HENAN JINYUAN HYDROGENATED
CHEMICALS CO., LTD.

Report and financial statements
for each of the three years ended 31 December 2022
and the six months ended 30 June 2023

HENAN JINYUAN HYDROGENATED CHEMICALS CO., LTD.

REPORT AND FINANCIAL STATEMENTS
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022
AND THE SIX MONTHS ENDED 30 JUNE 2023

CONTENTS **PAGE(S)**

Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Henan Jinyuan Hydrogenated Chemicals Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the financial statements of Henan Jinyuan Hydrogenated Chemicals Co., Ltd. (the "Company") set out on pages 4 to 44, which comprise the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and 30 June 2023, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Company for each of the three years ended 31 December 2022 and the six months ended 30 June 2023 and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements are prepared, in all material respects, in accordance with the basis of preparation set out in note 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The comparative financial information for the six months ended 30 June 2022 has not been audited.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 3 to the financial statements, which describe the basis of accounting. The financial statements are prepared solely for the purpose of inclusion in the financial information to be incorporated in the prospectus of the Company dated 12 December 2023 in connection with the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the Company and should not be distributed to or used by parties other than the Company without our prior written consent. All duties and liabilities (including, without limitation, those arising from negligence or otherwise) to any third party are specifically disclaimed. As explained in our engagement letter governing this engagement, the Contracts (Rights of Third Parties) Ordinance does not apply, and only the signing parties to the engagement letter have any rights under it.

To the Board of Directors of Henan Jinyuan Hydrogenated Chemicals Co., Ltd. - continued
(incorporated in the People's Republic of China with limited liability)

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements in accordance with the basis of preparation set out in note 3 to the financial statements, this includes determining that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

To the Board of Directors of Henan Jinyuan Hydrogenated Chemicals Co., Ltd. - continued
(incorporated in the People's Republic of China with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 December 2023

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022 AND THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	Year ended 31 December			Six months ended 30 June	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Revenue	5	584,718	1,065,598	1,313,836	658,701	647,289
Cost of sales		(550,584)	(947,253)	(1,252,007)	(609,677)	(597,129)
Gross profit		34,134	118,345	61,829	49,024	50,160
Other income	6	5,822	3,698	3,105	1,522	2,379
Other gains and losses	7	(5,813)	(9,716)	(5,716)	(3,348)	(2,970)
Selling and distribution expenses		(9,651)	(10,655)	(15,004)	(6,783)	(10,122)
Administrative expenses		(3,911)	(6,851)	(8,500)	(4,209)	(3,708)
Finance costs	8	(3,414)	(2,636)	(3,660)	(1,202)	(1,852)
Profit before tax	9	17,167	92,185	32,054	35,004	33,887
Income tax expense	10	(4,302)	(23,101)	(8,912)	(9,129)	(8,304)
Profit for the year/period		12,865	69,084	23,142	25,875	25,583
Other comprehensive income (expense):	11					
Item that may be reclassified subsequently to profit or loss:						
Fair value gain (loss) on bills receivables at fair value through other comprehensive income ("FVTOCI"), net of income tax		232	35	327	68	(78)
Total comprehensive income for the year/period		13,097	69,119	23,469	25,943	25,505

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2020, 2021 AND 2022 AND 30 JUNE 2023

	NOTES	As at 31 December 2020 RMB'000	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 30 June 2023 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	173,462	164,674	264,130	420,850
Right-of-use assets	13	24,249	59,642	58,359	57,717
Deferred tax assets	14	1,512	1,771	1,292	1,268
Deposits for acquisition of property, plant and equipment, right-of-use assets and investment		16,522	52	4,673	12,978
		215,745	226,139	328,454	492,813
CURRENT ASSETS					
Inventories	15	35,215	47,443	54,750	42,723
Trade and other receivables	16	20,385	17,408	24,401	30,266
Tax recoverable		-	-	642	-
Bills receivables at FVTOCI	17	103,543	113,722	81,680	114,659
Restricted bank balances	18	16,437	23,078	15,208	25,211
Bank balances and cash	18	4,680	6,117	41,137	44,284
		180,260	207,768	217,818	257,143
CURRENT LIABILITIES					
Borrowings	19	61,200	36,000	57,000	116,000
Trade and other payables	20	62,777	64,317	99,009	186,134
Amount due to a shareholder	21	495	-	-	-
Amount due to a related party	22	114	-	-	-
Contract liabilities	23	5,931	4,988	6,681	8,144
Tax payable		1,944	1,048	-	3,286
		132,461	106,353	162,690	313,564
NET CURRENT ASSETS (LIABILITIES)		47,799	101,415	55,128	(56,421)
TOTAL ASSETS LESS CURRENT LIABILITIES		263,544	327,554	383,582	436,392
CAPITAL AND RESERVES					
Paid-in capital	25	100,000	100,000	100,000	100,000
Reserves		137,306	206,425	229,894	255,399
TOTAL EQUITY		237,306	306,425	329,894	355,399
NON-CURRENT LIABILITIES					
Borrowings	19	21,000	15,000	48,147	75,746
Deferred revenue	26	5,238	6,129	5,541	5,247
		26,238	21,129	53,688	80,993
		263,544	327,554	383,582	436,392

The financial statements on pages 4 to 44 were approved and authorised for issue by the Board of Directors on 12 December 2023 and are signed on its behalf by:

Yiu Chiu Fai　　　Wang Zengguang　　　Pang Liyi

STATEMENTS OF CHANGES IN EQUITY FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022 AND THE SIX MONTHS ENDED 30 JUNE 2023

	Paid-in capital RMB'000	FVTOCI reserve RMB'000	Statutory surplus reserve fund RMB'000 (Note i)	Retained profits RMB'000	Special reserve RMB'000 (Note ii)	Total RMB'000
As at 1 January 2020	100,000	(1,205)	14,284	90,209	20,921	224,209
Profit for the year	-	-	-	12,865	-	12,865
Other comprehensive income for the year	-	232	-	-	-	232
Total comprehensive income for the year	-	232	-	12,865	-	13,097
Transfer	-	-	1,286	924	(2,210)	-
As at 31 December 2020	100,000	(973)	15,570	103,998	18,711	237,306
Profit for the year	-	-	-	69,084	-	69,084
Other comprehensive income for the year	-	35	-	-	-	35
Total comprehensive income for the year	-	35	-	69,084	-	69,119
Transfer	-	-	6,909	(5,176)	(1,733)	-
As at 31 December 2021	100,000	(938)	22,479	167,906	16,978	306,425
Profit for the year	-	-	-	23,142	-	23,142
Other comprehensive income for the year	-	327	-	-	-	327
Total comprehensive income for the year	-	327	-	23,142	-	23,469
Transfer	-	-	2,314	(97)	(2,217)	-
As at 31 December 2022	100,000	(611)	24,793	190,951	14,761	329,894
Profit for the period	-	-	-	25,583	-	25,583
Other comprehensive expense for the period	-	(78)	-	-	-	(78)
Total comprehensive (expense) income for the period	-	(78)	-	25,583	-	25,505
Transfer	-	-	-	(761)	761	-
As at 30 June 2023	100,000	(689)	24,793	215,773	15,522	355,399
(Unaudited)						
As at 1 January 2022	100,000	(938)	22,479	167,906	16,978	306,425
Profit for the period	-	-	-	25,875	-	25,875
Other comprehensive income for the period	-	68	-	-	-	68
Total comprehensive income for the period	-	68	-	25,875	-	25,943
Transfer	-	-	-	(562)	562	-
As at 30 June 2022	100,000	(870)	22,479	193,219	17,540	332,368

Notes:

(i) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Company is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of the Company) 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 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 Company.

(ii) The Company 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.

STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022 AND THE SIX MONTHS ENDED 30 JUNE 2023

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
OPERATING ACTIVITIES					
Profit before tax	17,167	92,185	32,054	35,004	33,887
Adjustments for:					
Interest income on bank deposits	(35)	(121)	(654)	(59)	(330)
Interest income on bills receivables at FVTOCI	(3,251)	(3,188)	(1,856)	(1,169)	(1,155)
Impairment losses under expected credit loss ("ECL") model, net of reversal	19	-	-	-	-
Depreciation of property, plant and equipment	12,193	16,159	16,391	8,181	8,216
Depreciation of right-of-use assets	554	1,102	1,283	642	642
Finance costs	3,414	2,636	3,660	1,202	1,852
Release of assets-related government subsidies	(235)	(389)	(588)	(294)	(294)
Operating cash flows before movements in working capital	29,826	108,384	50,290	43,507	42,818
Decrease (increase) in inventories	2,665	(12,228)	(7,307)	(5,867)	12,027
Decrease (increase) in bills receivables at FVTOCI	19,085	(6,944)	34,334	(23,676)	(31,928)
(Increase) decrease in trade and other receivables	(1,390)	2,977	(6,993)	263	(5,865)
(Decrease) increase in trade and other payables	(80,821)	3,318	14,485	(27,372)	(9,039)
Increase (decrease) in amount due to a related party	114	(114)	-	-	-
Increase (decrease) in amount due to a shareholder	495	(495)	-	-	-
Increase (decrease) in contract liabilities	3,304	(943)	1,693	40	1,463
Cash generated from operations	(26,722)	93,955	86,502	(13,105)	9,476
Income tax paid	(2,761)	(24,268)	(10,232)	(5,831)	(4,326)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(29,483)	69,687	76,270	(18,936)	5,150
INVESTING ACTIVITIES					
Assets-related government subsidies received	-	1,280	-	-	-
Interest on bank balances received	35	121	654	59	330
Purchase of property, plant and equipment	(5,395)	(9,179)	(99,779)	(32,566)	(74,879)
Payments for right-of-use assets	(16,500)	(19,995)	-	-	-
Placement of restricted bank balances	(245,243)	(83,940)	(61,360)	(26,007)	(52,003)
Withdrawal from restricted bank balances	251,532	77,299	69,230	45,900	42,000
NET CASH USED IN INVESTING ACTIVITIES	(15,571)	(34,414)	(91,255)	(12,614)	(84,552)
FINANCING ACTIVITIES					
Interest paid	(3,414)	(2,636)	(4,142)	(1,162)	(4,050)
New bank borrowings raised	94,400	39,270	129,837	64,690	97,599
Repayment of bank borrowings	(42,200)	(70,470)	(75,690)	(33,000)	(11,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	48,786	(33,836)	50,005	30,528	82,549
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,732	1,437	35,020	(1,022)	3,147
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR /PERIOD	948	4,680	6,117	6,117	41,137
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR /PERIOD, REPRESENTED BY					
Bank balances and cash	4,680	6,117	41,137	5,095	44,284

1. GENERAL INFORMATION

Henan Jinyuan Hydrogenated Chemicals Co., Ltd. (the "Company")* 河南金源氫化化工股份有限公司, formerly known as Jiyuan Jinyuan Chemicals Co., Ltd. (the "Predecessor")* 濟源市金源化工有限公司, Henan Jinyuan Hydrogen Energy Technology Co., Ltd.* 河南金源氫能科技股份有限公司 and Henan Jinyuan Hydrogenated Chemicals & Energy Co., Ltd.* 河南金源氫化能源股份有限公司, was established as a limited liability company in the PRC on 23 November 2012 under the Company Law of the PRC. In July 2023, the Company was converted from a limited liability company into a joint stock company, the details of which are set out in Note 34.

The principal activities of the Company are mainly engaged in the production and sales of hydrogenated benzene-based chemicals, including pure benzene, toluene, xylene, heavy benzene and non-aromatic hydrocarbon.

The address of the registered office and the principal place of business of the Company is West First Ring Road South, Jiyuan, Henan Province, the PRC.

The Predecessor was wholly owned by Henan Jinma Energy Co., Ltd. ("Jinma Energy")* 河南金馬能源股份有限公司 since 26 May 2015, when Jinma Energy acquired all the shares of the Company held by Jinma Energy (Hong Kong) Co., Ltd.* 金馬能源(香港)有限公司, Maanshan Iron & Steel Co., Ltd.* 马鞍山钢铁股份有限公司, Jiangxi PXSteel Industrial Co., Ltd* 江西萍鋼實業股份有限公司 and Jiyuan Jinma Xingye Investment Co., Ltd* 濟源市金馬興業投資有限公司. On 9 June 2023, Jinma Energy entered into an equity transfer agreement with Shanghai Jinma Energy Sources Co., Ltd. ("Shanghai Jinma")* 上海金馬能源有限公司 for the sale of 1% equity interest in the Predecessor, following the completion which the Predecessor was held as to 99% by Jinma Energy and 1% by Shanghai Jinma.

Following the completion of the Reorganisation as set out in Note 34, share capital of the Company was increased to RMB716,730,000, divided into 716,730,000 shares at a par value of RMB1. The Company became held as to 99.53% by Jinma Energy and 0.47% by Shanghai Jinma.

The financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

* *For identification purpose only.*

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the financial statements for the three years ended 31 December 2022 and the six months ended 30 June 2023 (the "Reporting Period"), the Company has consistently applied the accounting policies which conform with the International Accounting Standards ("IASs"), IFRSs, amendments and the related interpretations issued by the IASB, which are effective for the Company's financial period beginning on 1 January 2023, throughout the Reporting Period.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Amendments to IFRSs in issue but not yet effective

At the date of the approval of these financial statements, the Company has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the amendments to IFRSs will have no material impact on the Company’s financial position and performance in the foreseeable future.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of financial statements

The financial statements of the Company for the Reporting Period have been prepared solely for the purpose of preparation of financial information to be incorporated in the prospectus of the Company dated 12 December 2023 in connection with the initial public offering of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited. Accordingly, the comparative figures for the year ended 31 December 2020 have not been presented.

These financial statements are the first set of the Company's financial statements prepared in accordance with IFRSs, the application of IFRS 1 "First -time Adoption of International Financial Reporting Standards" has had no material impact on the financial position, financial performance and cash flows of the Company.

The financial statements have been prepared in accordance with the accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

As at 30 June 2023, the Company had net current liabilities of approximately RMB56,421,000. In addition, there were outstanding capital commitments amounting to RMB23,343,000 (Note 27). The directors of the Company are of the opinion that, taking into account the current operation of the Company and undrawn banking facilities available to the Company of RMB117,254,000 as at 30 June 2023 (Note 32), the Company 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 reporting period. Therefore, the financial statements have been prepared on a going concern basis.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.1 Basis of preparation of financial statements - continued

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 "Lease", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairments of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Material accounting policy information

Revenue from contracts with customers

The Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Revenue from contracts with customers – continued

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the Company performs; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Company assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Company as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Company.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Leases - continued

The Company as a lessee - continued

Right-of-use assets - continued

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Company presents right-of-use assets as a separate line item on the statements of financial position.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualified assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statements of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Taxation- continued

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below. Property, plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings and structures, machinery and equipment and office equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Company must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and bills receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Bills receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for bills receivables at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these bills receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these bills receivables. When these bills receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments"

The Company performs impairment assessment under ECL model on financial assets (including trade and other receivables, restricted bank balances, bank balances and bills receivables at FVTOCI) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Company's historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

*Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments"***-** continued

The Company always recognises lifetime ECL for trade receivables .

For all other instruments, the Company measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

*Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments"***-** continued

(i) Significant increase in credit risk - continued

Despite the aforegoing, the Company assumes that the credit risk on a bill receivable has not increased significantly since initial recognition if the bill receivable is determined to have low credit risk at the reporting date. A bill receivable is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company considers a bill receivable to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

*Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments"***-** continued

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables, which are not credit-impaired are assessed on a collective basis, whereas debtors which is considered credit-impaired are assessed on individual basis, taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Company takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and
- Nature, size and industry of debtor.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

*Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments"***-** continued

(v) Measurement and recognition of ECL **-** continued

Except for bills receivables that are measured at FVTOCI, the Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For bills receivables classified as at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these bills receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a bill receivable at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial liabilities and equity - continued

Financial liabilities at amortised cost

All financial liabilities including borrowings, trade and other payables, amount due to a shareholder and amount due to a related party are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Fair value measurement of bills receivables at FVTOCI

As at 31 December 2020, 2021 and 2022 and 30 June, 2023, the Company's financial assets at FVTOCI amounting to RMB103,543,000, RMB113,722,000, RMB81,680,000 and RMB114,659,000 respectively, are measured at fair values with fair values being determined based on observable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques which is reflective of the current market conditions and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Details of fair value measurement of financial instruments are set out in Note 32.

5. REVENUE

Revenue from contracts with customers

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of goods					
Hydrogenated benzene-based chemicals	584,718	1,065,598	1,313,836	658,701	647,289

Performance obligations for contracts with customers

The Company is mainly engaged the production and sales of hydrogenated benzene-based chemicals, for which revenue is recognised at point in time.

