河南金源氫化化工股份有限公司

Henan Jinyuan Hydrogenated Chemicals Co., Ltd.*

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

Stock Code : 2502

2023

Annual Report

* For identification purposes only

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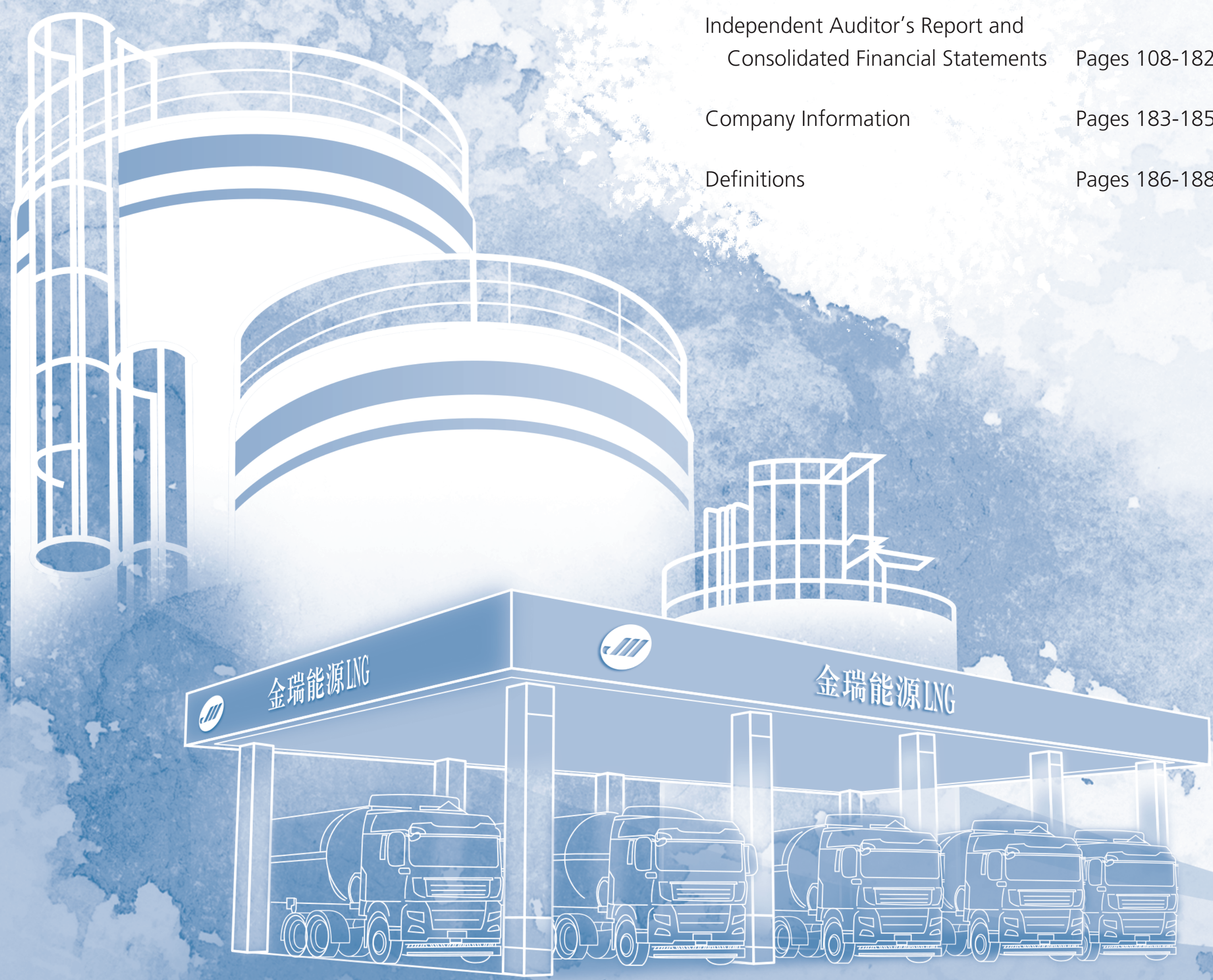

