second Supplemental Deed**”) with Qilu to (a) extend the maturity date to 17 July 2022 and extend the end of the conversion period to 4:00 p.m. (Hong Kong time) on the extended maturity date; and (b) the interest payment dates shall be 17 January 2022 and 17 July 2022. On 20 October 2021, ordinary resolutions have been passed by the shareholders of the Company.

On 20 March 2023, the Company entered into the third supplemental deed (the “**Third Supplemental Deed**”) with Qilu to (a) aggregate all accrued and unpaid interest up to 18 July 2022 in the sum of HK\$12,337,857.56 with the original principal amount of the Convertible Notes, i.e. HK\$110,952,907, totalling HK\$123,290,764.56, which is treated as the new outstanding principal amount; (b) amend the interest rate to 8.00% per annum from 19 July 2022 onwards; (c) extend the Maturity Date to 17 July 2025 and extend the end of the conversion period to 4:00 p.m. (Hong Kong time) on the extended maturity date; and (d) the interest payment date shall be 17 July 2025. On 5 May 2023, ordinary resolutions have been passed by the shareholders of the Company.

As at 30 June 2023, all of the net proceeds have already been used for redemption of the notes issued by the Company in 2017 and repayment of bank loans.

Further details of the issuance of Convertible Notes, the first, second and third supplement deeds are set out in the announcements of the Company dated 29 May 2019, 11 June 2019, 2 July 2019, 7 July 2019, 17 July 2019, 16 July 2020, 23 October 2020, 3 November 2020, 4 August 2021, 31 August 2021, 20 October 2021, 20 March 2023 and 5 May 2023 and the circulars of the Company dated 8 October 2020, 4 October 2021 and 19 April 2023.

Human Resources and Remuneration

The Group has employed a total of approximately 133 employees as at 30 June 2023 (as at 30 June 2022: approximately 131) in Hong Kong and the PRC. Staff costs (excluding Directors' emoluments) during the Current Period amounted to approximately HK\$6.22 million (2022 interim: approximately HK\$6.74 million). The Group recruits and selects candidates based on their qualifications and suitability for the position. It is the policy of the Group to recruit the most capable person available for each position.

The remuneration package of the Group's employees includes salary and bonus, which are generally determined by their qualifications, industry experiences, positions and experience. The Group makes contributions to social insurances and housing provident funds as required by the PRC laws and regulations.

Share Option Scheme

The former share option scheme of the Company expired on 25 June 2015. Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company on 16 September 2019, a new share option scheme of the Company (the "**New Scheme**") was adopted by the Company accordingly and will expire on 15 September 2029. The Company operates the New Scheme for the purpose of providing incentives or rewards to selected eligible participants who contribute to the success of the Group's operations. Selected eligible participants of the New Scheme include directors, employees of the Company or any of its subsidiaries and any officers or consultants who will provide or have provided services to the Group.

On 20 May 2021, the Company granted a total of 125,000,000 share options (the "**Share Options**") to 5 grantees (comprising 5 employees who are not a Director, chief executive nor substantial shareholder of the Company nor an associate (as defined under the Listing Rules) of any of them) at the exercise price of HK\$0.15 per share under the New Scheme adopted by the Company on 16 September 2019 and refreshed on 29 May 2020. Further details are set out in the announcement of the Company dated 20 May 2021.

The total number of securities available for issue under the New Scheme as at the date of this announcement was 856,700,000 Shares which represents approximately 19.23% of issued share capital of the Company as at the date of this announcement. For details, please refer to the circular of the Company dated 28 August 2019 and 27 April 2020 and the announcement of the Company dated 25 September 2019, 29 May 2020, 19 June 2020 and 20 May 2021 respectively.

Details of the Share Options granted, exercised, forfeited, lapsed and outstanding under the New Scheme during the Current Period are as follows:

Name or category of participants	Date of grant (dd/mm/yyyy)	Exercise price after (before) share subdivision in 2018 HK\$	Closing price of the shares immediately before the date of grant HK\$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options					
						As at 01/01/2023	Granted during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	As at 30/06/2023
DIRECTOR											
Mr. Yuan Hongbing	19/6/2020	0.145	0.145	19/6/2020	19/6/2020–18/6/2026	37,000,000	-	-	-	-	37,000,000
					Total	<u>37,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,000,000</u>
OTHER PARTICIPANTS											
Eligible employees ⁽¹⁾	19/6/2015	0.64125 (1.2825)	0.626	19/6/2015	19/6/2015–18/6/2025	123,200,000	-	-	-	-	123,200,000
Eligible employees ⁽¹⁾	24/9/2019	0.15	0.131	24/9/2019	24/9/2019–23/9/2029	362,500,000	-	-	-	-	362,500,000
Eligible employees ⁽¹⁾	19/6/2020	0.145	0.145	19/6/2021	19/6/2020–18/6/2026	159,000,000	-	-	-	-	159,000,000
Eligible employees ⁽¹⁾	20/5/2021	0.15	0.148	20/5/2021	20/5/2021–19/5/2027	125,000,000	-	-	-	-	125,000,000
					Total	<u>769,700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>769,700,000</u>

Note:

1. Eligible employees are working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).
2. The share options are not subject to any performance target.