For sales as a principal of hydrogenated benzene-based chemicals, 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 ability to direct the use of the products and bears the risks of obsolescence and loss in relation to the products.

In general, for some customers with long-term relationships, the normal credit term is within 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 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.

6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income on bank deposits	35	121	654	59	330
Interest income on bills receivables at FVTOCI	3,251	3,188	1,856	1,169	1,155
Release of assets-related government subsidies (Note 26)	235	389	588	294	294
Government grants	2,300	-	7	-	600
Others	1	-	-	-	-
	5,822	3,698	3,105	1,522	2,379

7. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net loss arising on bills receivables at FVTOCI	(6,069)	(9,779)	(6,449)	(3,361)	(2,993)
Gain on disposal of scrap steel	-	-	78	-	-
Reversal of impairment loss under ECL model	19	-	-	-	-
Others	237	63	655	13	23
	(5,813)	(9,716)	(5,716)	(3,348)	(2,970)

8. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expense on bank borrowings	3,414	2,636	4,247	1,202	4,157
Less: amounts capitalised	-	-	(587)	-	(2,305)
	3,414	2,636	3,660	1,202	1,852
Capitalisation rate - per annum	-	-	5.60%	-	5.60%

9. PROFIT BEFORE TAX

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax has been arrived at after charging:					
Staff costs					
Staff costs	5,173	7,843	10,099	4,467	5,846
Retirement benefits (Note 24)	56	386	694	485	248
Total staff costs	5,229	8,229	10,793	4,952	6,094
Capitalised in inventories	(3,382)	(5,438)	(6,815)	(3,135)	(4,661)
	1,847	2,791	3,978	1,817	1,433
Depreciation of property, plant and equipment	12,193	16,159	16,391	8,181	8,216
Capitalised in inventories	(12,149)	(15,901)	(16,091)	(8,031)	(8,066)
	44	258	300	150	150
Depreciation of right-of-use assets	554	1,102	1,283	642	642
Auditors' remuneration	50	50	50	-	-
Cost of inventories recognised as expenses	550,039	945,463	1,251,263	608,984	597,129

10. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PRC Enterprise Income Tax ("EIT")					
- current tax	4,321	23,372	7,755	8,702	8,455
- (over)/under-provision in prior years	(43)	-	787	332	(201)
Deferred tax (Note 14)	24	(271)	370	95	50
	4,302	23,101	8,912	9,129	8,304

10. INCOME TAX EXPENSE - continued

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company is 25% for the Reporting Period.

The taxation charge for the years/periods can be reconciled to the profit before tax per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Profit before tax	17,167	92,185	32,054	35,004	33,887
Tax charge at the applicable income tax rate of 25%	4,292	23,046	8,014	8,751	8,472
Tax effect of expenses not deductible for tax purposes	53	55	111	46	33
(Over)/under-provision in prior years	(43)	-	787	332	(201)
Income tax expense	4,302	23,101	8,912	9,129	8,304

11. OTHER COMPREHENSIVE INCOME (EXPENSE)

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Other comprehensive income (expense) includes:					
Items that may be reclassified subsequently to profit or loss:					
Fair value change arising from bills receivables at FVTOCI	9,140	16,268	11,422	6,378	4,384
Reclassification to profit or loss during the year / period upon derecognition of bills receivables at FVTOCI	(8,908)	(16,233)	(11,095)	(6,310)	(4,462)
	232	35	327	68	(78)

Income tax effect relating to other comprehensive income

	Year ended 31/12/2020			Year ended 31/12/2021			Year ended 31/12/2022		
	Before-tax amount RMB'000	Tax charge RMB'000	Net-of-income tax amount RMB'000	Before-tax amount RMB'000	Tax charge RMB'000	Net-of-income tax amount RMB'000	Before-tax amount RMB'000	Tax charge RMB'000	Net-of-income tax amount RMB'000
Item that may be reclassified subsequently to profit or loss:									
Fair value gain (loss) on:									
- bills receivables at FVTOCI	309	(77)	232	47	(12)	35	436	(109)	327

	Six months ended 30/06/2022 (unaudited)			Six months ended 30/06/2023		
	Before-tax amount RMB'000	Tax charge RMB'000	Net-of-income tax amount RMB'000	Before-tax amount RMB'000	Tax credit RMB'000	Net-of-income tax amount RMB'000
Item that may be reclassified subsequently to profit or loss:						
Fair value gain (loss) on:						
- bills receivables at FVTOCI	91	(23)	68	(104)	26	(78)

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2020	47,504	128,919	27	33,254	45,781	255,485
Additions	-	-	-	-	7,096	7,096
Transfer	18,907	31,799	-	-	(50,706)	-
At 31 December 2020	66,411	160,718	27	33,254	2,171	262,581
Additions	1,486	429	223	-	5,233	7,371
At 31 December 2021	67,897	161,147	250	33,254	7,404	269,952
Additions	917	1,819	-	-	113,111	115,847
At 31 December 2022	68,814	162,966	250	33,254	120,515	385,799
Additions	-	-	-	-	164,936	164,936
At 30 June 2023	68,814	162,966	250	33,254	285,451	550,735
Depreciation						
At 1 January 2020	10,003	52,817	7	14,099	-	76,926
Provided for the year	1,902	8,190	5	2,096	-	12,193
At 31 December 2020	11,905	61,007	12	16,195	-	89,119
Provided for the year	3,882	10,183	5	2,089	-	16,159
At 31 December 2021	15,787	71,190	17	18,284	-	105,278
Provided for the year	3,968	10,287	47	2,089	-	16,391
At 31 December 2022	19,755	81,477	64	20,373	-	121,669
Provided for the period	1,986	5,162	24	1,044	-	8,216
At 30 June 2023	21,741	86,639	88	21,417	-	129,885
Carrying values						
At 31 December 2020	54,506	99,711	15	17,059	2,171	173,462
At 31 December 2021	52,110	89,957	233	14,970	7,404	164,674
At 31 December 2022	49,059	81,489	186	12,881	120,515	264,130
At 30 June 2023	47,073	76,327	162	11,837	285,451	420,850

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

Buildings and structures	3%-10%
Machinery and equipment	4%-19%
Motor vehicles	6%-19%
Office equipment	6%-19%

13. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000
As at 1 January 2020	24,803
Depreciation charged during the year	(554)
As at 31 December 2020	24,249
Additions	36,495
Depreciation charged during the year	(1,102)
As at 31 December 2021	59,642
Depreciation charged during the year	(1,283)
As at 31 December 2022	58,359
Depreciation charged during the period	(642)
As at 30 June 2023	57,717

The Company has obtained the land use right certificates for all leasehold lands. The above items of right-of-use-assets are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

Leasehold lands	2.0%-2.4%

The total cash outflow for leases amounted to RMB16,500,000, RMB19,995,000, nil, nil (unaudited) and nil for the years ended 31 December 2020, 2021, 2022 and six months ended 30 June 2022 and 2023, respectively .

14. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the Reporting Period:

	Accelerated tax depreciation RMB'000	Fair value change of bills receivables at FVTOCI RMB'000	Deferred revenue RMB'000	Toal RMB'000
At 1 January 2020	-	245	1,368	1,613
Credit (charge) to profit or loss	-	35	(59)	(24)
Charge to the other comprehensive income	-	(77)	-	(77)
At 31 December 2020	-	203	1,309	1,512
Credit to profit or loss	-	47	224	271
Charge to the other comprehensive income	-	(12)	-	(12)
At 31 December 2021	-	238	1,533	1,771
(Charge) credit to profit or loss	(250)	28	(148)	(370)
Charge to the other comprehensive income	-	(109)	-	(109)
At 31 December 2022	(250)	157	1,385	1,292
Credit (charge) to profit or loss	8	16	(74)	(50)
Credit to the other comprehensive income	-	26	-	26
At 30 June 2023	(242)	199	1,311	1,268

14. DEFERRED TAX ASSETS/LIABILITIES - continued

	Accelerated tax depreciation RMB'000	Fair value change of bills receivables at FVTOCI RMB'000	Deferred revenue RMB'000	Toal RMB'000
(Unaudited)				
At 1 January 2022	-	238	1,533	1,771
Charge to profit or loss	-	(22)	(73)	(95)
Charge to the other comprehensive income	-	(23)	-	(23)
At 30 June 2022	-	193	1,460	1,653

The Company had no unused tax losses and thus no deferred tax asset has been recognised in respect of tax losses as at 31 December 2020, 2021 and 2022 and 30 June 2023.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Company had no other material unrecognised deductible temporary differences.

15. INVENTORIES

	As at 31 December			As at 30 June
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Raw materials	23,147	29,768	34,001	24,031
Finished goods	12,068	17,675	20,749	18,692
	35,215	47,443	54,750	42,723

16. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Trade receivables - contract with customers	17,729	9,025	10,104	12,975
Other receivables	71	33	71	82
Prepayments to suppliers	2,585	8,350	6,369	11,416
Prepaid other taxes and charges	-	-	7,857	5,793
	20,385	17,408	24,401	30,266

As at 1 January 2020, the carrying amount of trade receivables net of allowance for ECL from contracts with customers amounted to RMB11,730,000.

16. TRADE AND OTHER RECEIVABLES - continued

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

	As at 31 December			As at 30 June
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Within 90 days	17,729	9,025	9,810	12,681
181 - 365 days	-	-	204	-
More than 1 year	-	-	90	294
	17,729	9,025	10,104	12,975

The normal credit term to the customers is ranged within 60 days. At the end of each reporting period, the amount of debtors included in the Company's trade receivables balances that are past due as at the reporting date is insignificant and the Company is satisfied with the subsequent settlements and the credit quality of these customers had not been deteriorated.

The Company does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 32.

17. BILLS RECEIVABLES AT FVTOCI

	As at 31 December			As at 30 June
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Bills receivables	103,543	113,722	81,680	114,659

Under IFRS 9, certain bills which were held by the Company for the practice of discounting/endorsing to financial institutions/suppliers before the bills due for payment were classified as "bills receivables at FVTOCI". At the end of each reporting period, all the bills are with a maturity period of less than one year.

The Company 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.

Details of impairment assessment are set out in Note 32.

18. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

Restricted bank balances and bank balances carry interest at prevailing market interest rates ranging from 0.20% to 1.30% per annum as at the end of each reporting period.

The Company's restricted bank balances were pledged to banks for issuing bills.

Details of impairment assessment of bank balances are set out in Note 32.

19. BORROWINGS

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	82,200	51,000	105,147	191,746
Secured	5,200	-	55,147	107,746
Unsecured (Note)	77,000	51,000	50,000	84,000
	82,200	51,000	105,147	191,746
Fixed-rate borrowings	77,000	51,000	30,000	50,000
Floating-rate borrowings	5,200	-	75,147	141,746
	82,200	51,000	105,147	191,746
Carrying amount repayable: (based on scheduled payment terms)				
Within one year	61,200	36,000	57,000	116,000
More than one year, but not more than two years	6,000	15,000	48,147	75,746
More than two years, but not more than five years	15,000	-	-	-
	82,200	51,000	105,147	191,746
Less: Amount due for settlement within 12 months shown under current liabilities	(61,200)	(36,000)	(57,000)	(116,000)
Amount due for settlement after 12 months shown under non-current liabilities	21,000	15,000	48,147	75,746

Note: As at 31 December 2020, the Company's borrowings of RMB20,000,000 were guaranteed by Jinma Energy.

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Effective interest rate per annum:				
- Fixed-rate borrowings	5.30%	5.30%	5.30%	3.85%
- Floating-rate borrowings	3.56%-3.76%	N/A	3.99%-5.60%	4.00%-5.60%

20. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	3,105	3,557	7,122	6,093
Bills payables	43,840	45,900	57,000	50,000
	46,945	49,457	64,122	56,093
Salaries and wages payables	1,433	2,688	1,890	1,001
Other tax payables	3,229	2,312	1,126	1,619
Consideration payable for purchase of property, plant and equipment	10,014	8,236	28,338	124,395
Accruals	205	-	575	412
Interest payable	-	-	105	212
Refundable deposit from suppliers	950	1,100	2,671	2,376
Other payables	1	524	182	26
	15,832	14,860	34,887	130,041
	62,777	64,317	99,009	186,134

The normal credit term to the Company is within 60 days.

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	30,445	23,326	34,011	6,093
91 - 180 days	16,500	25,922	30,111	50,000
181 - 365 days	-	209	-	-
	46,945	49,457	64,122	56,093

At the end of each reporting period, the Company's bills payables were issued by banks with maturities within 6 months and were secured by the Company's restricted bank balances and bills receivables at FVTOCI.

21. AMOUNT DUE TO A SHAREHOLDER

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Jinma Energy	495	-	-	-

The normal credit term to the Company is within 60 days.

The following is an aging analysis of amount due to a shareholder in trade nature presented based on the invoice date/issuance date at the end of each reporting period:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
0 - 90 days	495	-	-	-

22. AMOUNT DUE TO A RELATED PARTY

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Henan Jinjiang Refinery Co., Ltd. ("Jinjiang Refinery")* 河南金江煉化有限責任公司	114	-	-	-

The normal credit term to the Company is within 60 days.

The following is an aging analysis of amount due to a related party in trade nature presented based on the invoice date/issuance date at the end of each reporting period:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Within 90 days	114	-	-	-

* *For identification purpose only.*

23. CONTRACT LIABILITIES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods	5,931	4,988	6,681	8,144

As at 1 January 2020, contract liabilities amounted to RMB2,627,000.

The following table shows the revenue recognised to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of goods				
Balance at the beginning of the year/period	2,627	5,931	4,988	6,681
Decrease in contract liabilities as a result of recognition of revenue during the year/period	(2,627)	(5,931)	(4,988)	(6,681)
Increase in contract liabilities as a result of receiving prepayments for sale of goods during the year/period	5,931	4,988	6,681	8,144
Balance at the end of the year/period	5,931	4,988	6,681	8,144

Contract liabilities are all expected to be settled within the Company's normal operating cycle, and are classified as current based on the Company's earliest obligation to transfer goods to the customers. Revenue recognised during each reporting period with perfomance obligation satisfied includes whole contract liability balance at the beginning of each reporting period.

24. RETIREMENT BENEFIT PLANS

In accordance with the rules and regulations in the PRC, the PRC based employees of the Company participate in various defined contribution retirement benefit plans organised by the relevant municipal governments in the PRC under which the Company and the PRC based employees are required to make monthly contributions to these plans calculated at a certain percentage of the employees' salaries.

The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Company has no further obligation for the payment of retirement and other post-retirement benefit of its employees. The assets of these plans are held separately from those of the Company in independently administrated funds managed by the PRC government. The contributions to these plans recognised as employee benefit charged to profit or loss and capitalised as production costs as incurred for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023 under such arrangement are RMB56,000, RMB386,000, RMB694,000, RMB485,000 (unaudited) and RMB248,000, respectively.

25. PAID-IN CAPITAL

	As at 31 December 2020, 2021 and 2022		As at 30 June 2023	
	RMB'000	%	RMB'000	%
Jinma Energy	100,000	100	99,000	99
Shanghai Jinma	-	-	1,000	1
	100,000	100	100,000	100

26. DEFERRED REVENUE

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Assets-related government subsidies	5,238	6,129	5,541	5,247

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Company received nil, RMB1,280,000, nil, nil (unaudited) and nil in relation to incentives for certain plants and equipment acquired by the Company. The amounts were recorded as deferred revenue and released to profit or loss on a systematic basis over the useful lives of the relevant assets. During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, subsidy income of approximately RMB235,000, RMB389,000, RMB588,000, RMB294,000(unaudited) and RMB294,000 was released to profit or loss.

27. CAPITAL COMMITMENTS

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the Company's financial statements in respect of:				
Acquisition of property, plant and equipment	-	-	35,919	23,343

28. PLEDGE OF ASSETS

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment (Note)	-	-	-	274,747
Right-of-use assets	-	-	35,217	34,852
Restricted bank balances	16,437	23,078	15,208	25,211
Bills receivables at FVTOCI	46,352	26,000	27,000	-
	62,789	49,078	77,425	334,810

Note: As at 30 June 2023, carrying amounts of property, plant and equipment of approximately RMB274,747,000 was pledged to banks as securities without pledge registration in authority.