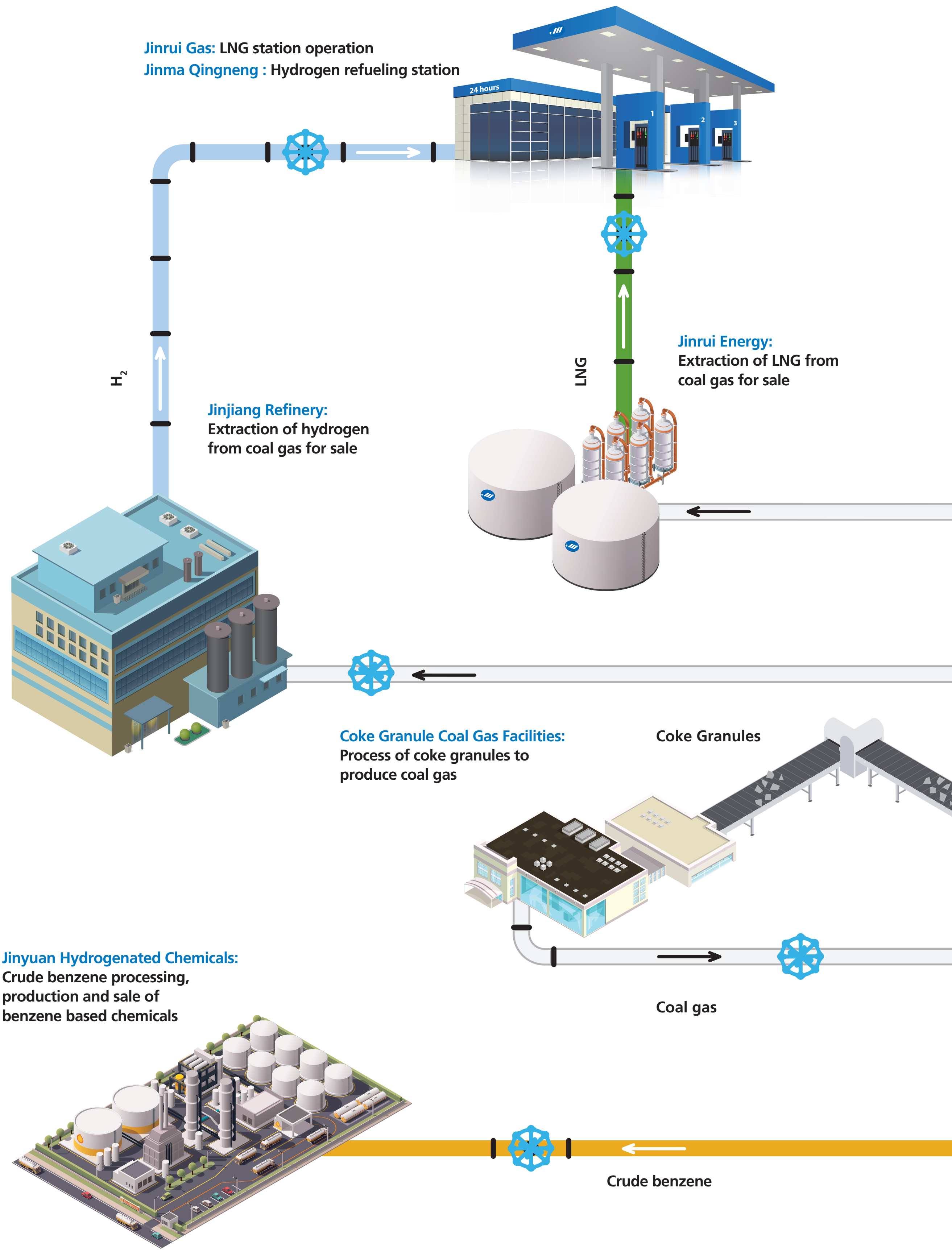
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Jinrui Energy:
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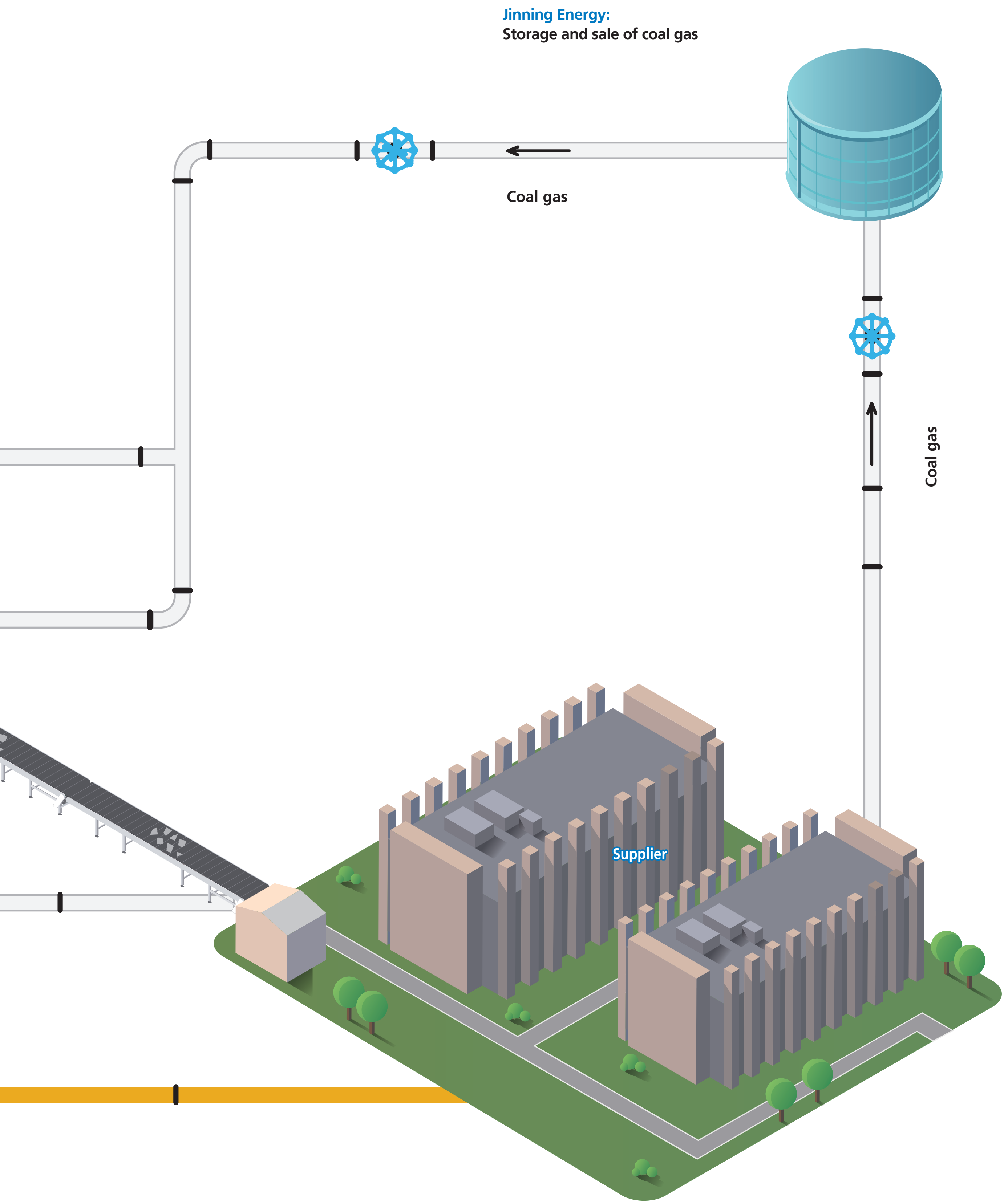
Coal gas
Crude benzene


Jinning Energy:
Storage and sale of coal gas
Coal gas
Coal gas
Supplier

Successfully listed on the Main Board of the Hong Kong Stock Exchange

On the morning of 20 December 2023, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange. The successful listing of the Company has enabled the Jinma Energy group to have two listed companies, which injects a brand-new impetus to the high-speed operation of the Company, marking a new chapter for the high-quality development of the Company.

Production capacity expansion plan for benzene based chemicals

A crude benzene hydrorefining device with a production capacity of 200,000 tonnes per annum invested by the Company had been completed and put into operation in 2023, to achieve comprehensive utilisation of resources and develop a recycling economy.

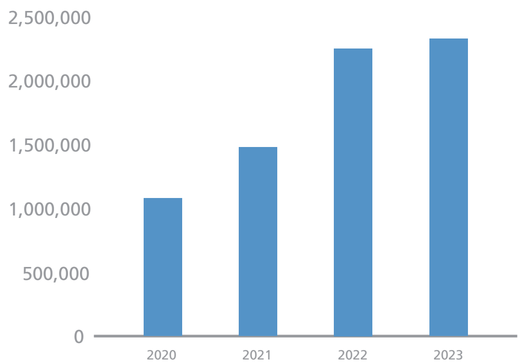
Hydrogen gas stations: Zhengzhou High-tech Industrial Development Zone and Jiyuan City

On 8 December 2023, the Company held a ceremony for the completion and operation of a hydrogen gas station in Huagong Road, Zhengzhou High-Tech Zone. As the largest hydrogen gas station in Henan Province, it can meet the hydrogen refueling demand for 200 hydrogen heavy trucks per day.