Connected Transactions

Provision of drilling services

On 10 August 2021, Ningxia Deliheng Oil and Gas Technology Service Company (寧夏德力恒油氣技術服務有限公司) (“**Ningxia Deliheng**”), an indirect wholly-owned subsidiary of the Company and Beijing Huaye Jinqun Petroleum Energy Technology Development Company Limited, Yanchi Branch (北京華燁金泉石油能源技術開發有限公司鹽池分公司) (“**Beijing Huaye**”) entered into an agreement regarding oil well drilling in Huian Oil Field (惠安油田), the PRC (the “**Huian Well Agreement**”). Pursuant to the Huian Well Agreement, Ningxia Deliheng agreed to provide drilling services of an aggregate of 63 oil wells for Beijing Huaye for the purpose of extraction of oil at an aggregate consideration of RMB748,171,700.00.

Mr. Han Jinfeng, an executive Director and the chairman of the Company, is a majority ultimate beneficial shareholder of Beijing Huaye (holding 64% effective interest thereof). Therefore, the Well Agreement constituted a connected transaction of the Company. Mr. Han Jinfeng is a cousin of Mr. Chen Jinle, the then Chairman, an executive Director and substantial shareholder of the Company at the material time when the Huian Well Agreement was entered into, the Huian Well Agreement constituted a connected transaction of the Company. As at the date of this announcement, Mr. Han Jinfeng is an executive Director and the chairman of the Company.

As certain conditions precedent have not yet been fulfilled, the Huian Well Agreement has not been performed yet.

For further details regarding the Huian Well Agreement, please refer to the announcements of the Company dated 10 August 2021 and 19 August 2021.

SUBSEQUENT EVENTS AFTER THE CURRENT PERIOD

Save as disclosed below, there were no significant subsequent events that needed to be disclosed by the Group since 30 June 2023 and up to the date of this announcement.

Disposal of a Subsidiary

On 24 July 2023, an indirect wholly-owned subsidiary of the Company (the “**Vendor**”) entered into the agreement with 東營綜合保稅區博森商業管理有限公司 (Dongying Comprehensive Bonded Zone Bo Sen Commercial Management Company Limited) (the “**Purchaser**”), pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire the 50% of the equity interest of Qingdao Dongfang Xinshi Petrochemical Company Limited (青島東方信實石油化工有限公司) (“**Qingdao Dongfang**”) at the consideration of RMB1.00. Qingdao Dongfang has ceased to carry on its major business in the trading of energy products since June 2022 and does not intend to re-activate such business in the near foreseeable future. Moreover, Qingdao Dongfang is at a net liabilities position of approximately RMB28,437,000. Hence, the disposal will allow the Group to reduce its share of net liabilities and improve its overall financial position accordingly.

For further details, please refer to the announcement of the Company dated 24 July 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Current Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS, ACQUISITIONS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments, acquisitions and capital assets during the Current Period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company devotes to the corporate governance, and has complied with the code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 of the Listing Rules for the Current Period, except for the following deviation:

Pursuant to code provision C.1.6 of the Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Our non-executive Director, Mr. Chen Yunwei was unable to attend the extraordinary general meeting of the Company held on 5 May 2023 due to other working commitments.

Update of the Directors' Information under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B of the Listing Rules, the changes of information of the Directors during the Current Period are set out below:

On 16 June 2023, the proposed ordinary resolution for the re-election of Mr. Lin Caihuo (“**Mr. Lin**”) was not passed at the annual general meeting. Accordingly, Mr. Lin has retired as an executive Director by rotation with effect from 16 June 2023. Mr. Lin has also ceased to be a member of the nomination committee and the remuneration committee of the Company. Further details were disclosed in the Company’s announcement dated 16 June 2023.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct pertaining to securities transactions by the Directors. Having made specific enquiry of all Directors, all the Directors have confirmed that they have fully complied with the required standards set out in the Model Code and the Company’s own code of conduct regarding Director’s securities transactions throughout the Current Period.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) assists the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The primary duties of the Audit Committee are to, among others, review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Tche Heng Hou Kevin, Mr. Mak Tin Sang and Mr. Jiang Hao. The chairman of the Audit Committee is Mr. Tche Heng Hou Kevin, who holds the appropriate professional accounting qualification and financial management expertise as required under the Listing Rules.

The interim results of the Group for the six months ended 30 June 2023 have not been audited. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 and this announcement with the Directors and senior management of the Group.

ACKNOWLEDGEMENT

The Group would like to extend its sincere gratitude to its business partners and shareholders for their continuous support. The management team and all staff members shall also be lauded for their unwavering efforts and dedication to the Group.

PUBLICATION OF INTERIM REPORT

This interim results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jintaienergy.com), and the interim report containing all information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Jintai Energy Holdings Limited
Yuan Hongbing
Executive Director and Chief Executive Officer

Hong Kong, 30 August 2023

* *The English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

As at the date of this announcement, the Company has two executive Directors, namely Mr. Han Jinfeng (Chairman) and Mr. Yuan Hongbing (Chief Executive Officer), one non-executive Director, namely Mr. Chen Yunwei, and three independent non-executive Directors, namely, Mr. Tche Heng Hou Kevin, Mr. Mak Tin Sang and Mr. Jiang Hao.