29. TRANSFER OF FINANCIAL ASSETS

The Company (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 Company has transferred the significant risks and rewards relating to these bills receivables, and the Company'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 all 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 statements of financial position. The maximum exposure to the Company that may result from the default of these endorsed and discounted bills receivables at the end of each reporting period are as follows:

	As at 31 December			As at 30 June
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Endorsed bills for settlement of payables	104,933	310,071	125,783	69,397
Discounted bills for raising cash	84,267	214,484	277,421	220,730
Outstanding endorsed and discounted bills receivables	189,200	524,555	403,204	290,127

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

30. RELATED PARTIES' TRANSACTIONS

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

(a) Transactions with related parties

Other than the transactions and balances with related parties disclosed elsewhere in the financial statements, the Company entered into the following transactions with its related parties during the Reporting Period:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Sales of products and services to:					
Bohigh Chemicals (Note i)	11,764	18,832	30,601	12,427	11,018
Jinjiang Refinery (Note ii)	65	-	-	-	-
Purchase of raw materials and services from:					
Jinma Energy	95,675	109,730	116,274	57,129	54,237
Bohigh Chemicals	529	128	600	280	-
Jinma Zhongdong (Note iii)	-	-	139,170	68,928	61,898
Jinjiang Refinery	5,523	6,303	8,749	4,315	3,951
Jinrui Energy (Note iv)	72	56	-	-	-
Jinrui Gas (Note v)	-	20	22	10	10

30. RELATED PARTIES' TRANSACTIONS - continued

(a) **Transactions with related parties** - continued

Notes:

(i) Henan Bohigh Chemicals Co., Ltd. ("Bohigh Chemicals")* 河南博海化工有限公司 is a wholly owned subsidiary of Jinma Energy.

(ii) Jinjiang Refinery is a joint venture of Jinma Energy.

(iii) Henan Jinma Zhongdong Energy Co., Ltd. ("Jinma Zhongdong")* 河南金馬中東能源有限公司 is controlled by Jinma Energy.

(iv) Henan Jinrui Energy Co., Ltd. ("Jinrui Energy")* 河南金瑞能源有限公司 is controlled by Jinma Energy.

(v) Henan Jinrui Gas Co., Ltd. ("Jinrui Gas")* 河南金瑞燃氣有限公司 is controlled by Jinma Energy.

* *For identification purpose only.*

(b) Compensation of key management personnel

The remuneration of key management personnel of the Company during the Reporting Period was as follows:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Salaries and allowance	632	958	1,088	562	563
Performance related bonuses	561	696	719	-	-
Retirement benefit	58	62	125	37	52
	1,251	1,716	1,932	599	615

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

31. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged during the Reporting Period.

The capital structure of the Company consists of net debt (which includes borrowings, net of cash and cash equivalents) and equity attributable to owners of the Company (comprising paid-in capital and reserves).

The management of the Company reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Company will balance its overall capital structure through the payment of dividends, issue of new shares, new debts or the redemption of existing debts.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Bills receivables at FVTOCI	103,543	113,722	81,680	114,659
Financial assets at amortised cost				
- Bank balances and cash	4,680	6,117	41,137	44,284
- Restricted bank balances	16,437	23,078	15,208	25,211
- Trade and other receivables*	17,800	9,058	10,175	13,057

* Excluded prepayments to suppliers and prepaid other taxes and charges.

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Amortised cost				
- Borrowings	82,200	51,000	105,147	191,746
- Trade and other payables*	58,115	59,317	95,993	183,514
- Amount due to a shareholder	495	-	-	-
- Amount due to a related party	114	-	-	-

* Excluded salaries and wages payables, other tax payables.

Financial risk management objectives and policies

The Company's major financial instruments include trade and other receivables, bills receivables at FVTOCI, restricted bank balances, bank balances and cash, borrowings, trade and other payables, amounts due to a shareholder/a related party. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk and no exposure to foreign exchange risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

32. FINANCIAL INSTRUMENTS - continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to fair value interest rate risk in relation to certain interest-bearing restricted bank balances, bills receivables at FVTOCI and borrowings, all bear fixed interest rates. The Company is also exposed to cash flow interest rate risk in relation to certain bank balances and borrowings at floating interest rates. The Company currently does not have an interest rate hedging policy. There are no concentration on the Company's interest rate risks. However, the management of the Company will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rate for the floating-rate (depends on Loan Prime Rate) borrowings, assuming that the floating-rate borrowings outstanding at the end of each reporting period was outstanding for the whole relevant period. If the interest rate on the floating-rate borrowings had been 50 basis points higher/lower, and all other variables were held constant, the Company 's profit after tax would decrease/increase by approximately RMB20,000, nil , RMB282,000 and RMB532,000 for the years ended 31 December 2020, 2021, 2022 and six months ended 30 June 2023, respectively. This is mainly attributable to the Company's exposure to interest rates on its floating-rate borrowings as at 31 December 2020, 2021, 2022 and 30 June 2023.

No sensitivity analysis on bank balances is presented as the directors of the Company consider that the exposure of cash flow interest rate risk arising from bank balances is minimal.

In the directors' opinion, the sensitivity analysis above is unrepresentative for the interest rate risk as the exposure at the end of each reporting period does not reflect the exposure during the Reporting Period.

Credit risk and impairment assessment

Credit risk refers to the risk that the Company's counterparties default on their contractual obligations resulting in financial losses to the Company. The Company's maximum exposure to credit risk at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the statements of financial position. The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Company performed impairment assessment for financial assets under ECL model. Information about the Company's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

32. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Trade receivables arising from contracts with customers

The Company mainly conducts transactions with customers with good quality and long-term relationship. When accepting new customers, the Company requests advanced payment before the goods delivered. In order to minimize the credit risk, the management of the Company continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. The Company only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Company considers the credit risk arising from the endorsed or discounted bills is insignificant. In this regard and considering the long-term relationships with its customers and the financial position of these customers, the directors of the Company consider that the Company's credit risk is significantly reduced.

The Company has concentration of credit risk resulting from the Company's the largest customer contributed to the Company's revenue during the Reporting Period. The percentage of trade receivables attributable to the largest customer amounted to 77%, 91%, 98% and 98% as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

The Company had concentration of credit risk by geographical location as trade receivables, bills receivables at FVTOCI, restricted bank balances and bank balances comprise various debtors which are all located in the PRC as at the end of each reporting period.

All trade receivables are assessed collectively following lifetime ECL (not credit-impaired) based on shared credit risk characteristics by reference to the Company's internal credit ratings. ECL on trade receivables was insignificant for the Reporting Period.

Other receivables

For other receivables, the Company makes individual assessment on recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information that is available without undue cost or effort. ECL on other receivables was insignificant for the Reporting Period.

Bank balances and restricted bank balances

The Company's credit risk on bank balances and restricted bank balances is low and there is no significant concentration of credit risk because all bank deposits are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies. ECL on bank balances and restricted bank balances was insignificant for the Reporting Period.

32. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Bills receivables at FVTOCI

The Company only accepts bills receivables with low credit risk. The Company's bills receivables at FVTOCI are bank acceptance bills and therefore are considered to be low credit risk financial instruments. For the Reporting Period, ECL on bills receivables at FVTOCI was insignificant.

The Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amount	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Company's financial assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12m or lifetime ECL	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
				Gross carrying amount			
				RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables at FVTOCI							
Bills receivables	AAA - A	N/A	12m ECL	103,543	113,722	81,680	114,659
Financial assets at amortised cost							
Trade receivables	N/A	Low risk	Lifetime ECL (not credit-impaired)	17,729	9,025	9,810	12,681
		Watch list	Lifetime ECL (not credit-impaired)	-	-	294	294
				17,729	9,025	10,104	12,975
Bank balances and restricted bank balances	AAA - AA+	N/A	12m ECL	21,117	29,195	56,345	69,495
Other receivables	N/A	Low risk	12m ECL	71	33	71	82

As part of the Company's credit risk management, the Company applies internal credit rating for its customers in relation to sales of goods. The following table provides information about the exposure to credit risk for not credit-impaired trade receivables which are assessed based on a collective basis under lifetime ECL model.

32. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Gross carrying amount

	As at 31 December 2020			As at 31 December 2021		
Internal credit rating	Average loss rate	Trade receivables RMB'000	ECL (not credit-impaired) RMB'000	Average loss rate	Trade receivables RMB'000	ECL (not credit-impaired) RMB'000
Low risk	0.05%	17,729	-*	0.13%	9,025	-*

	As at 31 December 2022			As at 30 June 2023		
Internal credit rating	Average loss rate	Trade receivables RMB'000	ECL (not credit-impaired) RMB'000	Average loss rate	Trade receivables RMB'000	ECL (not credit-impaired) RMB'000
Low risk	0.10%	9,810	-*	0.10%	12,681	-*
Watch list	1.00%	294	-*	1.00%	294	-*
		10,104	-		12,975	-

* The amount of ECL loss is immaterial for the Reporting Period.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Liquidity risk

In the management of the liquidity risk, the Company closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Company to meet in full its financial obligations as they fall due for the foreseeable future.

The Company relies on bank borrowings as a significant source of liquidity. As at 31 December 2020, 2021, 2022 and 30 June 2023, the Company had unutilised bank facilities of approximately RMB4,800,000, RMB27,000,000, RMB184,853,000 and RMB117,254,000, respectively.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

32. FINANCIAL INSTRUMENTS - continued

Liquidity risk - continued

Liquidity tables

		As at 31 December 2020					
	Interest rate	Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 year to to 5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000
Bank borrowings	3.56%~5.30%	82,200	62,583	7,019	15,329	-	84,931
Trade and other payables	N/A	58,115	58,115	-	-	-	58,115
Amount due to a shareholder	N/A	495	495	-	-	-	495
Amount due to a related party	N/A	114	114	-	-	-	114
		140,924	121,307	7,019	15,329	-	143,655

		As at 31 December 2021					
	Interest rate	Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 year to to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Bank borrowings	5.30%	51,000	37,018	15,329	-	-	52,347
Trade and other payables	N/A	59,317	59,317	-	-	-	59,317
		110,317	96,335	15,329	-	-	111,664

		As at 31 December 2022					
	Interest rate	Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 years to to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Bank borrowings	3.99%~5.60%	105,147	60,536	49,394	-	-	109,930
Trade and other payables	N/A	95,993	95,993	-	-	-	95,993
		201,140	156,529	49,394	-	-	205,923

		As at 30 June 2023					
	Interest rate	Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 years to to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Bank borrowings	3.85%~5.60%	191,746	122,572	76,924	-	-	199,496
Trade and other payables	N/A	183,514	183,514	-	-	-	183,514
		375,260	306,086	76,924	-	-	383,010

32. FINANCIAL INSTRUMENTS - continued

Fair value of the Company's financial assets that are measured at fair value on a recurring basis.

Some of the Company'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.

Fair value measurements of financial instruments

	Fair value as at					
	As at 31 December			As at 30 June	Fair value	Valuation technique(s) and
Financial asset	2020	2021	2022	2023	hierarchy	key input(s)
Bills receivables at FVTOCI	Assets- RMB103,543,000	Assets- RMB113,722,000	Assets- RMB81,680,000	Assets- RMB114,659,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.

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 statements of financial psoition approximate their fair values.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statements of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000	Interest payables RMB'000	Total RMB'000
At 1 January 2020	30,000	-	30,000
Financing cash flows	52,200	(3,414)	48,786
Finance costs recognised	-	3,414	3,414
At 31 December 2020	82,200	-	82,200
Financing cash flows	(31,200)	(2,636)	(33,836)
Finance costs recognised	-	2,636	2,636
At 31 December 2021	51,000	-	51,000
Financing cash flows	54,147	(4,142)	50,005
Finance costs recognised	-	4,247	4,247
At 31 December 2022	105,147	105	105,252
Financing cash flows	86,599	(4,050)	82,549
Finance costs recognised	-	4,157	4,157
At 30 June 2023	191,746	212	191,958
At 31 December 2021	51,000	-	51,000
Financing cash flows (unaudited)	31,690	(1,162)	30,528
Finance costs recognised (unaudited)	-	1,202	1,202
At 30 June 2022 (unaudited)	82,690	40	82,730

34. EVENTS AFTER THE REPORTING PERIOD

On 28 July 2023, the Company was converted from a limited liability company into a joint stock company with 335,000,000 ordinary shares of RMB1 per share. With reference to the audited net asset value of the Predecessor as at 31 May 2023, share capital was increased from RMB100,000,000 to RMB335,000,000 by capitalising the FVTOCI reserve, statutory surplus reserve fund and retained profits to share capital, divided into 335,000,000 shares at a par value of RMB1.

The Company underwent the corporate reorganisation (the "Reorganisation") subsequent to 30 June 2023, as summarised below.

The Reorganisation undergone by the Company comprised the following major steps:

(i) On 26 June 2023, the Predecessor entered into an equity transfer agreement with Henan Hongkong (Jiyuan) Coking Group Co., Ltd. ("Yugang Coking")* 豫港(濟源)焦化集團有限公司 for the Company to acquire 10% equity interest in Jinrui Energy held by Yugang Coking at the consideration of RMB20,000,000. Upon completion of the transaction on 14 August 2023, the Predecessor holds 10% equity interest in Jinrui Energy.

(ii) On 29 July 2023, Jinma Energy and Henan Jinma Qingneng Co., Ltd. ("Jinma Qingneng")* 河南金马氢能有限公司 entered into an equity transfer agreement, pursuant to which Jinma Energy agreed to transfer its 49% equity interest in Jinjiang Refinery to Jinma Qingneng at nil consideration. Following the completion of the transaction on 31 July 2023, Jinma Qingneng holds 49% equity interest in Jinjiang Refinery.

(iii) On 12 August 2023, Jinma Energy and the Company entered into equity transfer agreements, pursuant to which Jinma Energy agreed to transfer its respective equity interests in Jinrui Energy and Jinning Energy to the Company at a total consideration of RMB201,061,000, which is settled by the Company issuing 201,060,000 new shares at RMB1 per share. Following the completion of the transaction on 14 and 15 August 2023, the Company holds 81% equity interest in Jinrui Energy (including the 10% held by the Predecessor) and 51% equity interest in Jinning Energy.

(iv) On 16 August 2023, Jinma Energy and the Company entered into an equity transfer agreement, pursuant to which Jinma Energy agreed to transfer its equity interest in Jinma Qingneng to the Company at a consideration of RMB72,359,000, which is settled by the Company issuing 72,350,000 new shares at RMB1 per share. Following the completion of the transaction on 17 August 2023, Jinma Qingneng became a wholly-owned subsidiary of the Company and Jinjiang Refinery would be accounted for as a joint venture of the Company.

* *For identification purpose only*

34. EVENTS AFTER THE REPORTING PERIOD - continued

(v) On 10 August 2023, the Company entered into an asset transfer agreement with Jinma Energy, pursuant to which the Company agreed to acquire from Jinma Energy the coke granules coal gas facilities at a consideration of RMB108,326,000. The consideration is settled by the Company issuing 108,320,000 new shares at RMB1 per share and the transaction was completed on 16 August 2023.

Following the completion of the Reorganisation, share capital of the Company was increased to RMB716,730,000, divided into 716,730,000 shares at a par value of RMB1. The Company became held as to 99.53% by Jinma Energy and 0.47% by Shanghai Jinma.

JIYUAN JINNING ENERGY CO., LTD.

Report and financial statements
for each of the three years ended 31 December 2022
and the six months ended 30 June 2023

JIYUAN JINNING ENERGY COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022
AND THE SIX MONTHS ENDED 30 JUNE 2023

CONTENTS **PAGE(S)**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Jiyuan Jinning Energy Company Limited
(incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the financial statements of Jiyuan Jinning Energy Co., Ltd. (the "Company") set out on pages 4 to 38, which comprise the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and 30 June 2023, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Company for each of the three years ended 31 December 2022 and the six months ended 30 June 2023 and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements are prepared, in all material respects, in accordance with the basis of preparation set out in note 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The comparative financial information for the six months ended 30 June 2022 has not been audited.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 3 to the financial statements, which describe the basis of accounting. The financial statements are prepared solely for the purpose of inclusion in the financial information to be incorporated in the prospectus of Henan Jinyuan Hydrogenated Chemicals Co., Ltd. (the "Issuer") dated 12 December 2023 in connection with the initial public offering of the shares of the Issuer on the Main Board of The Stock Exchange of Hong Kong Limited. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the Company and should not be distributed to or used by parties other than the Company without our prior written consent. All duties and liabilities (including, without limitation, those arising from negligence or otherwise) to any third party are specifically disclaimed. As explained in our engagement letter governing this engagement, the Contracts (Rights of Third Parties) Ordinance does not apply, and only the signing parties to the engagement letter have any rights under it.