The Company built a refuel filling facility for vehicles with capacity of 6,000Nm^3/hour and a hydrogen gas station with designed hydrogen filling capacity of 3,000 kg/day in Jiyuan, and a hydrogen gas station with designed hydrogen filling capacity of 4,000kg/day in Zhengzhou.

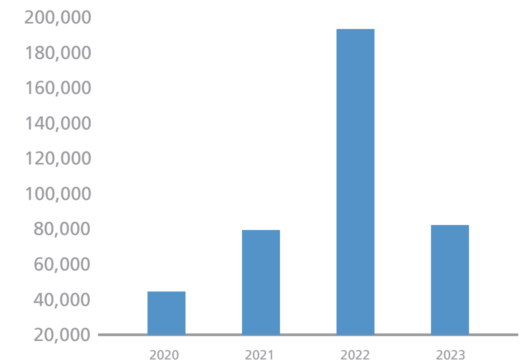
Revenue

For the year ended 31 December
RMB'000



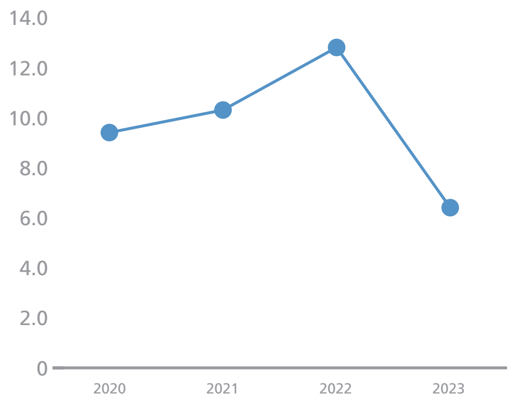
Profit for the year

For the year ended 31 December
RMB'000



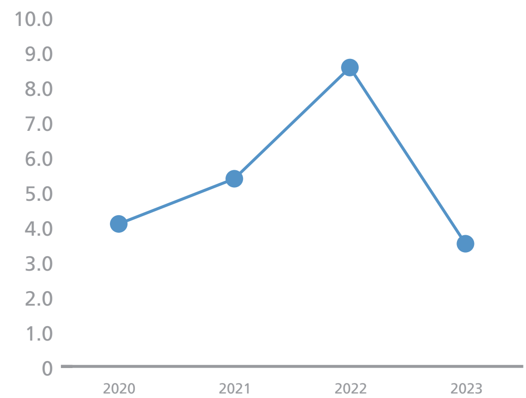
Gross profit margin

For the year ended 31 December
%



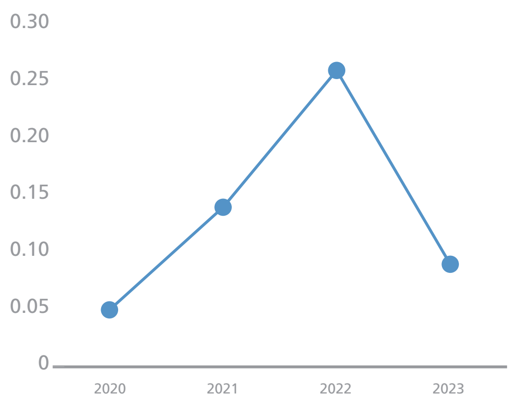
Net profit margin

For the year ended 31 December
%



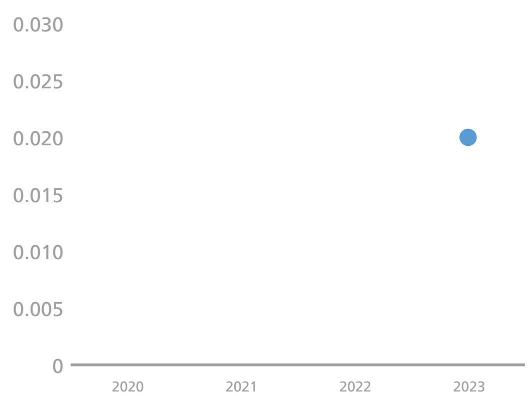
Earnings per share

For the year ended 31 December
RMB



Dividend per share

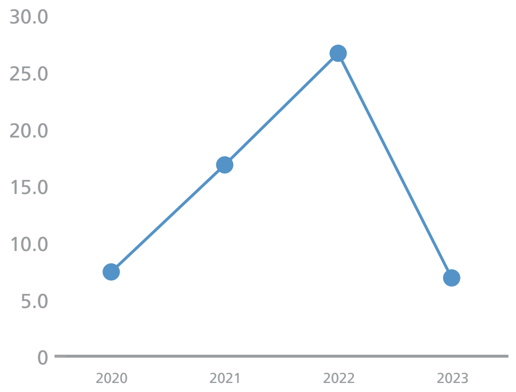
For the year ended 31 December
RMB



Note: the above figure shows the dividend distribution of the Company after its listing in 2023, and the 2023 dividend is the final dividend recommended by the Board

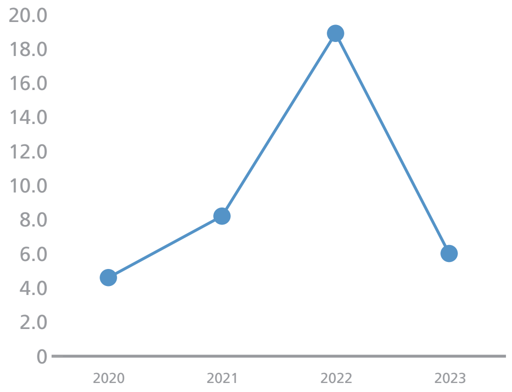
Return on equity

For the year ended 31 December
%



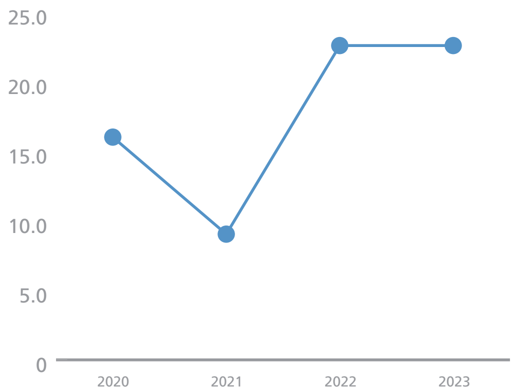
Return on assets

For the year ended 31 December
%



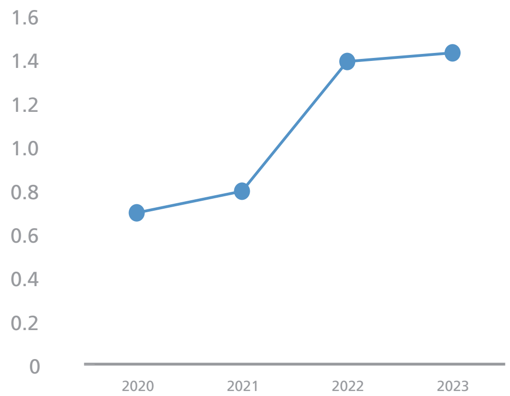
Gearing ratio

For the year ended 31 December
Times



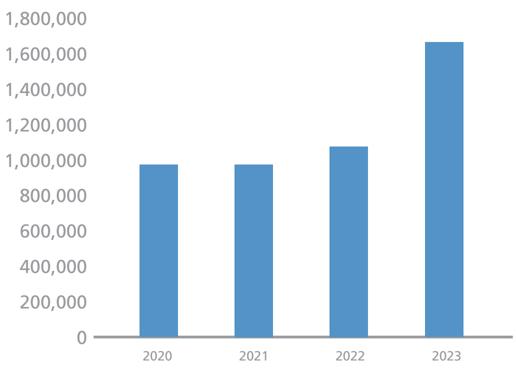
Current ratio

For the year ended 31 December
Times



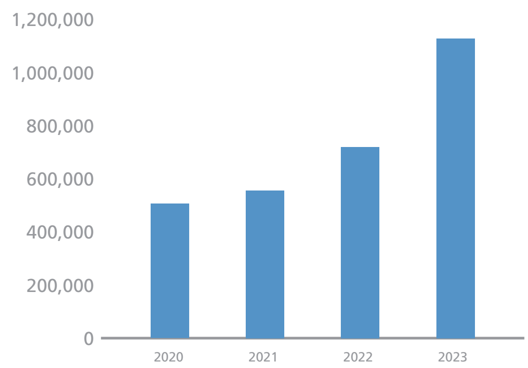
Toal assets

For the year ended 31 December
RMB'000



Total equity

For the year ended 31 December
RMB'000



The Company was successfully listed on the Main Board of the Stock Exchange on 20 December 2023, stepping into a new era. I am pleased to present to you the annual results for the Group for the year ended 31 December 2023, the first year after the listing of the Company.

The Group's current main stream revenue businesses, hydrogenated benzene-based chemicals and LNG, are global commodities, and China also imports a large amount of them, and hence, China's domestic prices are affected by international prices and the global economy, while the Group's advantage is that it provides for domestic supply and service. Compared with 2022, the average international crude oil price in 2023 dropped by approximately 20% which caused the Group's average price of hydrogenated benzene-based chemicals to drop by 8.2%. The price of LNG in 2022 was significantly increased due to the war in Eastern Europe and this phenomenon was not repeated in 2023. Compared to 2022, the Group's average LNG price in 2023 dropped by approximately 27.6%. Due to the inability of the local prices of raw materials for these products adjusting simultaneously, the profit margins of hydrogenated benzene-based chemicals and LNG dropped by approximately 40.7% and 50.4% respectively.

As for the Group's core developing hydrogen business, 2024 is the third demonstration year of the national hydrogen fuel cell vehicle demonstration program. In accordance with the demonstration policy, the Ministry of Finance of the PRC will continue to firmly enforce the subsidy policy on vehicles, components and hydrogen with vigour. As a result of the policy, the number of hydrogen gas stations in China has increased rapidly, and China has now become the country with the most hydrogen gas stations in the world. As of December 2023, a total of 397 hydrogen gas stations were built in China. In 2024, the demonstration city clusters will continue to implement the hydrogen fuel cell vehicle demonstration mission with determination, and put even more effort into the promotion of the vehicles and the construction of hydrogen gas stations, amongst which, the Henan demonstration city cluster will build at least 23 hydrogen gas stations in 2024. In April this year, the Sichuan Province followed the lead of the Shandong Province and has waived the highway toll fee for commercial vehicles powered by hydrogen fuel cells, and has provided a one-off subsidy of up to RMB100,000/vehicle to purchasers of hydrogen fuel cell vehicles who leased to operation units based on the vehicle model; as for the leasing costs for the lessee's operating unit, a 30% subsidy has been granted after deducting the subsidy provided by the province or municipality.

Following closely with the above development, the Group has set up a hydrogen refuel filling station in Jiyuan City, Henan Province, the Group's hydrogen production base, to refuel hydrogen for hydrogen transporting vehicles, and has operated one hydrogen gas station in Jiyuan City and Zhengzhou City respectively, serving customers such as fuel cell dump trucks, tractor-trailers, cement mixer trucks, cold-chain logistics trucks and sanitation trucks, etc. In 2024, the Company plans to build new hydrogen filling stations or integrated energy stations (with refuelling, electricity, natural gas and hydrogen services) in areas with potential hydrogen application scenarios, such as in Jiaozuo City, Zhengzhou City and Gongyi City. In terms of application, Yida Min'an, the Group's hydrogen application partner, had procured a total of 156 hydrogen fuel cell dump trucks for earthmoving work in the Zhengzhou High-tech Zone and Economic Development District and in Jiaozuo City by the end of 2023. The Group's parent company, Jinma Energy has also arranged for the use of hydrogen fuel cell transportation trucks by its coal logistics service partner. In the high purity hydrogen production aspect, the Company has obtained the Clean Hydrogen Certification, whereby for every kilogram of clean hydrogen sold, an additional RMB3/kg of single-stage subsidy will be received for clean hydrogen sold at the hydrogen gas stations operated by the Company in the Henan Demonstration City Clusters.

Looking ahead, the Group will continue to invest in production efficiency, safety and environmental protection in its current major revenue-generating businesses, hydrogenated benzene-based chemicals and LNG, in order to maintain its market share and position in the industry with its strengths in providing quality products and domestic supply. As for the hydrogen business, as the demonstration of hydrogen fuel cell vehicles entered its third demonstration year, end-customers have become more receptive to hydrogen vehicles as the technology continues to upgrade and the costs continues to decrease. For the most part in the field of heavy-duty trucks, tractor-trailers and dump trucks will be the focus of the third demonstration year due to the inherent advantages of fuel cells over power batteries in terms of shorter charging time and longer battery life. Hydrogen energy heavy-duty trucks have a large hydrogen refueling capacity, thus demanding a high supply of hydrogen. The Group's hydrogen gas stations have the competitive advantage of having their own source of hydrogen. The Company will start off by focusing on the needs of its heavy truck customers and create customer value by optimising all aspects of hydrogen production and purification, transportation, and hydrogen gas station operation to provide the highest quality hydrogen refuelling services, and provide strong green power to customers' vehicles.