To the Board of Directors of Jiyuan Jinning Energy Company Limited - continued
(incorporated in the People's Republic of China with limited liability)

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements in accordance with the basis of preparation set out in note 3 to the financial statements, this includes determining that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

To the Board of Directors of Jiyuan Jinning Energy Company Limited - continued
(incorporated in the People's Republic of China with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 December 2023

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022 AND THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	Year ended 31 December			Six months ended 30 June	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Revenue	4	326,463	266,435	415,089	196,905	229,323
Cost of sales		(267,586)	(222,459)	(349,571)	(161,940)	(200,186)
Gross profit		58,877	43,976	65,518	34,965	29,137
Other income	5	527	411	713	231	907
Other gains and losses	6	187	9	(8)	(7)	(20)
Administrative expenses		(4,299)	(3,493)	(5,668)	(2,731)	(2,930)
Profit before tax	7	55,292	40,903	60,555	32,458	27,094
Income tax expense	8	(14,120)	(10,234)	(15,148)	(8,117)	(7,239)
Profit and total comprehensive income for the year/period		41,172	30,669	45,407	24,341	19,855

JIYUAN JINNING ENERGY COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020, 2021 AND 2022
AND 30 JUNE 2023

	NOTES	As at 31 December 2020 RMB'000	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 30 June 2023 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	10	71,040	68,710	69,215	73,944
Right-of-use assets	11	14,975	14,639	14,302	14,134
Deferred tax assets	12	547	509	224	243
Deposits for acquisition of property, plant and equipment		-	50	-	-
		86,562	83,908	83,741	88,321
CURRENT ASSETS					
Trade and other receivables	13	2,591	2,359	4,210	2,353
Amounts due from related parties	14	3,439	3,512	38,000	30,000
Bills receivables at FVTOCI	15	319	155	2,450	429
Bank balances and cash	16	37,566	37,407	15,571	5,035
		43,915	43,433	60,231	37,817
CURRENT LIABILITIES					
Trade and other payables	17	14,246	10,746	12,084	10,469
Amount due to a shareholder	18	-	-	-	2,400
Contract liabilities	19	3,184	3,184	3,173	3,173
Tax payable		2,019	1,863	1,910	3,511
		19,449	15,793	17,167	19,553
NET CURRENT ASSETS		24,466	27,640	43,064	18,264
TOTAL ASSETS LESS CURRENT LIABILITIES		111,028	111,548	126,805	106,585
CAPITAL AND RESERVES					
Paid-in capital	21	10,000	10,000	10,000	10,000
Reserves		98,841	99,510	114,917	94,772
TOTAL EQUITY		108,841	109,510	124,917	104,772
NON-CURRENT LIABILITY					
Deferred revenue	22	2,187	2,038	1,888	1,813
		111,028	111,548	126,805	106,585

The financial statements on pages 4 to 38 were approved and authorised for issue by the Board of Directors on 12 December 2023 and are signed on its behalf by:

Li Yan

Pang Liyi

STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022
AND THE SIX MONTHS ENDED 30 JUNE 2023

	Paid-in capital RMB'000	Statutory surplus reserve fund RMB'000 (Note i)	Retained profits RMB'000	Special reserve RMB'000 (Note ii)	Total RMB'000
As at 1 January 2020	10,000	5,000	58,468	14,201	87,669
Profit for the year	-	-	41,172	-	41,172
Dividends recognised as distribution (Note 9)	-	-	(20,000)	-	(20,000)
Transfer	-	-	(3,076)	3,076	-
As at 31 December 2020	10,000	5,000	76,564	17,277	108,841
Profit for the year	-	-	30,669	-	30,669
Dividends recognised as distribution (Note 9)	-	-	(30,000)	-	(30,000)
Transfer	-	-	(2,673)	2,673	-
As at 31 December 2021	10,000	5,000	74,560	19,950	109,510
Profit for the year	-	-	45,407	-	45,407
Dividends recognised as distribution (Note 9)	-	-	(30,000)	-	(30,000)
Transfer	-	-	1,307	(1,307)	-
As at 31 December 2022	10,000	5,000	91,274	18,643	124,917
Profit for the period	-	-	19,855	-	19,855
Dividends recognised as distribution (Note 9)	-	-	(40,000)	-	(40,000)
Transfer	-	-	451	(451)	-
As at 30 June 2023	10,000	5,000	71,580	18,192	104,772
(Unaudited)					
As at 1 January 2022	10,000	5,000	74,560	19,950	109,510
Profit for the period	-	-	24,341	-	24,341
Dividends recognised as distribution (Note 9)	-	-	(30,000)	-	(30,000)
Transfer	-	-	(451)	451	-
As at 30 June 2022	10,000	5,000	68,450	20,401	103,851

Notes:

(i) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Company is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of the Company) 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 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 Company.

(ii) The Company 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.

JIYUAN JINNING ENERGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022 AND THE SIX MONTHS ENDED 30 JUNE 2023

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
OPERATING ACTIVITIES					
Profit before tax	55,292	40,903	60,555	32,458	27,094
Adjustments for:					
Interest income on bank deposits	(360)	(262)	(548)	(149)	(812)
Interest income on bills receivables at FVTOCI	-	-	(15)	(7)	(20)
Gain on disposal of property, plant and equipment	-	-	2	-	-
Impairment losses under expected credit loss ("ECL") model, net of reversal	4	-	-	-	-
Depreciation of property, plant and equipment	2,963	6,204	6,524	3,225	3,314
Depreciation of right-of-use assets	337	336	337	168	168
Release of assets-related government subsidies	(150)	(149)	(150)	(75)	(75)
Operating cash flows before movements in working capital	58,086	47,032	66,705	35,620	29,669
(Increase) decrease in bills receivables at FVTOCI	(219)	164	(2,280)	(1,205)	2,041
Decrease (increase) in trade and other receivables	1,257	138	(1,851)	1,507	1,857
(Increase) decrease in amounts due from related parties	(3,439)	(73)	(4,488)	(8,956)	8,000
Increase (decrease) in trade and other payables	444	(380)	407	-	(1,521)
Increase in amount due to a shareholder	-	-	-	-	2,400
Decrease in contract liabilities	(201)	-	(11)	(38)	-
Cash generated from operations	55,928	46,881	58,482	26,928	42,446
Income tax paid	(13,371)	(10,258)	(14,816)	(5,818)	(5,657)
NET CASH FROM OPERATING ACTIVITIES	42,557	36,623	43,666	21,110	36,789
INVESTING ACTIVITIES					
Interest on bank balances received	360	262	548	149	812
Purchase of property, plant and equipment	(34,319)	(7,044)	(6,071)	4,676	(8,137)
Proceeds from disposal of property, plant and equipment	7	-	21	-	-
Loan to a related party	-	-	(30,000)	-	-
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(33,952)	(6,782)	(35,502)	4,825	(7,325)
FINANCING ACTIVITY					
Dividends paid to shareholders	(20,000)	(30,000)	(30,000)	(30,000)	(40,000)
NET CASH USED IN FINANCING ACTIVITY	(20,000)	(30,000)	(30,000)	(30,000)	(40,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,395)	(159)	(21,836)	(4,065)	(10,536)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR /PERIOD	48,961	37,566	37,407	37,407	15,571
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR /PERIOD, REPRESENTED BY					
Bank balances and cash	37,566	37,407	15,571	33,342	5,035

1. GENERAL INFORMATION

Jiyuan Jinning Energy Co., Ltd. (the "Company")* 濟源市金寧能源實業有限公司 was established in the PRC on 2 July 2007 as a limited liability company under the Company Law of the PRC.

The Company was jointly funded by Jiyuan Jinma Xingye Investment Co., Ltd.* 濟源市金馬興業投資有限公司, Henan Jinsu Shiye Co., Ltd. ("Jinsu Shiye")* 河南省金塑實業有限公司 and Jiyuan Runan Materials Co., Ltd. ("Jiyuan Runan")* 濟源市潤安物資有限公司. After several transfer of equity interest, since 29 September 2021, the Company was held as to 51% by Henan Jinma Energy Company Limited ("Jinma Energy")* 河南金馬能源股份有限公司, 10% by Jinsu Shiye and 39% by Jiyuan Runan.

The parent company and ultimate parent company of the Company are Jinma Energy.

The principal activities of the Company are mainly engaged in the production and sales of coal gas.

The financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

* *For identification purpose only.*

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the financial statements for the three years ended 31 December 2022 and the six months ended 30 June 2023 (the "Reporting Period"), the Company has consistently applied the accounting policies which conform with the International Accounting Standards ("IASs"), IFRSs, amendments and the related interpretations issued by the IASB, which are effective for the Company's financial period beginning on 1 January 2023, throughout the Reporting Period.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Amendments to IFRSs in issue but not yet effective

At the date of the approval of these financial statements, the Company has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the amendments to IFRSs will have no material impact on the Company’s financial position and performance in the foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of financial statements

The financial statements of the Company for the Reporting Period have been prepared solely for the purpose of preparation of financial information to be incorporated in the prospectus of Henan Jinyuan Hydrogenated Chemicals Co., Ltd. ("Henan Jinyuan")* 河南金源氫化化工股份有限公司 dated 12 December 2023 in connection with the initial public offering of the shares of Henan Jinyuan on the Main Board of the Stock Exchange of Hong Kong Limited. Accordingly, the comparative figures for the year ended 31 December 2020 have not been presented.

These financial statements are the first set of the Company's financial statements prepared in accordance with IFRSs, the application of IFRS 1 "First -time Adoption of International Financial Reporting Standards" has had no material impact on the financial position, financial performance and cash flows of the Company.

The financial statements have been prepared in accordance with the accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.1 Basis of preparation of financial statements - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 "Lease", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairments of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

* *For identification purpose only.*

3.2 Material accounting policy information

Revenue from contracts with customers

The Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the Company performs; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Revenue from contracts with customers - continued

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Company assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Company as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Company.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Company presents right-of-use assets as a separate line item on the statement of financial position.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Government grants - continued

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statements of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Taxation - continued

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below. Property, plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings and structures, machinery and equipment and office equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and bills receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Bills receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for bills receivables at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these bills receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these bills receivables. When these bills receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments"

The Company performs impairment assessment under ECL model on financial assets (including trade and other receivables, amounts due from related parties, bank balances and bills receivables at FVTOCI) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Company's historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Company always recognises lifetime ECL for trade receivables and amounts due from related parties in trade nature ("Trade-related Receivables").

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments" - continued

For all other instruments, the Company measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Company assumes that the credit risk on a bill receivable has not increased significantly since initial recognition if the bill receivable is determined to have low credit risk at the reporting date. A bill receivable is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company considers a bill receivable to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments" - continued

(i) Significant increase in credit risk - continued

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments" - continued

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for Trade-related Receivables, which are not credit-impaired are assessed on a collective basis, whereas debtors which is considered credit-impaired are assessed on individual basis, taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Company takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and
- Nature, size and industry of debtor.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments" - continued

(v) Measurement and recognition of ECL - continued

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for bills receivables that are measured at FVTOCI, the Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of Trade-related Receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For bills receivables classified as at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reservewithout reducing the carrying amount of these bills receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a bill receivable at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial liabilities and equity - continued

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

All financial liabilities including trade and other payables, amount due to a shareholder are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. REVENUE

Revenue from contracts with customers

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of coal gas	326,408	266,019	414,457	196,530	229,252
Others	55	416	632	375	71
Total	326,463	266,435	415,089	196,905	229,323

Performance obligations for contracts with customers

The Company is mainly engaged the production and sales of coal gas, for which revenue is recognised at point in time.

4. REVENUE - continued

Performance obligations for contracts with customers - continued

For sales as a principal of coal gas, revenue is recognised when control of the products has transferred, being when the gas have been transmitted through the boundary port specified in the sales contract. Following the delivery, the customer has ability to direct the use of the products and bears the risks of products.

In general, for some customers with long-term relationships, the normal credit term is within 30 days upon delivery. For other general customers, non-refundable prepayment from these customers is required in advance according to the contracts entered and recognized 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.

5. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Interest income on bank deposits	360	262	548	149	812
Interest income on bills receivables at FVTOCI	-	-	15	7	20
Release of assets-related government subsidies (Note 22)	150	149	150	75	75
Others	17	-	-	-	-
	527	411	713	231	907

6. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Net loss arising on bills receivables at FVTOCI	-	-	(15)	(7)	(20)
Loss on disposal of property, plant and equipment	-	-	(2)	-	-
Reversal of impairment loss under ECL model	4	-	-	-	-
Others	183	9	9	-	-
	187	9	(8)	(7)	(20)

7. PROFIT BEFORE TAX

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Profit before tax has been arrived at after charging:					
Staff costs	3,722	4,183	6,312	2,847	2,805
Retirement benefits (Note 20)	29	207	281	172	117
Total staff costs	3,751	4,390	6,593	3,019	2,922
Capitalised in inventories	(1,441)	(2,741)	(2,939)	(1,268)	(1,295)
	2,310	1,649	3,654	1,751	1,627
Depreciation of property, plant and equipment	2,963	6,204	6,524	3,225	3,314
Capitalised in inventories	(2,779)	(5,716)	(6,036)	(2,981)	(3,070)
	184	488	488	244	244
Depreciation of right-of-use assets	337	336	337	168	168
Cost of inventories recognised as expenses	267,393	222,111	348,815	161,419	200,186

8. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
PRC Enterprise Income Tax ("EIT")					
- current tax	13,798	10,196	14,863	8,099	6,941
- under-provision in prior years	284	-	-	-	317
Deferred tax (Note 12)	38	38	285	18	(19)
	14,120	10,234	15,148	8,117	7,239

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company is 25% for the Reporting Period.

The taxation charge for the years can be reconciled to the profit before tax per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Profit before tax	55,292	40,903	60,555	32,458	27,094
Tax charge at the applicable income tax rate of 25%	13,823	10,226	15,139	8,115	6,773
Tax effect of expenses not deductible for tax purposes	13	8	9	2	149
Under-provision in prior years	284	-	-	-	317
Income tax expense	14,120	10,234	15,148	8,117	7,239

9. DIVIDENDS

The dividends declared by the Company to the shareholders amounted to RMB20,000,000, RMB30,000,000, RMB30,000,000, RMB30,000,000 (unaudited) and RMB40,000,000 respectively during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2020	7,471	45,869	580	3,161	6,038	63,119
Additions	387	15	1,758	140	37,594	39,894
Transfer	-	26,192	-	-	(26,192)	-
Disposals	-	-	(45)	-	-	(45)
At 31 December 2020	7,858	72,076	2,293	3,301	17,440	102,968
Additions	-	829	7	60	2,978	3,874
Transfer	-	17,503	-	-	(17,503)	-
At 31 December 2021	7,858	90,408	2,300	3,361	2,915	106,842
Additions	-	4,486	177	-	2,389	7,052
Disposals	-	(749)	-	-	-	(749)
At 31 December 2022	7,858	94,145	2,477	3,361	5,304	113,145
Additions	-	-	-	-	8,043	8,043
At 30 June 2023	7,858	94,145	2,477	3,361	13,347	121,188
Depreciation						
At 1 January 2020	3,254	22,463	425	2,861	-	29,003
Provided for the year	367	2,448	93	55	-	2,963
Eliminated on disposals	-	-	(38)	-	-	(38)
At 31 December 2020	3,621	24,911	480	2,916	-	31,928
Provided for the year	379	5,387	372	66	-	6,204
At 31 December 2021	4,000	30,298	852	2,982	-	38,132
Provided for the year	379	5,698	389	58	-	6,524
Eliminated on disposals	-	(726)	-	-	-	(726)
At 31 December 2022	4,379	35,270	1,241	3,040	-	43,930
Provided for the period	190	2,903	192	29	-	3,314
At 30 June 2023	4,569	38,173	1,433	3,069	-	47,244
Carrying values						
At 31 December 2020	4,237	47,165	1,813	385	17,440	71,040
At 31 December 2021	3,858	60,110	1,448	379	2,915	68,710
At 31 December 2022	3,479	58,875	1,236	321	5,304	69,215
At 30 June 2023	3,289	55,972	1,044	292	13,347	73,944

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

Buildings and structures	5%
Machinery and equipment	5%-6%
Motor vehicles	19%
Office equipment	19%

11. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000
As at 1 January 2020	15,312
Depreciation charged during the year	337
As at 31 December 2020	14,975
Depreciation charged during the year	336
As at 31 December 2021	14,639
Depreciation charged during the year	337
As at 31 December 2022	14,302
Depreciation charged during the period	168
As at 30 June 2023	14,134

The above items of right-of-use-assets are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum. The Company has obtained the land use right certificates for all leasehold lands.

Leasehold lands	2%

During the Reporting Period, the Company paid no cash for the lease.

12. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the Reporting Period:

	ECL provision RMB'000	Accelerated tax depreciation RMB'000	Deferred revenue RMB'000	Toal RMB'000
At 1 January 2020	1	-	584	585
Charge to profit or loss	(1)	-	(37)	(38)
At 31 December 2020	-	-	547	547
Charge to profit or loss	-	-	(38)	(38)
At 31 December 2021	-	-	509	509
Charge to profit or loss	-	(247)	(38)	(285)
At 31 December 2022	-	(247)	471	224
Credit (charge) to profit or loss	-	37	(18)	19
At 30 June 2023	-	(210)	453	243

12. DEFERRED TAX ASSETS/LIABILITIES - continued

	ECL provision RMB'000	Accelerated tax depreciation RMB'000	Deferred revenue RMB'000	Toal RMB'000
At 1 January 2022	-	-	509	509
Charge to profit or loss	-	-	(18)	(18)
At 30 June 2022 (unaudited)	-	-	491	491

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Company had no other material unrecognised deductible temporary differences.

13. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Trade receivables - contract with customers	2,319	2,339	2,348	2,324
Other receivables	19	20	29	29
Prepaid other taxes and charges	253	-	1,833	-
	2,591	2,359	4,210	2,353

As at 1 January 2020, the carrying amount of trade receivables net of allowance for ECL from contracts with customers amounted to RMB2,248,000.

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

	As at 31 December			As at 30 June
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Within 90 days	2,319	2,339	2,348	2,324

The normal credit term to the customers is within 30 days. At the end of each reporting period, the amount of debtors included in the Company's trade receivables balances that are past due as at the reporting date is insignificant and the Company is satisfied with the subsequent settlements and the credit quality of these customers had not been deteriorated.

The Company does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 27.

14. AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Henan Jinrui Energy Co., Ltd. ("Jinrui Energ")* 河南金瑞能源有限公司 (Note)	3,439	3,512	8,000	-
Non-trade nature				
Xinyang Steel Jingang Energy Co., Ltd. ("Xinyang Jingang") * 信陽鋼鐵金港能源有限公司 (Note)	-	-	30,000	30,000
Total	3,439	3,512	38,000	30,000

* *For identification purpose only.*

Note: The entity is controlled by Jinma Energy.

The balance as at 1 January 2020 is amounted to nil.

The Company does not hold any collateral over these balances.

Detail of impairment assessment of amounts due from related parties are set out in Note 27.

15. BILLS RECEIVABLES AT FVTOCI

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	319	155	2,450	429

Under IFRS 9, certain bills which were held by the Company for the practice of discounting/endorsing to financial institutions/suppliers before the bills due for payment were classified as "bills receivables at FVTOCI". At the end of each reporting period, all the bills are with a maturity period of less than one year.

The Company 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.

Details of impairment assessment are set out in Note 27.

16. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market interest rates ranging from 0.20% to 1.61% per annum as at the end of each reporting period.

Details of impairment assessment of bank balances are set out in Note 27.

17. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	376	309	182	179
Salaries and wages payables	1,336	1,240	1,923	273
Other tax payables	447	594	438	601
Accruals	79	-	-	-
Consideration payable for acquisition of property, plant and equipment	11,649	8,529	9,460	9,366
Refundable deposit from suppliers	349	49	20	20
Other payables	10	25	61	30
	14,246	10,746	12,084	10,469

The normal credit term to the Company is within 30 days.

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	376	120	64	10
91 - 180 days	-	-	42	-
181 - 365 days	-	4	-	97
Over 1 year	-	185	76	72
	376	309	182	179

18. AMOUNT DUE TO A SHAREHOLDER

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Jinma Energy	-	-	-	2,400

The normal credit term to the Company is within 30 days.

The following is an aging analysis of amount due to a shareholder in trade nature presented based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Within 90 days	-	-	-	2,400

19. CONTRACT LIABILITIES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods	3,184	3,184	3,173	3,173

As at 1 January 2020, contract liabilities amounted to RMB3,385,000.

The following table shows the revenue recognised to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of goods				
Balance at the beginning of the year/period	3,385	3,184	3,184	3,173
Decrease in contract liabilities as a result of recognition of revenue during the year/period	(3,385)	(3,184)	(3,184)	(3,173)
Increase in contract liabilities as a result of receiving prepayments for sale of goods during the year/period	3,184	3,184	3,173	3,173
Balance at the end of the year/period	3,184	3,184	3,173	3,173

Contract liabilities are all expected to be settled within the Company's normal operating cycle, and are classified as current based on the Company's earliest obligation to transfer goods to the customers. Revenue recognised during each reporting period with perfomance obligation satisfied includes whole contract liability balance at the beginning of each reporting period.

20. RETIREMENT BENEFIT PLANS

In accordance with the rules and regulations in the PRC, the PRC based employees of the Company participate in various defined contribution retirement benefit plans organised by the relevant municipal governments in the PRC under which the Company and the PRC based employees are required to make monthly contributions to these plans calculated at a certain percentage of the employees' salaries.

The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Company has no further obligation for the payment of retirement and other post-retirement benefit of its employees. The assets of these plans are held separately from those of the Company in independently administrated funds managed by the PRC government. The contributions to these plans recognised as employee benefit charged to profit or loss and capitalised as production costs as incurred for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023 under such arrangement are RMB29,000, RMB207,000, RMB281,000, RMB 172,000 (unaudited) and RMB117,000, respectively.

21. PAID-IN CAPITAL

	As at 31 December						As at 30 June	
	2020		2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Jinma Energy	5,100	51	5,100	51	5,100	51	5,100	51
Jinsu Shiye	1,000	10	1,000	10	1,000	10	1,000	10
Jiyuan Runan	-	-	3,900	39	3,900	39	3,900	39
Shenzhen Yuren Guangrun Runan Materials Co., Ltd. ("Yuren Guangrun ") * 深圳裕仁廣潤貿易有限公司	3,900	39	-	-	-	-	-	-
	10,000	100	10,000	100	10,000	100	10,000	100

* *For identification purpose only.*

22. DEFERRED REVENUE

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Assets-related government subsidies	2,187	2,038	1,888	1,813

During the Reporting Period, Company received nil in relation to incentives for certain plants and equipment acquired by the Company. During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, subsidy income of approximately RMB150,000, RMB149,000, RMB150,000, RMB75,000 (unaudited) and RMB75,000 was released to profit or loss.

23. CAPITAL COMMITMENTS

	As at 31 December			As at 30 June
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Capital expenditure contracted for but not provided in the Company's financial statetments in respect of:				
Acquisition of property, plant and equipment	2,478	590	149	149

24. TRANSFER OF FINANCIAL ASSETS

The Company endorsed certain bills receivables for the settlement of trade and other payables. In the opinion of the directors of the Company, the Company has transferred the significant risks and rewards relating to these bills receivables, and the Company'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 bills receivable is low because all 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 statements of financial position. The maximum exposure to the Company that may result from the default of these endorsed bills receivables at the end of each reporting period are as follows:

	As at 31 December			As at 30 June
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Outstanding endorsed bills receivables	13,982	12,073	13,403	16,895

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

25. RELATED PARTIES' TRANSACTIONS

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

(a) Transactions with related parties

Other than the transactions and balances with related parties disclosed elsewhere in the financial statements, the Company entered into the following transactions with its related parties during the Reporting Period:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Sales of products and services to:					
Jinjiang Refinery (Note i)	80,304	99,120	120,084	60,190	52,070
Jinrui Energy	87,032	3,229	95,293	41,315	62,330
Xinyang Jingang	-	71	631	374	71
Yan'an Jinneng (Note ii)	55	347	-	-	-
Purchase of raw materials and services from:					
Jinma Energy	241,574	184,470	134,533	69,263	67,884
Jinma Zhongdong (Note iii)	-	-	198,082	85,677	121,633
Jinrui Gas (Note iv)	97	69	78	40	43

Notes:

(i) Henan Jinjiang Refinery Co., Ltd. (Jinjiang Refinery)* 河南金江煉化有限責任公司 is jointly controlled by Jinma Energy.

(ii) Yan'an Jinneng Railway Logistics Technology Co., Ltd. ("Yan'an Jinneng")* 延安金能鐵路物流科技有限公司 is an associate of Jinma Energy.

(iii) Henan Jinma Zhongdong Energy Co., Ltd. ("Jinma Zhongdong")* 河南金馬中東能源有限公司 is controlled by Jinma Energy.

(iv) Henan Jinrui Gas Co., Ltd. ("Jinrui Gas")* 河南金瑞燃氣有限公司 is controlled by Jinma Energy.

* *For identification purpose only.*

25. RELATED PARTIES' TRANSACTIONS - continued

(b) Compensation of key management personnel

The remuneration of key management personnel of the Company during the Reporting Period was as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and allowance	470	719	652	343	352
Performance related bonuses	468	344	594	-	-
Retirement benefit	31	38	46	20	34
	969	1,101	1,292	363	386

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

26. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged during the Reporting Period.

The capital structure of the Company consists of equity attributable to owners of the Company (comprising paid-in capital and reserves).

The management of the Company reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Company will balance its overall capital structure through the payment of dividends, issue of new shares, new debts.

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Bills receivables at FVTOCI	319	155	2,450	429
Financial assets at amortised cost				
- Bank balances and cash	37,566	37,407	15,571	5,035
- Trade and other receivables*	2,338	2,359	2,377	2,353
- Amounts due from related parties	3,439	3,512	38,000	30,000

* Excluded prepaid other taxes and charges.

27. FINANCIAL INSTRUMENTS - continued

Categories of financial instruments - continued

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Amortised cost				
- Trade and other payables*	12,463	8,912	9,723	9,595
- Amount due to a shareholder	-	-	-	2,400

* Excluded salaries and wages payables, other tax payables.

Financial risk management objectives and policies

The Company's major financial instruments include trade and other receivables, amounts due from related parties, bills receivables at FVTOCI, bank balances and cash, trade and other payables, amount due to a shareholder. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk and no exposure to foreign exchange risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to fair value interest rate risk in relation to certain fixed interest-bearing bills receivables at FVTOCI. The Company is also exposed to cash flow interest rate risk in relation to certain bank balances at floating interest rates. The Company currently does not have an interest rate hedging policy. There are no concentration on the Company's interest rate risks. However, the management of the Company will consider hedging significant interest rate risk should the need arise.

No sensitivity analysis on bank balances is presented as the directors of the Company consider that the exposure of cash flow interest rate risk arising from bank balances is minimal.

Credit risk and impairment assessment

Credit risk refers to the risk that the Company's counterparties default on their contractual obligations resulting in financial losses to the Company. The Company's maximum exposure to credit risk at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the statements of financial position. The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Company performed impairment assessment for financial assets under ECL model. Information about the Company's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

27. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Trade-related Receivables arising from contracts with customers

The Company mainly conducts transactions with customers with good quality and long-term relationship. When accepting new customers, the Company requests advanced payment before the goods delivered. In order to minimize the credit risk, the management of the Company continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. The Company only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Company considers the credit risk arising from the endorsed or discounted bills is insignificant. In this regard and considering the long-term relationships with its customers and the financial position of these customers, the directors of the Company consider that the Company's credit risk is significantly reduced.

The Company has concentration of credit risk resulting from the Company's the five largest customers contributed to the Company's revenue during the Reporting Period. The percentage of Trade-related Receivables attributable to these five largest customers amounted to 100%, 40%, 77% and nil as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

The Company also has concentration of credit risk in respect of the five largest outstanding balances, i.e. approximately 100%, 100%, 77% and 100% of total Trade-related Receivables outstanding balances as at 31 December 2020, 2021, 2022, and 30 June 2023, respectively.

The Company had concentration of credit risk by geographical location as Trade-related Receivables, bills receivables at FVTOCI and bank balances comprise various debtors which are all located in the PRC as at the end of each reporting period.

All Trade-related Receivables are assessed collectively following lifetime ECL (not credit-impaired) based on shared credit risk characteristics by reference to the Company's internal credit ratings. ECL on Trade-related Receivables was insignificant for the Reporting Period.

Other receivables

For other receivables, the Company makes individual assessment on recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information that is available without undue cost or effort. ECL on other receivables was insignificant for the Reporting Period.

Bank balances

The Company's credit risk on bank balances is low and there is no significant concentration of credit risk because all bank deposits are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies. ECL on bank balances and restricted bank balances was insignificant for the Reporting Period.

27. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Bills receivables at FVTOCI

The Company only accepts bills receivables with low credit risk. The Company's bills receivables at FVTOCI are bank acceptance bills and therefore are considered to be low credit risk financial instruments. For the Reporting Period, ECL on bills receivables at FVTOCI was insignificant.

The Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade-related Receivables	Other receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amount	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Company's financial assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12m or lifetime ECL	As at 31 December 2020	2021	2022	As at 30 June 2023
				Gross carrying amount			
				RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables at FVTOCI							
Bills receivables	AAA - A	N/A	12m ECL	319	155	2,450	429
Financial assets at amortised cost							
Amounts due from related parties (non-trade nature)	N/A	Low risk	12m ECL	-	-	30,000	30,000
Trade-related Receivables	N/A	Low risk	Lifetime ECL (not credit-impaired)	5,758	5,851	10,348	2,324
Bank balances	AAA - AA+	N/A	12m ECL	37,566	37,407	15,571	5,035
Other receivables	N/A	Low risk	12m ECL	19	20	29	29

As part of the Company's credit risk management, the Company applies internal credit rating for its customers in relation to sales of goods. The following table provides information about the exposure to credit risk for not credit-impaired Trade-related Receivables which are assessed based on a collective basis under lifetime ECL model.

27. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Gross carrying amount

Internal credit rating	As at 31 December 2020 Average loss rate	Trade-related Receivables RMB'000	ECL (not credit-impaired) RMB'000	As at 31 December 2021 Average loss rate	Trade-related Receivables RMB'000	ECL (not credit-impaired) RMB'000
Low risk	0.05%	5,758	- *	0.13%	5,851	- *

Internal credit rating	As at 31 December 2022 Average loss rate	Trade-related Receivables RMB'000	ECL (not credit-impaired) RMB'000	As at 30 June 2023 Average loss rate	Trade-related Receivables RMB'000	ECL (not credit-impaired) RMB'000
Low risk	0.10%	10,348	- *	0.10%	2,324	- *

* The amount of ECL loss is immaterial for the Reporting Period.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The Companying is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Liquidity risk

In the management of the liquidity risk, the Company closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Company to meet in full its financial obligations as they fall due for the foreseeable future.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

Liquidity tables

		As at 31 December 2020					
	Interest rate	Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 year to to 5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000
Trade and other payables	N/A	12,463	12,463	-	-	-	12,463

27. FINANCIAL INSTRUMENTS - continued

Liquidity risk - continued

Liquidity tables - continued

	Interest rate	Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 year to to 5 years RMB'000	>5 years RMB'000	Total RMB'000
		As at 31 December 2021					
Trade and other payables	N/A	8,912	8,912	-	-	-	8,912

	Interest rate	Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 years to to 5 years RMB'000	>5 years RMB'000	Total RMB'000
		As at 31 December 2022					
Trade and other payables	N/A	9,723	9,723	-	-	-	9,723

	Interest rate	Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 year to to 5 years RMB'000	>5 years RMB'000	Total RMB'000
		As at 31 December 2023					
Trade and other payables	N/A	9,595	9,595	-	-	-	9,595
Amount due to a shareholder	N/A	2,400	2,400	-	-	-	2,400
		11,995	11,995	-	-	-	11,995

Fair value of the Company's financial assets that are measured at fair value on a recurring basis.

Some of the Company'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.

Fair value measurements of financial instruments

Financial asset	Fair value as at - As at 31 December 2020	2021	2022	As at 30 June 2023	Fair value hierarchy	Valuation technique(s) and key input(s)
Bills receivables at FVTOCI	Assets- RMB319,000	Assets- RMB155,000	Assets- RMB2,450,000	Assets- RMB429,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.

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 statements of financial psoition approximate their fair values.

28. EVENTS AFTER THE REPORTING PERIOD

On 12 August 2023, Jinma Energy and Henan Jinyuan entered into equity transfer agreements, pursuant to which Jinma Energy agreed to transfer its equity interests in the Company to Henan Jinyuan at a total consideration of RMB52,675,000, which was settled with the issued 52,674,000 new shares at RMB1 per share of Henan Jinyuan. Following the completion of the transaction on 15 August 2023, Henan Jinyuan holds 51% equity interest in the Company.

HENAN JINRUI ENERGY CO., LTD.