In view of the financial position of the Company, and the recent development opportunities of hydrogen business, in order to show our gratitude to the support of all Shareholders, the Board recommended that a payment of final dividend of RMB0.02 be paid to the Shareholders of the Company.

Finally, on behalf of the Board of the Company, I would like to take this opportunity to thank all of the management and employees for their effort and devotion and the business partners for their continuous trust and support to the Company.

HENAN JINYUAN HYDROGENATED CHEMICALS CO., LTD.*
Yiu Chiu Fai
Chairman
29 April 2024

OVERVIEW

The Group is a supplier of hydrogenated benzene-based chemicals and energy products in Henan Province. It mainly obtains raw materials (crude benzene and crude coking coal gas) from the upstream of the coking industry, and focuses on (i) the production and processing of hydrogenated benzene-based chemicals (mainly including pure benzene, toluene and xylene); (ii) the production and processing of energy products, (including LNG and coal gas); and (iii) hydrogen purification and operation of hydrogen gas station. We have established a diversified customer base, with (i) in respect of hydrogenated benzene-based chemicals, our major customers being nylon and fertilizer manufacturers, refined oil product manufacturers and other chemical companies; (ii) in respect of LNG, our major customers being industrial users, trading customers and retail customers of our self-operated oil and gas stations; and (iii) in respect of coal gas, our major customers are certain industrial enterprises (including Jinjiang Refinery, a joint venture company of the Group that separates the hydrogen component of coal gas for the purpose of hydrogen production) and resident users located in the industrial park where we are situated, namely, the Jiyuan High-tech Industrial Development Zone (Chemical Industry Park), and the nearby areas. In addition, operation of hydrogen gas stations has begun since the fourth quarter of 2023.

In response to the PRC government's commitment to encourage the development of circular economy and "dual carbon target", and to meet the needs of a green and low-carbon transition, we are taking steps to expand our energy business to include hydrogen.

In 2023, the Group's revenue was mainly derived from the following major business segments:

- **Hydrogenated benzene-based chemicals:** involving the processing via hydrogenation of crude benzene, a coking by-product, into a range of benzene-based chemicals and the sale of these by-products;

- **Energy products:** involving the processing of crude coking coal gas into coal gas, the refining of coal gas into LNG, and the sale of coal gas and LNG; and

- **Trading:** mainly the trading of LNG and refined oil products through the oil and gas filling stations operated by the Group.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL POSITION OF THE GROUP

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

General Economic Conditions and Demand in Downstream Industries

The Group sells all of its products in the PRC. The general economic conditions in the PRC have affected the market price and demand for the Group's products as well as the prices of raw materials, namely crude benzene and crude coking coal gas, which are the major raw materials for the Group's production of hydrogenated benzene-based chemicals and energy products. During an economic downturn, the average selling prices of the Group's products may decrease and the Group may need to adjust the Group's purchasing and selling strategies to cope with such situation, such as reducing the purchases of raw materials or commencing more financing activities to strengthen the Group's working capital. When the economic condition recovers, the Group may increase the selling prices of the Group's products in response to the increase in market demand and the rise of raw materials' prices. In addition, the Group's prepayments for raw materials may increase to secure the supply of raw materials. As a result, the Group's results of operations, working capital position and operating cash flow changed correspondingly.

Sale of the Group's hydrogenated benzene-based chemicals and energy products (mainly LNG and coal gas) depend primarily on the consumption of these products by the domestic chemical industry in the PRC. Benzene-based chemicals are mainly used as raw materials in downstream industries such as rubber and textile, while LNG is mainly supplied to the neighbouring industrial parks for production use and at gas filling stations to provide gas supply services to logistics customers, heavy trucks and buses. In the PRC, thanks to abundant coal resources, hydrogenated benzene-based chemicals produced from crude benzene, a by-product of coking, are cost-competitive substitutes for benzene-based chemicals obtained from petroleum processing, but their prices are also affected by the prices of petroleum and the development of the petroleum industry. As for LNG products, as the PRC is highly dependent on LNG imports, fluctuations in global LNG prices will affect the PRC. Therefore, the prices of LNG in the PRC will maintain a trend similar to that of international LNG prices.

Prices of the Group's Raw Materials and Products

The Group is exposed to the risk of movements in the market prices of the Group's products and raw materials, as well as changes in the spread between those prices. The Group's raw materials are mainly by-products of the upstream of the coking industry (crude benzene and crude coking coal gas), and therefore the prices of the upstream raw material, coal, affect the Group's prices of raw materials. The Group generally determines the selling prices of its products based on the prevailing market prices in the regions where the products are sold with reference to a number of factors applicable to individual customers. Market forces of supply and demand generally determine the pricing of the Group's products. The prices of the Group's products are affected by a number of factors including:

- supply of and demand for the Group's products are mainly affected by the demand of the chemical industry and the PRC domestic as well as global economic cycles;
- changes in the prices of crude benzene and crude coking coal gas, the principal raw materials of the Group, are affected by the supply and demand of coal, the principal raw material for the upstream coking industry, as well as the PRC domestic and global economic cycles;
- the Group's product characteristics and quality;
- prices of chemicals in the international market; and
- the Group's transportation costs, the availability of transportation capacity and means of transportation.

The following table sets forth the average selling and purchase prices (net of VAT) of each of the Group's principal products and the raw materials during 2023 and 2022 according to the Group's internal records.

	Year ended 31 December	
	2023 Average selling price(1)	2022 Average selling price(1)
	RMB/tonne (except coal gas in RMB/m³)	RMB/tonne (except coal gas in RMB/m³)
Principal Products		
Hydrogenated benzene-based Chemicals	**6,250.10**	6,808.72
Pure benzene	**6,468.50**	7,171.24
Toluene	**6,465.35**	6,505.35
Energy Products		
Coal gas	**0.83**	0.74
LNG	**4,439.95**	6,133.49

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

	2023 Average purchase price	2022 Average purchase price
Major Raw Materials		
Crude benzene (RMB/tonne)	**5,600.31**	5,976.43
Crude Coking coal gas (RMB/m³)	**0.61**	0.59

Crude benzene:

We purchase crude benzene from a number of suppliers located in Henan and Shanxi (including the Jinma Group which accounted for approximately 15% of our total purchases of crude benzene during the year). We generally enter into annual supply contracts for crude benzene with our suppliers, which mainly set out the quality requirements, payment and delivery methods, but the actual quantity and prices of the products are based on orders placed by us from time to time. In most cases, we pay all or a portion of the purchase price in advance. The purchase price of crude benzene is generally based on the prevailing market price at the time of purchase. Because the price of crude benzene fluctuates rapidly, we generally recognize our purchases on the basis of weekly purchase orders.