Report and consolidated financial statements
For each of the three years ended 31 December 2022
and the six months ended 30 June 2023

HENAN JINRUI ENERGY CO., LTD.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022
AND THE SIX MONTHS ENDED 30 JUNE 2023

CONTENTS **PAGE(S)**

Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Henan Jinrui Energy Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Henan Jinrui Energy Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 50, which comprise the consolidated statements of financial position as at 31 December 2020, 2021 and 2022 and 30 June 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2022 and the six months ended 30 June 2023 and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements are prepared, in all material respects, in accordance with the basis of preparation set out in note 3 to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The comparative financial information for the six months ended 30 June 2022 has not been audited.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 3 to the consolidated financial statements, which describe the basis of accounting. The consolidated financial statements are prepared solely for the purpose of inclusion in the financial information to be incorporated in the prospectus of Henan Jinyuan Hydrogenated Chemicals Co., Ltd. (the "Issuer") dated 12 December 2023 in connection with the initial public offering of the shares of the Issuer on the Main Board of The Stock Exchange of Hong Kong Limited. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the Company and should not be distributed to or used by parties other than the Company without our prior written consent. All duties and liabilities (including, without limitation, those arising from negligence or otherwise) to any third party are specifically disclaimed. As explained in our engagement letter governing this engagement, the Contracts (Rights of Third Parties) Ordinance does not apply, and only the signing parties to the engagement letter have any rights under it.

To the Board of Directors of Henan Jinrui Energy Co., Ltd. - continued
(incorporated in the People's Republic of China with limited liability)

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements in accordance with the basis of preparation set out in note 3 to the consolidated financial statements, this includes determining that the basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

To the Board of Directors of Henan Jinrui Energy Co., Ltd. - continued
(incorporated in the People's Republic of China with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 December 2023

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022 AND THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	Year ended 31 December			Six months ended 30 June	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Revenue	4	255,252	150,934	621,000	264,742	261,779
Cost of sales		(230,552)	(145,714)	(446,169)	(176,649)	(230,386)
Gross profit		24,700	5,220	174,831	88,093	31,393
Other income	5	1,149	1,108	2,687	995	2,094
Other gains and losses	6	(24)	-	189	56	964
Selling and distribution expenses		(1,955)	(1,308)	(362)	(240)	(67)
Administrative expenses		(13,512)	(12,849)	(17,483)	(7,828)	(7,383)
Finance costs	7	(5,147)	(9)	(4,362)	(2,864)	(1,142)
Profit (loss) before tax	8	5,211	(7,838)	155,500	78,212	25,859
Income tax expense	9	(2,023)	(1,680)	(19,047)	(6,223)	(2,347)
Profit (loss) and total comprehensive income (expense) for the year/period		3,188	(9,518)	136,453	71,989	23,512

HENAN JINRUI ENERGY CO., LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020, 2021 AND 2022 AND 30 JUNE 2023

		The Group			
		As at 31 December			As at 30 June
	NOTES	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	268,536	249,097	230,691	228,059
Right-of-use assets	12	40,708	39,741	38,692	38,167
Intangible assets	13	20,774	25,957	24,506	23,781
Goodwill	14	901	2,668	2,668	2,668
Deferred tax assets	15	3,302	3,556	2,776	2,644
Deposits for acquisition of property, plant and equipment		3,115	3,137	3,044	-
		337,336	324,156	302,377	295,319
CURRENT ASSETS					
Inventories	16	13,557	19,995	10,949	11,003
Trade and other receivables	17	36,715	35,820	2,524	1,650
Tax recoverable		-	-	-	1,476
Amounts due from related parties	18	-	-	32,380	23,411
Bills receivables at FVTOCI	19	4,595	6,547	800	3,972
Restricted bank balances	20	7,650	-	-	-
Bank balances and cash	20	12,197	6,556	35,762	9,285
		74,714	68,918	82,415	50,797
CURRENT LIABILITIES					
Borrowings	21	-	-	30,000	30,000
Trade and other payables	22	55,619	34,869	33,087	36,200
Amount due to a shareholder	23	204,284	214,817	-	16,839
Amount due to a related party	24	3,439	3,512	8,000	-
Contract liabilities	25	926	2,332	5,572	7,497
Lease liabilities		18	23	23	23
Tax payable		5,899	6,027	11,333	5,801
		270,185	261,580	88,015	96,360
NET CURRENT LIABILITIES		(195,471)	(192,662)	(5,600)	(45,563)
TOTAL ASSETS LESS CURRENT LIABILITIES		141,865	131,494	296,777	249,756
CAPITAL AND RESERVES					
Paid-in capital	27	100,000	100,000	100,000	100,000
Reserves		28,633	19,115	155,568	119,080
TOTAL EQUITY		128,633	119,115	255,568	219,080
NON-CURRENT LIABILITIES					
Borrowings	21	-	-	30,000	20,000
Lease liabilities		86	147	131	117
Deferred revenue	28	12,555	11,556	10,559	10,059
Deferred tax liabilities	15	591	676	519	500
		13,232	12,379	41,209	30,676
		141,865	131,494	296,777	249,756

The consolidated financial statements on pages 4 to 50 were approved and authorised for issue by the Board of Directors on 12 December 2023 and are signed on its behalf by:

Qiao Erwei

Pang Liyi

HENAN JINRUI ENERGY CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022 AND THE SIX MONTHS ENDED 30 JUNE 2023

	Paid-in capital RMB'000	Statutory Surplus reserve fund RMB'000 (Note i)	Retained profits RMB'000	Special reserve RMB'000 (Note ii)	Total RMB'000
As at 1 January 2020	100,000	3,072	19,962	2,411	125,445
Profit for the year	-	-	3,188	-	3,188
Transfer	-	-	(3,084)	3,084	-
As at 31 December 2020	100,000	3,072	20,066	5,495	128,633
Loss for the year	-	-	(9,518)	-	(9,518)
Transfer	-	-	(3,402)	3,402	-
As at 31 December 2021	100,000	3,072	7,146	8,897	119,115
Profit for the year	-	-	136,453	-	136,453
Transfer	-	13,130	(12,231)	(899)	-
As at 31 December 2022	100,000	16,202	131,368	7,998	255,568
Profit for the period	-	-	23,512	-	23,512
Dividends recognised as distribution (Note 10)	-	-	(60,000)	-	(60,000)
Transfer	-	-	(2,388)	2,388	-
As at 30 June 2023	100,000	16,202	92,492	10,386	219,080
(Unaudited)					
As at 1 January 2022	100,000	3,072	7,146	8,897	119,115
Profit for the period	-	-	71,989	-	71,989
Transfer	-	-	(787)	787	-
As at 30 June 2022	100,000	3,072	78,348	9,684	191,104

Notes:

(i) 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.

(ii) 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.

HENAN JINRUI ENERGY CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2022 AND THE SIX MONTHS ENDED 30 JUNE 2023

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
OPERATING ACTIVITIES					
Profit (loss) before tax	5,211	(7,838)	155,500	78,212	25,859
Adjustments for:					
Interest income on bank deposits	(100)	(109)	(601)	(69)	(1,018)
Interest income on bills receivables at FVTOCI	(16)	-	(52)	(19)	(25)
Impairment losses under expected credit loss ("ECL") model, net of reversal	6	-	-	-	-
(Gain) loss on disposal of property, plant and equipment	-	(8)	-	-	74
Depreciation of property, plant and equipment	18,650	20,624	20,841	10,421	10,484
Depreciation of right-of-use assets	1,044	1,048	1,049	525	525
Amortisation of intangible assets	1,120	1,451	1,451	725	725
Finance costs	5,147	9	4,362	2,864	1,142
Release of assets-related government subsidies	(997)	(999)	(997)	(498)	(500)
Operating cash flows before movements in working capital	30,065	14,178	181,553	92,161	37,266
(Increase) decrease in inventories	(8,488)	(6,438)	9,046	16,140	(54)
(Increase) decrease in bills receivables at FVTOCI	(286)	21,373	5,799	1,048	(3,147)
Decrease in trade and other receivables	2,360	1,438	33,296	33,249	874
(Increase) decrease in amounts due from related parties	-	-	(32,380)	-	8,969
(Decrease) increase in trade and other payables	(4,223)	(6,217)	6,516	(264)	(5,288)
Increase (decrease) in amount due to a related party	3,439	73	4,488	(3,285)	(8,000)
Increase (decrease) in amount due to a shareholder	32,367	(32,366)	-	-	16,839
(Decrease) increase in contract liabilities	(561)	1,406	3,240	2,561	1,925
Cash generated from (used in) operations	54,673	(6,553)	211,558	141,610	49,384
Income tax paid	(6,205)	(1,133)	(13,118)	(4,300)	(9,242)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	48,468	(7,686)	198,440	137,310	40,142
INVESTING ACTIVITIES					
Interest on bank balances received	100	109	601	69	1,018
Purchase of property, plant and equipment	(20,207)	(15,237)	(10,766)	(7,139)	(7,864)
Proceeds from disposal of property, plant and equipment	-	13	-	-	-
Cash paid for acquisition of a business (Note 29)	-	(10,040)	-	-	-
Placement of time deposit	-	-	(30,000)	-	-
Withdrawal from time deposit	-	-	-	-	30,000
Placement of restricted bank balances	(7,650)	-	-	-	-
Withdrawal from restricted bank balances	-	7,650	-	-	-
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(27,757)	(17,505)	(40,165)	(7,070)	23,154
FINANCING ACTIVITIES					
Interest paid	(5,147)	(9)	(4,236)	(2,864)	(1,159)
New bank borrowings raised	-	-	70,000	70,000	10,000
Repayment of bank borrowings	(122,020)	-	(10,000)	-	(20,000)
Repayment of lease liabilities	(12)	(15)	(16)	(14)	(14)
Borrowings received from a shareholder	133,600	36,278	-	-	-
Repayment of borrowings to a shareholder	(22,500)	(16,704)	(214,817)	(162,786)	-
Dividends paid to the shareholders	-	-	-	-	(48,600)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(16,079)	19,550	(159,069)	(95,664)	(59,773)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,632	(5,641)	(794)	34,576	3,523
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR /PERIOD	7,565	12,197	6,556	6,556	5,762
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR /PERIOD, REPRESENTED BY Bank balances and cash	12,197	6,556	5,762	41,132	9,285

1. GENERAL INFORMATION

Henan Jinrui Energy Co., Ltd. (the "Company")* 河南金瑞能源有限責任公司 was established in the PRC on 24 May 2016 under the Company Law of the PRC.

The principal activities of the Company and its subsidiaries (Note 36) (the "Group") are mainly engaged in the production and sales of liquefied natural gas ("LNG"), trading of LNG and refined oil and provision of other services, including provision of steam.

The address of the registered office and the principal place of business of the Company is West First Ring Road South, Jiyuan, Henan Province, the PRC.

The Company was owned by Henan Jinma Energy Company Limited ("Jinma Energy")* 河南金馬能源股份有限公司, Sichuan Kongfen Equipment (Group) Co., Ltd. ("Kongfen Equipment")* 四川空分設備(集團)有限公司 and Zhengzhou Fuxiang Vehicle Sales Service Co., LTD. ("Fuxiang Vehicle")* 鄭州福祥汽車銷售服務有限公司 when established in 2016. With a series of equity transfer arrangements, the Company has been jointly owned by Jinma Energy, Jiyuan Jintai Energy Technology Co., Ltd. ("Jintai Energy")* 濟源金泰能源科技有限公司 and Henan Hongkong (Jiyuan) Coking Group Co., Ltd. ("Yugang Coking")* 豫港(濟源)焦化集團有限公司 since May 2022.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

* *For identification purpose only.*

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing the consolidated financial statements for the three years ended 31 December 2022 and the six-month period ended 30 June 2023 (the "Reporting Period"), the Group has consistently applied the accounting policies which conform with the International Accounting Standards ("IASs"), IFRSs, amendments and the related interpretations issued by the IASB, which are effective for the Group's financial period beginning on 1 January 2023, throughout the Reporting Period.

Amendments to IFRSs in issue but not yet effective

At the date of the approval of these consolidated financial statements, the Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Amendments to IFRSs in issue but not yet effective - continued

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the amendments to IFRSs will have no material impact on the consolidated financial position and performance in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements of the Group for the Reporting Period have been prepared solely for the purpose of preparation of financial information to be incorporated in the prospectus of Henan Jinyuan Hydrogenated Chemicals Co., Ltd. ("Henan Jinyuan")* 河南金源氫化化工有限公司 dated 12 December 2023 in connection with the initial public offering of the shares of Henan Jinyuan on the Main Board of the Stock Exchange of Hong Kong Limited. Accordingly, the comparative figures for the year ended 31 December 2020 have not been presented.

These consolidated financial statements are the first set of the Group's consolidated financial statements prepared in accordance with IFRSs, the application of IFRS 1 "First -time Adoption of International Financial Reporting Standards" has had no material impact on the consolidated financial position, financial performance and cash flows of the Group.

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

As at 30 June 2023, the Group had net current liabilities of approximately RMB45,563,000. In addition, there were outstanding capital commitments amounting to RMB57,000. The consolidated financial statements have been prepared on a going concern basis because Jinma Energy agreed to provide adequate funds to enable the Group to have sufficient funds to finance its operations and to meet in full its financial obligations as and when they fall due in the coming twelve months from the end of each reporting period. Therefore, the consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.1 Basis of preparation of consolidated financial statements - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 "Lease", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairments of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Basis of combinations - continued

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or IFRIC 21 "Levies", in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes"and IAS 19 "Employee Benefits" respectively; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the consolidation, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Revenue from contracts with customers - continued

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Leases - continued

The Group as a lessee - continued

Lease liabilities - continued

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualified assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statements of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Taxation - continued

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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below. Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Property, plant and equipment - continued

Buildings and structures, machinery and equipment and office equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilitiesare added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and bills receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (*see* below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Bills receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for bills receivables at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these bills receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these bills receivables. When these bills receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments"

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amounts due from related parties, restricted bank balances, bank balances and bills receivables at FVTOCI) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and amounts due from related parties in trade nature ("Trade-related Receivables").

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments" - continued

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a bill receivable has not increased significantly since initial recognition if the bill receivable is determined to have low credit risk at the reporting date. A bill receivable is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a bill receivable to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments" - continued

(i) Significant increase in credit risk - continued

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets subject to impairment assessment under IFRS 9 "Financial Instruments" - continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for Trade-related Receivables, which are not credit-impaired are assessed on a collective basis, whereas debtors which is considered credit-impaired are assessed on individual basis, taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and
- Nature, size and industry of debtor.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for bills receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of Trade-related Receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For bills receivables classified as at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these bills receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material accounting policy information - continued

Financial instruments - continued

Financial assets - continued

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a bill receivable at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

All financial liabilities including borrowings, trade and other payables, amount due to a shareholder, amount due to a related party are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. REVENUE

Revenue from contracts with customers

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Sales of LNG	120,769	15,438	393,921	192,694	122,721
Trading of LNG	89,999	79,961	106,957	40,009	49,227
Trading of refined oil	36,667	54,927	108,588	27,410	84,203
Other services	7,817	608	11,534	4,629	5,628
	255,252	150,934	621,000	264,742	261,779

Performance obligations for contracts with customers

The Group is mainly engaged the production and sales of LNG, trading of LNG and refined oil and provision of other services, including provision of steam, for which revenue is recognised at point in time.

For sales of and trading as a principal of LNG and refined oil, 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 ability to direct the use of the products and bears the risks of obsolescence and loss in relation to the products.

In general, for some customers with long-term relationships, the normal credit term is within 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.

5. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Interest income on bank deposits	100	109	601	69	1,018
Interest income on bills receivables at FVTOCI	16	-	52	19	25
Release of assets-related government subsidies (Note 28)	997	999	997	498	500
Government grants	36	-	22	-	1
Rental income	-	-	917	408	550
Others	-	-	98	1	-
	1,149	1,108	2,687	995	2,094

6. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Net loss arising on bills receivables at FVTOCI	(128)	-	(52)	(21)	(25)
Gain (loss) on disposal of property, plant and equipment	-	8	-	-	(74)
Gain on disposal of scrap steel	-	-	22	16	-
Reversal of impairment losses under ECL model	6	-	-	-	-
Others	98	(8)	219	61	1,063
	(24)	-	189	56	964

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Interest expense on:					
- bank borrowings	5,141	-	4,354	2,860	1,138
- lease liabilities	6	9	8	4	4
	5,147	9	4,362	2,864	1,142

8. PROFIT (LOSS) BEFORE TAX

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Profit (loss) before tax has been arrived at after charging:					
Staff costs	8,846	9,340	12,926	5,456	5,844
Retirement benefits (Note 26)	75	847	1,064	480	600
Total staff costs	8,921	10,187	13,990	5,936	6,444
Capitalised in inventories	(4,134)	(6,295)	(7,262)	(2,728)	(3,453)
	4,787	3,892	6,728	3,208	2,991
Depreciation of property, plant and equipment	18,650	20,624	20,841	10,421	10,484
Capitalised in inventories	(15,973)	(16,413)	(16,667)	(8,359)	(8,566)
	2,677	4,211	4,174	2,062	1,918
Depreciation of right-of-use assets	1,044	1,048	1,049	525	525
Amortisation of intangible assets	1,120	1,451	1,451	725	725
Cost of inventories recognised as expenses	230,538	145,703	446,023	176,602	230,354

9. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
PRC Enterprise Income Tax ("EIT")					
- current tax	1,671	1,113	18,633	5,886	2,234
- (over) under-provision in prior years	(8)	148	(209)	(69)	-
Deferred tax (Note 15)	360	419	623	406	113
	2,023	1,680	19,047	6,223	2,347

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

The taxation charge for the years/periods can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Profit (loss) before tax	5,211	(7,838)	155,500	78,212	25,859
Tax charge at the applicable income tax rate of 25%	1,303	(1,960)	38,875	19,553	6,465
Tax effect of expenses not deductible for tax purposes	252	276	73	198	83
Tax effect of tax losses not recognised	4,866	3,697	-	-	-
(Over) under-provision in prior years	(8)	148	(209)	(69)	-
Tax effect of income not taxable for tax purpose (Note)	(4,259)	(386)	(10,909)	(4,817)	(4,092)
Utilisation of tax losses previously not recognised	(104)	-	(8,565)	(8,565)	-
Income tax at concessionary rate	(27)	(95)	(218)	(77)	(109)
Income tax expense	2,023	1,680	19,047	6,223	2,347

Note: Pursuant to the relevant tax rules and regulation in the PRC, 10% revenue from Comprehensive Utilisation of Resources ("資源綜合利用") is exempted from EIT. During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group had tax deduction under the scheme of RMB4,259,000, RMB386,000, RMB10,909,000, RMB4,817,000 (unaudited) and RMB4,092,000, respectively.

10. DIVIDENDS

The dividends declared by the Company to the shareholders amounted to RMB60,000,000 during the six months ended 30 June 2023. Save as set out above, no other dividends were declared or paid by the Company during the Reporting Period.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2020	57,949	244,869	36	1,234	-	304,088
Additions	4,421	3,753	-	140	-	8,314
At 31 December 2020	62,370	248,622	36	1,374	-	312,402
Addition on acquisition of business (Note 29)	422	-	-	511	-	933
Additions	-	198	-	59	-	257
Disposals	-	(6)	-	-	-	(6)
At 31 December 2021	62,792	248,814	36	1,944	-	313,586
Additions	609	1,771	5	50	-	2,435
At 31 December 2022	63,401	250,585	41	1,994	-	316,021
Additions	-	2,131	-	-	5,795	7,926
Write-off	(85)	-	(22)	-	-	(107)
At 30 June 2023	63,316	252,716	19	1,994	5,795	323,840
Depreciation						
At 1 January 2020	2,901	22,032	4	279	-	25,216
Provided for the year	2,448	15,954	4	244	-	18,650
At 31 December 2020	5,349	37,986	8	523	-	43,866
Provided for the year	2,904	17,344	7	369	-	20,624
Eliminated on disposals	-	(1)	-	-	-	(1)
At 31 December 2021	8,253	55,329	15	892	-	64,489
Provided for the year	2,915	17,539	7	380	-	20,841
At 31 December 2022	11,168	72,868	22	1,272	-	85,330
Provided for the period	1,465	8,824	4	191	-	10,484
Eliminated on write-off	(16)	-	(17)	-	-	(33)
At 30 June 2023	12,617	81,692	9	1,463	-	95,781
Carrying values						
At 31 December 2020	57,021	210,636	28	851	-	268,536
At 31 December 2021	54,539	193,485	21	1,052	-	249,097
At 31 December 2022	52,233	177,717	19	722	-	230,691
At 30 June 2023	50,699	171,024	10	531	5,795	228,059

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

Buildings and structures	3%-10%
Machinery and equipment	4%-19%
Motor vehicles	6%-19%
Office equipment	6%-19%

12. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000
As at 1 January 2020	41,752
Depreciation charged during the year	(1,044)
As at 31 December 2020	40,708
Addition on acquisition of business (Note 29)	81
Depreciation charged during the year	(1,048)
As at 31 December 2021	39,741
Depreciation charged during the year	(1,049)
As at 31 December 2022	38,692
Depreciation charged during the period	(525)
As at 30 June 2023	38,167

The above items of right-of-use-assets are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

Leasehold lands	2%-20%

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Total cash outflow for leases	18	24	24	18	18

Note:

For the Reporting Period, the Group leases lands for its operations. Lease contracts are entered into for fixed term of 5 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained the land use right certificates for all leasehold lands except for two, three, three and three leasehold lands with carrying amount of RMB175,000, RMB235,000, RMB214,000 and RMB204,000 in which the Group obtains the right of use under long-term lease contracts as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively.

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

13. INTANGIBLE ASSETS

	Operating license RMB'000
Cost	
At 1 January and 31 December 2020	22,385
Addition on acquisition of business (Note 29)	6,634
At 31 December 2021, 31 December 2022 and 30 June 2023	29,019
Amortisation	
At 1 January 2020	491
Charge for the year	1,120
At 31 December 2020	1,611
Charge for the year	1,451
At 31 December 2021	3,062
Charge for the year	1,451
At 31 December 2022	4,513
Charge for the period	725
At 30 June 2023	5,238
Carrying values	
At 31 December 2020	20,774
At 31 December 2021	25,957
At 31 December 2022	24,506
At 30 June 2023	23,781

The above intangible assets have finite useful lives, amortised on a straight-line basis over the following remaining periods:

	As at 31 December			As a 30 June
	2020 years	2021 years	2022 years	2023 years
Operating license of refined oil	18.3	17.3	16.3	15.8

14. GOODWILL

	Gas Stations RMB'000
Cost	
At 1 January 2020 and 31 December 2020	3,068
Addition on acquisition of business (Note 29)	1,767
At 31 December 2021, 31 December 2022 and 30 June 2023	4,835
Impairment	
At 1 January 2020, 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 (Note)	2,167
Carrying values	
At 31 December 2020	901
At 31 December 2021	2,668
At 31 December 2022	2,668
At 30 June 2023	2,668

Note: The impairment of goodwill related to Unit A amounting to RMB2,167,000 was recognised before the Reporting Period.

For the purposes of impairment testing, goodwill has been allocated to numbers of individual CGUs setting out as follows:

	Numbers of CGUs			
	2020/12/31 RMB'000	2021/12/31 RMB'000	2022/12/31 RMB'000	2023/06/30 RMB'000
Gas stations engaged in retail of refined oil	2	3	3	3

The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

	Goodwill			
	2020/12/31 RMB'000	2021/12/31 RMB'000	2022/12/31 RMB'000	2023/06/30 RMB'000
Retail of refined oil - Ouya Gasline Station (as defined in Note 36) (Unit A)	253	253	253	253
Retail of refined oil - Liandong Gas Station (Unit B)	648	648	648	648
Retail of refined oil - Jidong Gas Station (Unit C)	N/A	1,767	1,767	1,767
	901	2,668	2,668	2,668

In addition to goodwill above, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGUs for the purpose of impairment assessment. The carrying values of the operating license of refined oil are determined and allocated to Unit A, Unit B and Unit C based on the the purchase price allocation exercise. Unit B and Unit C are included in Jinrui Gas (as defined in Note 36).

14. GOODWILL - continued

Management of the Group determines that there is no further impairment on Unit A and no impairment on other units during the Reporting Period after impairment assessment. As at 30 June 2023, the management of the Group is not aware of any impairment indicator that would trigger the recoverable amounts of these units to be lower than their respective carrying amounts.

15. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the Reporting Period:

	ECL provision RMB'000	Accelerated tax depreciation RMB'000	Fair value adjustments upon acquisition of business RMB'000	Deferred revenue RMB'000	Toal RMB'000
At 1 January 2020	1	-	(318)	3,388	3,071
Charge to profit or loss	(1)	-	(110)	(249)	(360)
At 31 December 2020	-	-	(428)	3,139	2,711
Charge to profit or loss	-	-	(169)	(250)	(419)
Addition on acquisition (Note 29)	-	-	588	-	588
At 31 December 2021	-	-	(9)	2,889	2,880
(Charge) credit to profit or loss	-	(446)	72	(249)	(623)
At 31 December 2022	-	(446)	63	2,640	2,257
Credit (charge) to profit or loss	-	36	(24)	(125)	(113)
At 30 June 2023	-	(410)	39	2,515	2,144
(Unaudited)					
At 1 January 2022	-	-	(9)	2,889	2,880
Charge to profit or loss	-	(137)	(144)	(125)	(406)
At 30 June 2022	-	(137)	(153)	2,764	2,474

For the purpose of presentation in the consolidated statements 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:

	As at 31 December			As at 30 June
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Deferred tax assets	3,302	3,556	2,776	2,644
Deferred tax liabilities	(591)	(676)	(519)	(500)
	2,711	2,880	2,257	2,144

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group had unused tax losses of RMB19,466,000, RMB34,254,000, nil and nil, respectively, available to offset against future profits. All tax losses will expire within 5 years from the year of origination. No deferred tax asset has been recognised in respect of the losses due to the unpredictability of future profit streams during the Reporting Period.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group had no other material unrecognised deductible temporary differences.

16. INVENTORIES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	10,334	10,581	3,127	4,442
Finished goods	3,223	9,414	7,822	6,561
	13,557	19,995	10,949	11,003

17. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables - contract with customers	1,384	551	1,305	1,257
Other receivables	412	76	99	108
Prepayments to suppliers	433	1,082	66	62
Prepaid other taxes and charges	34,486	34,111	1,054	223
	36,715	35,820	2,524	1,650

As at 1 January 2020, the carrying amount of trade receivables net of allowance for ECL from contracts with customers amounted to RMB4,521,000.

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	1,384	551	1,305	1,257

The normal credit term to the customers is within 60 days. At the end of each reporting period, the amount of debtors included in the Group's trade receivables balances that are past due as at the reporting date is insignificant and the Group is satisfied with the subsequent settlements and the credit quality of these customers had not been deteriorated.

The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 34.

18. AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Xinyang Steel Jingang Energy Co., Ltd. ("Xinyang Jingang")* 信陽鋼鐵金港能源有限公司 (Note i)	-	-	32,372	23,411
Jiyuan Fangsheng Chemicals Co., Ltd. ("Fangsheng Chemicals")* 濟源市方升化學有限公司 (Note ii)	-	-	8	-
	-	-	32,380	23,411

Notes:

(i) The entity is controlled by Jinma Energy. The balance as at 1 January 2020 is amounted to nil.

(ii) The entity is significant influenced by a key management personnel of the Group and significant influenced by Jiyuan Jinma Xingye Investment Co., Ltd.* 濟源市金馬興業投資有限公司, a shareholder of Jinma Energy. The balance as at 1 January 2020 is amounted to nil.

* *For identification purpose only.*

The amounts in trade nature are from contract with customers. The following is an aging analysis of amounts due from related parties, presented based on invoice date at the end of each reporting period.

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Within 90 days	-	-	31,592	-
91 - 180 days	-	-	788	21,038
181 - 365 days	-	-	-	2,373
	-	-	32,380	23,411

The normal credit term to the customers is within 60 days. None of the balance is past due at the end of each reporting poriod.

The Group does not hold any collateral over these balances.

Detail of impairment assessment of amounts due from related parties are set out in Note 34.

19. BILLS RECEIVABLES AT FVTOCI

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	4,595	6,547	800	3,972

19. BILLS RECEIVABLES AT FVTOCI - continued

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 the end of each reporting period, 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.

Details of impairment assessment are set out in Note 34.

20. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

Restricted bank balances and bank balances carry interest at prevailing market interest rates ranging from 0.20% to 1.54% per annum as at the end of each reporting period. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group holds time deposits amounting to nil, nil, RMB30,000,000 and nil, respectively, included in the bank balances.

The Group's restricted bank balances were pledged to banks for issuing bills.

Details of impairment assessment of bank balances are set out in Note 34.

21. BORROWINGS

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	-	-	60,000	50,000
Secured	-	-	50,000	40,000
Unsecured	-	-	10,000	10,000
	-	-	60,000	50,000
Floating-rate borrowings	-	-	60,000	50,000
Carrying amount repayable: (based on scheduled payment terms)				
Within one year	-	-	30,000	30,000
More than one year, but not more than two years	-	-	20,000	20,000
More than two years, but not more than five years	-	-	10,000	-
	-	-	60,000	50,000
Less: Amount due for settlement within 12 months shown under current liabilities	-	-	(30,000)	(30,000)
Amount due for settlement after 12 months shown under non-current liabilities	-	-	30,000	20,000

21. BORROWINGS - continued

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Effective interest rate per annum:				
- Floating-rate borrowings	-	-	4.00%	3.61%-4.00%

22. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	7,808	53	3,297	2,056
Salaries and wages payables	1,761	1,475	2,773	491
Other tax payables	1,801	2,996	3,575	3,592
Accruals	13	1,149	1,478	42
Interest payable	-	-	126	109
Consideration payable for acquisition of				
- property, plant and equipment	43,659	28,701	20,278	17,296
- business	-	425	-	
Refundable deposit from suppliers	-	-	200	200
Dividend payables	-	-	-	11,400
Other payables	577	70	1,360	1,014
	55,619	34,869	33,087	36,200

The normal credit term to the Group is within 60 days.

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	2,900	12	2,885	1,343
91 - 180 days	469	-	153	299
181 - 365 days	873	1	-	368
Over 1 year	3,566	40	259	46
	7,808	53	3,297	2,056

23. AMOUNT DUE TO A SHAREHOLDER

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Jinma Energy	32,366	-	-	16,839
Non-trade nature				
Jinma Energy (Note)	171,918	214,817	-	-
Total	204,284	214,817	-	16,839

Note: The amount was unsecured and interest-free and had no repayment terms.

The normal credit term to the Group is within 60 days.

The following is an aging analysis of amount due to a shareholder in trade nature presented based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Within 90 days	15,310	-	-	16,839
91 - 180 days	17,056	-	-	-
	32,366	-	-	16,839

24. AMOUNT DUE TO A RELATED PARTY

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Jinning Energy (Note)	3,439	3,512	8,000	-

Note: Jiyuan Jinning Energy Co., Ltd. ("Jinning Energy") 濟源市金寧能源實業有限公司 is controlled by Jinma Energy.

The normal credit term to the Group is within 60 days.

The following is an aging analysis of amount due to a related party in trade nature presented based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature				
Within 90 days	3,439	3,512	8,000	-

25. CONTRACT LIABILITIES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods	926	2,332	5,572	7,497

As at 1 January 2020, contract liabilities amounted to RMB1,487,000.

The following table shows the revenue recognised to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of goods				
Balance at the beginning of the year/period	1,487	926	2,332	5,572
Decrease in contract liabilities as a result of recognition of revenue during the year/period	(1,487)	(926)	(2,332)	(5,572)
Increase in contract liabilities as a result of receiving prepayments for sale of goods during the year/period	926	2,332	5,572	7,497
Balance at the end of the year/period	926	2,332	5,572	7,497

Contract liabilities are all expected to be settled within the Group's normal operating cycle, and are classified as current based on the Group's earliest obligation to transfer goods to the customers. Revenue recognised during each reporting period with perfomance obligation satisfied includes whole contract liability balance at the beginning of each reporting period.

26. RETIREMENT BENEFIT PLANS

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.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefit of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government. The contributions to these plans recognised as employee benefit charged to profit or loss and capitalised as production costs as incurred for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023 under such arrangement are RMB75,000, RMB847,000, RMB1,064,000, RMB480,000 (unaudited) and RMB600,000, respectively.

27. PAID-IN CAPITAL

	As at 31 December						As at 30 June	
	2020		2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Jinma Energy	71,000	71	71,000	71	71,000	71	71,000	71
Kongfen Equipment	19,000	19	-	-	-	-	-	-
Fuxiang Vehicle	10,000	10	10,000	10	-	-	-	-
Jintai Energy	-	-	19,000	19	19,000	19	19,000	19
Yugang Coking	-	-	-	-	10,000	10	10,000	10
	100,000	100	100,000	100	100,000	100	100,000	100

28. DEFERRED REVENUE

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Assets-related government subsidies	12,555	11,556	10,559	10,059

The amounts were recorded as deferred revenue and released to profit or loss on a systematic basis over the useful lives of the relevant assets. During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, subsidy income of approximately RMB997,000, RMB999,000, RMB997,000, RMB498,000 (unaudited) and RMB500,000 was released to profit or loss.