Crude Coking coal gas:

We purchase substantially all of our crude coking coal gas and coke granule coal gas from the Jinma Group. We acquired the coke granule coal gas facilities from the Jinma Group in August 2023 in order to better delineate our business with the Jinma Group, to diversify our sources of raw material for the production of LNG and to reduce our long-term dependence on the Jinma Group. The coke granule coal gas facilities produce coke granule coal gas as its primary product by heating small coke granules in an oxygen atmosphere. The coke granule coal gas does not require further purification and can be stored and subsequently transported and sold to third parties and be used by the Group for further processing into LNG.

Production Capacity and Sales Volume

The Group's results of operations were mainly driven by the changes in the average selling price and average purchase price of products, while the product sales volume was mainly determined by production capacity. The Group's business remained stable in 2023 with the capacity utilization rate of each of its principal products generally maintained and the sales of the Group's products were basically at full capacity. In 2023, the production capacity of the Group's hydrogenated benzene-based chemicals increased from approximately 200,000 tonnes per annum to 400,000 tonnes per annum in the fourth quarter of the year, the production capacity of the LNG production facilities was approximately 72,000 tonnes per annum and the hydrogen was 317.0 million cubic meters (including the production capacity of the joint venture company, Jinjiang Refinery).

Access to and Cost of Financing

In addition to cash generated from the Group's operations, the Group financed the Group's operations and capital expenditures primarily through bank and financial institution borrowings during the period. The Group's interest-bearing borrowings for the years ended 31 December 2023 and 2022 were approximately RMB258.8 million and RMB165.1 million, respectively. The Group's finance costs for the years ended 31 December 2023 and 2022 were approximately RMB6.1 million and RMB8.0 million, respectively, accounting for approximately 0.26% and 0.36% of the Group's total revenue for the respective periods. The Group's ability to pay the interest incurred with respect to the borrowings, or repay or refinance the Group's borrowings could have an impact on the financial position and operation results of the Group.

OPERATING PERFORMANCE

The following is the consolidated statement of profit or loss and other comprehensive income of the Group, which should be read in conjunction with its consolidated financial information.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

	Year ended 31 December 2023	Year ended 31 December 2022
	RMB'000	RMB'000
Revenue	2,330,228	2,254,533
Cost of sales	(2,181,429)	(1,966,854)
Gross profit	148,799	287,679
Other income	8,553	6,354
Other gains and losses	(4,397)	(5,535)
Selling and distribution expenses	(18,420)	(15,366)
Administrative expenses	(31,315)	(31,562)
Listing expenses	(1,415)	–
Financing costs	(6,064)	(8,022)
Share of results of a joint venture	3,148	–
Profit before tax	98,889	233,548
Income tax expense	(16,568)	(39,467)
Profit for the year	82,321	194,081
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Fair value gain on bills receivables at fair value through other comprehensive income ("**FVTOCI**"), net of income tax	66	327
Total comprehensive income for the year	82,387	194,408
Profit for the year attributable to		
– Owners of the Company	54,925	138,229
– Non-controlling interests	27,396	55,852
	82,321	194,081
Total comprehensive income for the year attributable to:		
– Owners of the Company	55,126	138,556
– Non-controlling interests	27,261	55,852
	82,387	194,408
Earnings per share (RMB)	0.09	0.26

Consolidated Financial Information

- **Revenue and gross profit margin**

  The Group's revenue increased by RMB75.7 million or 3.4% from RMB2,254.5 million in 2022 to RMB2,330.2 million in 2023. The increase was mainly due to the increase in the production capacity of hydrogenated benzene-based chemicals from approximately 200,000 tonnes per annum to 400,000 tonnes per annum in the fourth quarter, partially offset by lower prices of various major products. The Group's gross profit margin decreased from 12.8% in 2022 to 6.4% in 2023 as the decline in raw material prices for those products was not in step with the product prices. For details, please refer to the paragraphs headed "Results of Business Segments" in this chapter.

- **Other income**

  Other income, mainly interest on bank deposits and on bills receivables as well as government subsidies, increased to RMB8.6 million in 2023 from RMB6.4 million in 2022, as a result of the increase in interest on bank deposits and in government subsidies.

- **Other gains and losses**

  Other gains and losses decreased from a net loss of RMB5.5 million in 2022 to a net loss of RMB4.4 million in 2023, mainly due to the decrease in net loss arising on bills receivables at FVTOCI of RMB1.0 million.

- **Selling and distribution expenses**

  Selling and distribution expenses increased from RMB15.4 million in 2022 to RMB18.4 million in 2023, which was mainly attributable to the increase in transportation expenses of pure benzene sold of RMB3.2 million.

- **Administrative expenses**

  Administrative expenses remained at RMB31.0 million (2023: RMB31.3 million, 2022: RMB31.6 million).

- **Financing costs**

  Finance costs decreased by RMB1.9 million or 23.8% from RMB8.0 million in 2022 to RMB6.1 million in 2023, which was mainly due to the decrease in interest on borrowings of Jinrui Energy of RMB2.0 million.

- **Share of results of joint ventures**

  The Group acquired a 49% equity interest in Jinjiang Refinery from its parent company, Jinma Energy, in July 2023, thereby sharing the company's 2023 results.

- **Profit before tax**

  As a result of the foregoing, the Group's profit before taxation decreased by RMB134.6 million or 57.7% from RMB233.5 million in 2022 to RMB98.9 million in 2023.

- **Income tax expense**

  Income tax expense decreased by RMB22.9 million or 58.0% from RMB39.5 million in 2022 to RMB16.6 million in 2023. The decrease reflected the decrease in profit before tax.

- **Total comprehensive income for the year**

  As a result of the above, the Group's total comprehensive income decreased by RMB112.0 million or 57.6% from RMB194.4 million in 2022 to RMB82.4 million in 2023.