29. ACQUISITION OF BUSINESS

On 4 January 2021, the Group acquired the business of Jidong Gas Station from an independent third party for cash consideration of RMB10,465,000. Jidong Gas Station is principally engaged in the retail of gasoline and diesel oil and was acquired with the objective of improving the Group's downstream distribution. The acquisition was completed on 4 January 2021, when the Group obtained the control of Jidong Gas Station. The acquisition has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was RMB1,767,000.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Intangible assets - operating license of refined oil	6,634
Property, plant and equipment	933
Right-of-use assets	81
Deferred tax assets	588
Other receivables	543
Lease liabilities	(81)
	8,698

The other receivables acquired at the date of acquisition were prepaid other taxes.

29. ACQUISITION OF BUSINESS - continued

Goodwill arising on acquisition

	RMB'000
Consideration at fair value:	
- cash transferred	10,040
- included in trade and other payables	425
	10,465
Less: recognised amount of identifiable net assets acquired (100%)	(8,698)
Goodwill arising on acquisition	1,767

None of the goodwill arising on this acquisition was expected to be deductible for tax purposes.

Net cash outflows arising on acquisition

	RMB'000
Cash consideration paid	10,040

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2021 is RMB32,000 attributable to Jidong Gas Station. Revenue for the year ended 31 December 2021 included RMB2,054,000 was attributable to Jidong Gas Station.

Had the acquisition of Jidong Gas Station been completed on 1 January 2021, revenue and profit for the year ended 31 December 2021 of the Group would have been no material difference. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had Jidong Gas Station been acquired at the beginning of the year, the directors of the Company calculated depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets based on the recognised amounts of property, plant and equipment, intangible assets and right-of-use assets, at the date of the acquisition.

30. PLEDGE OF ASSETS

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	-	-	141,888	135,962
Right-of-use assets	-	-	16,525	16,325
Restricted bank balances	7,650	-	-	-
	7,650	-	158,413	152,287

31. TRANSFER OF FINANCIAL ASSETS

The Group endorsed certain bills receivables for the settlement of trade and other payables. 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 bills receivable is low because all endorsed bills receivables are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were derecognised on the consolidated statements of financial position. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivables at the end of each reporting period are as follows:

	As at 31 December			As at 30 June
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Endorsed bills for settlement of payables	33,258	30,985	23,220	18,982

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

32. RELATED PARTIES' TRANSACTIONS

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

(a) Transactions with related parties

Other than the transactions and balances with related parties disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with its related parties during the Reporting Period:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Sales of products and services to:					
Jinma Energy	12,031	4,833	17,617	7,695	8,289
Bohigh Chemicals (Note i)	75	59	42	21	21
Jinma Zhongdong (Note ii)	42	119	523	291	216
Xinyang Jingang	-	-	29,700	-	19,301
Jinning Energy	97	69	78	40	43
Henan Jinyuan (Note iii)	72	76	22	10	10
Jinjiang Refinery (Note iv)	-	3	19	8	11
Fangsheng Chemical	-	-	7	-	-
Purchase of raw materials and services from:					
Jinma Energy	57,639	2,374	136,746	46,560	56,212
Jinma Zhongdong	-	-	706	521	-
Jinning Energy	87,032	3,229	95,293	41,315	62,330

32. RELATED PARTIES' TRANSACTIONS - continued

(a) Transactions with related parties - continued

Notes:

(i) Henan Bohigh Chemicals Co., Ltd. ("Bohigh Chemicals")* 河南博海化工有限公司 is a wholly owned subsidiary of Jinma Energy.

(ii) Henan Jinma Zhongdong Energy Co., Ltd. ("Jinma Zhongdong")* 河南金馬中東能源有限公司 is controlled by Jinma Energy.

(iii) Henan Jinyuan is a wholly owned subsidiary of Jinma Energy.

(iv) Henan Jinjiang Refinery Co., Ltd. ("Jinjiang Refinery")* 河南金江煉化有限責任公 is is jointly controlled by Jinma Energy.

* *For identification purpose only.*

(b) Compensation of key management personnel

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

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Salaries and allowance	44	151	337	164	171
Performance related bonuses	9	81	398	-	-
Retirement benefit	5	13	28	11	16
	58	245	763	175	187

Key management represents the directors 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.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Reporting Period.

The capital structure of the Group consists of net debt (which includes borrowings, lease liabilities, amount due to a shareholder in non-trade nature, net of cash and cash equivalents) and equity attributable to owners of the Company (comprising paid-in capital and reserves).

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issue of new shares, new debts or the redemption of existing debts.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Bills receivables at FVTOCI	4,595	6,547	800	3,972
Financial assets at amortised cost				
- Bank balances and cash	12,197	6,556	35,762	9,285
- Restricted bank balances	7,650	-	-	-
- Trade and other receivables*	1,796	627	1,404	1,365
- Amounts due from related parties	-	-	32,380	23,411

* Excluded prepayments to suppliers and prepaid other taxes and charges.

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Amortised cost				
- Borrowings	-	-	60,000	50,000
- Trade and other payables*	52,057	30,398	26,739	32,117
- Amount due to a shareholder	204,284	214,817	-	16,839
- Amount due to a related party	3,439	3,512	8,000	-

* Excluded salaries and wages payables, other tax payables.

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, bills receivables at FVTOCI, restricted bank balances, bank balances and cash, trade and other payables, amount due to a shareholder, amount due to a related party, borrowings and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk and no exposure to foreign exchange risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to certain interest-bearing restricted bank balances, bills receivables at FVTOCI, borrowings and lease liabilities, all bear fixed interest rates. The Group is also exposed to cash flow interest rate risk in relation to certain bank balances and borrowings at floating interest rates. The Group currently does not have an interest rate hedging policy. There are no concentration on the Group's interest rate risks. However, the management of the Group will consider hedging significant interest rate risk should the need arise.

34. FINANCIAL INSTRUMENTS - continued

Interest rate risk - continued

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rate for the floating-rate (depends on Loan Prime Rate) borrowings, assuming that the floating-rate borrowings outstanding at the end of each reporting period was outstanding for the whole relevant period. If the interest rate on the floating-rate borrowings had been 50 basis points higher/lower, and all other variables were held constant, the Group's profit after tax would decrease/increase by approximately nil, nil , RMB225,000 and RMB188,000 for the years ended 31 December 2020, 2021, 2022 and six months ended 30 June 2023, respectively. This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings as at 31 December 2022 and 30 June 2023.

No sensitivity analysis on bank balances is presented as the directors of the Company consider that the exposure of cash flow interest rate risk arising from bank balances is minimal.

In the directors' opinion, the sensitivity analysis above is unrepresentative for the interest rate risk as the exposure at the end of each reporting period does not reflect the exposure during the Reporting Period.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's maximum exposure to credit risk at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade-related Receivables arising from contracts with customers

The Group mainly conducts transactions with customers with good quality and long-term relationship. When accepting new customers, the Group requests advanced payment before the goods delivered. In order to minimize the credit risk, the management of the Group continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant. In this regard and considering the long-term relationships with its customers and the financial position of these customers, the directors of the Company consider that the Group's credit risk is significantly reduced.

34. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

Trade-related Receivables arising from contracts with customers - continued

The Group has concentration of credit risk resulting from the Group's the five largest customers contributed to the Group's revenue during the Reporting Period. The percentage of Trade-related Receivables attributable to these five largest customers amounted to nil, nil, 96% and 95% as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

The Group also has concentration of credit risk in respect of the five largest outstanding balances, i.e. approximately 42%, 100%, 100% and 100% of total Trade-related Receivables outstanding balances as at 31 December 2020, 2021, 2022, and 30 June 2023, respectively.

The Group had concentration of credit risk by geographical location as Trade-related Receivables, bills receivables at FVTOCI, restricted bank balances and bank balances comprise various debtors which are all located in the PRC as at the end of each reporting period.

All Trade-related Receivables are assessed collectively following lifetime ECL (not credit-impaired) based on shared credit risk characteristics by reference to the Group's internal credit ratings. ECL on Trade-related Receivables was insignificant for the Reporting Period.

Other receivables

For other receivables, the Group makes individual assessment on recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information that is available without undue cost or effort. ECL on other receivables was insignificant for the Reporting Period.

Bank balances and restricted bank balances

The Group's credit risk on bank balances and restricted bank balances is low and there is no significant concentration of credit risk because all bank deposits are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies. ECL on bank balances and restricted bank balances was insignificant for the Reporting Period.

Bills receivables at FVTOCI

The Group only accepts bills receivables with low credit risk. The Group's bills receivables at FVTOCI are bank acceptance bills and therefore are considered to be low credit risk financial instruments. For the Reporting Period, ECL on bills receivables at FVTOCI was insignificant.

34. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade-related Receivables	Other receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amount	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12m or lifetime ECL	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
				Gross carrying amount			
				RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables at FVTOCI							
Bills receivables	AAA - A	N/A	12m ECL	4,595	6,547	800	3,972
Financial assets at amortised cost							
Trade-related Receivables	N/A	Low risk	Lifetime ECL (not credit-impaired)	1,384	551	33,685	24,668
Bank balances and restricted bank balances	AAA - AA+	N/A	12m ECL	19,847	6,556	35,762	9,285
Other receivables	N/A	Low risk	12m ECL	412	76	99	108

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to sales of goods. The following table provides information about the exposure to credit risk for not credit-impaired Trade-related Receivables which are assessed based on a collective basis under lifetime ECL model.

Gross carrying amount

	As at 31 December 2020			As at 31 December 2021		
Internal credit rating	Average loss rate	Trade-related Receivables RMB'000	ECL (not credit-impaired) RMB'000	Average loss rate	Trade-related Receivables RMB'000	ECL (not credit-impaired) RMB'000
Low risk	0.05%	1,384	-*	0.13%	551	-*

	As at 31 December 2022			As at 30 June 2023		
Internal credit rating	Average loss rate	Trade-related Receivables RMB'000	ECL (not credit-impaired) RMB'000	Average loss rate	Trade-related Receivables RMB'000	ECL (not credit-impaired) RMB'000
Low risk	0.10%	33,685	-*	0.10%	24,668	-*

* The amount of ECL loss is immaterial for the Reporting Period.

34. FINANCIAL INSTRUMENTS - continued

Credit risk and impairment assessment - continued

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Liquidity risk

In the management of the liquidity risk, the Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The Group and the Company relies on bank borrowings as a significant source of liquidity. As at 31 December 2020, 2021, 2022 and 30 June 2023, the Group had unutilised bank facilities of approximately nil, nil, RMB10,000 and nil, respectively. In addition, Jinma Energy also agreed to provide adequate funds to enable the Group to have sufficient funds to finance its operations and to meet in full its financial obligations as they fall due for the foreseeable future.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity tables

		As at 31 December 2020					
	Interest rate	Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 year to to 5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000
Lease liabilities	4.50%~5.96%	104	24	24	73	129	250
Trade and other payables	N/A	52,057	52,057	-	-	-	52,057
Amount due to a shareholder	N/A	204,284	204,284	-	-	-	204,284
Amount due to a related party	N/A	3,439	3,439	-	-	-	3,439
		259,884	259,804	24	73	129	260,030

		As at 31 December 2021					
	Interest rate	Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 year to to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Lease liabilities	4.50%~5.96%	170	24	24	73	105	226
Trade and other payables	N/A	30,398	30,398	-	-	-	30,398
Amount due to a shareholder	N/A	214,817	214,817	-	-	-	214,817
Amount due to a related party	N/A	3,512	3,512	-	-	-	3,512
		248,897	248,751	24	73	105	248,953

34. FINANCIAL INSTRUMENTS - continued

Liquidity risk - continued

Liquidity tables - continued

	Interest rate	As at 31 December 2022 Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 years to to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Bank borrowings	4.00%	60,000	31,855	20,919	10,187	-	62,961
Lease liabilities	4.50%~5.96%	154	24	24	73	81	202
Trade and other payables	N/A	26,739	26,739	-	-	-	26,739
Amount due to a related party	N/A	8,000	8,000	-	-	-	8,000
		94,893	66,618	20,943	10,260	81	97,902

	Interest rate	As at 30 June 2023 Carrying amounts RMB'000	On demand or within 1 year RMB'000	1 year to 2 years RMB'000	2 years to to 5 years RMB'000	>5 years RMB'000	Total RMB'000
Bank borrowings	3.61%~4.00%	50,000	32,313	21,644	-	-	53,957
Lease liabilities	4.50%~5.96%	140	24	24	55	81	184
Trade and other payables	N/A	32,117	32,117	-	-	-	32,117
Amount due to a shareholder	N/A	16,839	16,839	-	-	-	16,839
		99,096	81,293	21,668	55	81	103,097

Fair value of the Group's 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.

Fair value measurements of financial instruments

	Fair value as at					
	As at 31 December			As at 30 June	Fair value	Valuation technique(s) and
Financial asset	2020	2021	2022	2023	hierarchy	key input(s)
Bills receivables at FVTOCI	Assets-RMB4,595,000	Assets-RMB6,547,000	Assets-RMB800,000	Assets-RMB3,972,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.

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 consolidated statements of financial psoition approximate their fair values.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000	Non-trade amount due to a shareholder RMB'000	Dividend payable RMB'000	Lease liabilities RMB'000	Interest payables RMB'000	Total RMB'000
At 1 January 2020	122,020	57,318	-	116	-	179,454
Financing cash flows (Note)	(122,020)	111,100	-	(18)	(5,141)	(16,079)
Finance costs recognised	-	-	-	6	5,141	5,147
Bills received from shareholder	-	3,500	-	-	-	3,500
At 31 December 2020	-	171,918	-	104	-	172,022
Financing cash flows (Note)	-	19,574	-	(24)	-	19,550
Acquisition of a business (Note 29)	-	-	-	81	-	81
Finance costs recognised	-	-	-	9	-	9
Bill receivebles from shareholde	-	23,325	-	-	-	23,325
At 31 December 2021	-	214,817	-	170	-	214,987
Financing cash flows (Note)	60,000	(214,817)	-	(24)	(4,228)	(159,069)
Finance costs recognised	-	-	-	8	4,354	4,362
At 31 December 2022	60,000	-	-	154	126	60,280
Financing cash flows (Note)	(10,000)	-	(48,600)	(18)	(1,155)	(59,773)
Dividend declared	-	-	60,000	-	-	60,000
Finance costs recognised	-	-	-	4	1,138	1,142
At 30 June 2023	50,000	-	11,400	140	109	61,649
At 31 December 2021	-	214,817	-	170	-	214,987
Financing cash flows (Note) (unaudited)	70,000	(162,786)	-	(18)	(2,860)	(95,664)
Finance costs recognized (unaudited)	-	-	-	4	2,860	2,864
At 30 June 2022 (unaudited)	70,000	52,031	-	156	-	122,187

Note: The cash flows represent new bank borrowings raised, the repayment of bank borrowings, borrowing received from a shareholder, repayment of borrowings to a shareholder, interest paid, repayments of lease liabilities and dividend paid in the consolidated statements of cash flows.

36. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at the end of each reporting period are set out below.

Name of subsidiaries	Place and date of establishment /incorporation	Equity interest attributable to the Group As at 31 December 2020	2021	2023	As at 30 2023	Paid-in registered capital	Place and date of establishment activities
Directly held:							
Henan Jinrui Gas Co., Ltd. ("Jinrui Gas")* 河南金瑞燃氣有限公司	PRC 24 May 2016	100%	100%	100%	100%	RMB25,500,000	Sales and retail of LNG and oil
Indirectly held:							
Jiyuan Ouya Gasline Station Co., Ltd. ("Ouya Gasline Station")* 濟源市歐亞加油站有限公司	PRC 26 April 2012	100%	100%	100%	100%	RMB500,000	Sales and retail of refined oil

All the subsidiaries of the Company are domestic limited liability companies. None of the subsidiaries had any debt securities outstanding as at 31 December 2020, 2021, 2022 and 30 June 2023 or at any time during the Reporting Period.

* *For identification purpose only.*

37. EVENTS AFTER THE REPORTING RECORD PERIOD

On 26 June 2023, Henan Jinyuan entered into an equity transfer agreement with Henan Hongkong (Jiyuan) Coking Group Co., Ltd. ("Yugang Coking")* 豫港(濟源)焦化集團有限公司 to acquire 10% equity interest in the Company held by Yugang Coking at the consideration of RMB20,000,000. After the transaction, Henan Jinyuan held 10% equity interest in the Company.

On 12 August 2023, Jinma Energy and Henan Jinyuan entered into equity transfer agreements to transfer equity interests in the Company to Henan Jinyuan, following the completion of which the Company was held as to 81% by Henan Jinyuan and 19% by Jintai Energy since 15 August 2023.

* *For identification purpose only*