Results of Business Segments

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

	As at 31 December							
	Segment revenue		Segment results		Segment gross profit margin		As a percentage of total segment results	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**%**	%	**%**	%
Hydrogenated benzene-based Chemicals	**1,502,282**	1,313,836	**42,029**	62,573	**2.8**	4.8	**28.1**	21.6
Energy Products	**652,190**	747,415	**87,196**	201,651	**13.4**	27.0	**58.4**	69.7
Trade	**164,882**	181,181	**10,764**	14,475	**6.5**	8.0	**7.2**	5.0

Hydrogenated benzene-based chemicals production capacity doubled to 400,000 tonnes per annum in the fourth quarter of 2023, resulting in an increase in annual sales of 24.4% from 193,000 tonnes to 240,000 tonnes. However, the average selling price recorded a decrease of approximately 8.2% in the same period. As a result, the revenue of the product increased by only approximately 14.3%, but the gross profit margin of the product also decreased from approximately 4.8% to 2.8% as the decrease in the raw materials (mainly crude benzene) average purchase prices of the product was approximately 6.3%.

The energy products segment mainly consists of sales of LNG and coal gas. The production and sales volume of LNG remained at approximately 70,000 tonnes as compared with 2022. The surge in price caused by the war in Eastern Europe in 2022 has flattened in 2023 and average selling price dropped by approximately 27.6%. Income declined by approximately 27.3% to approximately RMB308.9 million. Besides, the gross profit margin of LNG also decreased from approximately 35.1% in 2022 to approximately 17.5% as the average purchase price of raw materials, mainly coal gas, for production decreased by only approximately 2.1%. In terms of coal gas products, the sales volume and gross profit margin in 2023 were similar to those in 2022, and recorded approximately RMB338.7 million (2022: RMB319.2 million) and 11.3% (2022: 16.1%), respectively. The overall revenue of the energy products segment decreased by approximately 12.7% to approximately RMB652.2 million, while the gross profit margin decreased by approximately 13.6%.

In the trading segment, revenue in 2023 decreased by approximately RMB16.3 million or 9.0% as compared with that in 2022, mainly due to the decrease in product prices, which resulted in a decrease in gross profit margin from approximately 8.0% to approximately 6.5%.

FINANCIAL POSITION

Liquidity and Financial Resources

In 2023, the Group's major financial resources were funded by the proceeds from the sales of the Group's products, shareholders' equity (including proceeds from listing on the Main Board of the Hong Kong Stock Exchange in December 2023) and borrowings from bank and financial institutions. The Directors have confirmed that the Group did not experience any liquidity problems in 2023.

The Group's finance department prepares cash flow projections, which are reviewed regularly by the Group's senior management. Specific considerations in determining the Group's appropriate cash position include the Group's forecast working capital, capital expenditure needs and the Group's liquidity ratios, and the Group also aims to maintain a certain level of excess cash to meet unexpected needs.

Cash Flow

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Net cash from operating activities	**104,459**	318,798
Net cash used in investing activities	**(71,062)**	(167,344)
Net cash from (used in) financing activities	**204,947**	(139,064)
Net increase in cash and cash equivalents	**238,344**	12,390
Cash and cash equivalents at the beginning of the year	**62,470**	50,080
Impact of change in exchange rate	**(104)**	–
Cash and cash equivalents at the end of the year, representing bank balances and cash	**300,710**	62,470

- **Cash Flow from Operating Activities**

  The Group's net cash from operating activities of approximately RMB104.5 million for 2023 was primarily attributable to (i) the Group's operating cash flows before movements in working capital of approximately RMB153.7 million; (ii) decrease in bills receivables at fair value through other comprehensive income of approximately RMB18.1 million; and (iii) increase in contract liabilities of approximately RMB13.4 million. Yet the net cash inflow from operating activities are partially offset by (i) increase in inventories of approximately RMB51.8 million; (ii) decrease in trade and other payables of approximately RMB24.4 million; (iii) income tax paid of approximately RMB29.8 million.

- **Cash Flow from Investing Activities**

  The Group's net cash used in investing activities of approximately RMB71.1 million for 2023 was primarily due to (i) acquisition of property, plant and equipment of approximately RMB148.4 million; (ii) placement of restricted bank deposits of approximately RMB52.0 million; yet partially offset by (i) repayment of loans from related parties of approximately RMB30.0 million; (ii) withdrawal of time deposit of approximately RMB30.0 million; (iii) withdrawal of approximately RMB67.2 million from restricted bank deposits.

- **Cash Flow from Financing Activities**

  The Group's net cash from financing activities of approximately RMB204.9 million in 2023 was primarily due to (i) net proceeds from issuance of new shares of approximately RMB237.8 million; (ii) increase in bank borrowings of approximately RMB166.6 million; yet partially offset by (i) repayment of bank loans of approximately RMB73.0 million; (ii) payment of dividends of approximately RMB100.0 million; (iii) acquisition of non-controlling interests of approximately RMB20.0 million; and (iv) interest expenses of approximately RMB11.4 million.

Liabilities

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

	As at 31 December		
	2023	2022	**Increase/ (decrease)**
	RMB'000	RMB'000	RMB'000
Bank borrowings	**258,762**	165,147	93,615
Secured	**166,762**	105,147	61,615
Unsecured	**92,000**	60,000	32,000
	258,762	165,147	93,615
Fixed-rate borrowings	**50,000**	30,000	20,000
Floating-rate borrowings	**208,762**	135,147	73,615
	258,762	165,147	93,615
Carrying amount repayable (based on scheduled payment terms)			
Within one year	**142,000**	87,000	55,000
More than one year, but not more than two years	**60,000**	68,147	(8,147)
More than two years, but not more than five years	**56,762**	10,000	46,762
	258,762	165,147	93,615
Less: Amount due for settlement within 12 months shown under current liabilities	**(142,000)**	(87,000)	(55,000)
Amount due for settlement after 12 months shown under non-current liabilities	**116,762**	78,147	38,615

The Group's bank borrowings in 2023 and 2022 were all borrowings denominated in Renminbi. As at 31 December 2023, RMB176.7 million of the Group's general banking facilities (including bank borrowings and bills payables) were secured by the Group's property, plant and equipment and right-of-use asset. All remaining borrowings were credit borrowings. For further details, please refer to note 37 to the consolidated financial statements in this report. As at 31 December 2022, RMB162.1 million of the Group's general banking facilities (including banks borrowings and bills payables) were secured by the Group's property, plant and equipment, right-of-use asset, restricted bank balances and bills receivables. All remaining borrowings were credit borrowings. As at 31 December 2023 and 2022, the Group did not have any bank and other borrowings which were guaranteed by third parties and the Group's related parties.

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

	As at 31 December	
	2023	2022
Effective interest rate per annum:		
– Fixed-rate borrowings	**3.85%**	5.30%
– Floating-rate borrowings	**3.61%-5.60%**	3.99%-5.60%

As at 31 December 2023, the Group had obtained banking facilities in an aggregate amount of approximately RMB485.0 million (2022: RMB330.0 million), of which total amount of approximately RMB258.2 million (2022: RMB194.9 million) is still available for use. As at 31 December 2023, the Group had total outstanding bank borrowings of approximately RMB258.8 million (2022: RMB165.1 million). The Group intends to refinance the Group's bank borrowings or repay the Group's bank borrowings as and when they fall due with the Group's internally generated funds (refinancing has been achieved for bank borrowings of RMB50.5 million falling due in 2023 according to needs).

Save as disclosed in the "Financial Position" section, the Directors confirm that there has been no material change in the Group's indebtedness and contingent liabilities since 31 December 2023 and up to the date of this report. As at 31 December 2023, save as disclosed in the "Financial Position" section and apart from normal trade payables, intra-group liabilities and amounts due to connected parties and related parties, the Group did not have any outstanding mortgages, charges or pledges, debentures or other debt securities, term loans, loan capital, other borrowings or other similar indebtedness (including bank loans and overdrafts, hire purchase commitments, liabilities under acceptances or acceptance credits), finance leases or any guarantees or other material contingent liabilities.

The Directors confirm that, for the year ended 31 December 2023, the Group was not subject to any material covenant on any of the Group's outstanding debt and, during 2023, the Group did not experience any difficulty in obtaining bank and other borrowings, or any default in payment of bank and other borrowings or breach of covenants. The Directors believe that the Group maintains good relationships with the Group's lenders generally and they expect that, based on the current prevailing market conditions, the Group will be able to obtain replacement financing commitments when the Group's short-term bank borrowings become due.

FINANCIAL RATIOS

The following table sets forth the financial ratios of the Group as of the dates and years indicated:

	As at 31 December	
	2023	2022
Gearing ratio	**23.0%**	23.0%
Return on equity	**6.8%**	26.6%
Return on assets	**6.0%**	19.0%

Gearing Ratio

Gearing ratio was calculated by total interest-bearing borrowings of the Group divided by total equity of the Group as at the end of the period.

The gearing ratio in 2023 and 2022 were both approximately 23%, primarily due to the corresponding increase in total borrowings and equity.

Return on Equity

Return on equity was calculated based on the profit attributable to the owners of the Company for the year divided by the average equity attributable to owners of the Company as the same year.

Return on equity decreased in 2023 due to (i) increase in the equity attributable to the owners of the Company as result of issuance of new shares by the Company from its listing in December 2023; and (ii) the decrease in profit.

Return on Assets

Return on assets was calculated based on the profit for the year of the Group divided by the average total assets of the same year of the Group.

The return on assets of the Group decreased in 2023, primarily due to the decrease in profit of the Group.

CONTRACT OBLIGATIONS AND CAPITAL EXPENDITURES

The following table sets forth the capital commitments of the Group as of the dates indicated.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**829**	36,068

Capital commitments for the year ended 31 December 2023 of the Group primarily related to the construction of hydrogen gas station. The Group expected that these capital commitments are mainly fulfilled by its own financial resources (including proceeds from listing), bank borrowings and cash generated from operations.

Save for the transactions above, the Group has no other material contract commitments as at 31 December 2023.

OFF-BALANCE SHEET ARRANGEMENT

The Group did not have any material off-balance sheet arrangements as at 31 December 2023. Specifically, the Group has not entered into any derivative contracts that are indexed to the Group's shares and classified as shareholders' equity, or that are not reflected in the Group's audited consolidated financial statements. Furthermore, the Group does not have any retained or contingent interests in assets transferred to an unconsolidated entity to serve as credit, liquidity or market risk support for such entity. Moreover, the Group does not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to the Group or engages in leasing, hedging or research and development services with the Group.

CONTINGENT LIABILITIES (OR TRANSFER OF FINANCIAL ASSETS)

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Endorsed bills for settlement of payables	**45,105**	162,406
Discounted bills for raising cash	**193,917**	277,421
Outstanding endorsed and discounted bills receivables	**239,022**	439,827

Save as disclosed above and as of 31 December 2023, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group. The Directors confirmed that there has not been any material changes in the contingent liabilities of the Group since 31 December 2023 up to the date of this report.

SUBSEQUENT IMPORTANT EVENTS AND OTHER COMMITMENTS

On 11 March 2024, the Company submitted an application to the China Securities Regulatory Commission in respect of the conversion of all of its Unlisted Shares into H Shares that are listed on the Stock Exchange. On 19 April 2024, the Company received a filing notice from the China Securities Regulatory Commission on the abovementioned application.

Save as disclosed above and described under the section headed "Major Developments" in this report, from the end of reporting period to the date of this report, the Group had no other subsequent important events or other commitments that may materially affect the Group's financial condition and operation.

MARKET RISKS

Market risk is the risk of loss related to adverse changes in market prices. The Group is exposed to various types of market risks, including commodity price and liquidity risks, in the normal course of the Group's business. The Group aims to minimize risk through disciplined operating and financial activities. In 2023, the Group has not entered into any foreign exchange or interest rate hedging contract or forward purchase or sale contract for commodities.

Other than the Hong Kong dollar proceeds of listing pending remittance back to China, the Group has no exposure to significant exchange risks as all its operations are within China where there are no foreign currencies transactions, assets or liabilities.

Commodity Price Risk

The Group is exposed to fluctuations in the prices of raw materials, (mainly crude benzene and crude coking coal gas), as well as fluctuations in the prevailing market prices of the Group's products. In respect of crude benzene, the Group generally purchases it based on prevailing market prices while almost all crude coking coal gas is purchased from its parent company, Jinma Energy, and the price is negotiated every year. The Group's products are generally sold based on the prevailing market prices in the regions where the Group sells its products, and by making reference to various other factors applicable to individual customers. Market prices may fluctuate and are beyond the Group's control and may have a significant effect on the Group's results of operations.

Interest Rate Risk

The Group is subject to fair value interest rate risk in relation to the Group's interest-bearing restricted bank balances, bills receivables at FVTOCI, borrowings and lease liabilities at fixed interest rates. The Group is also exposed to cash flow interest rate risk in relation to the Group's floating-rate borrowings.

As at 31 December 2023, the Group had fixed-rate borrowings in the amount of approximately RMB50.0 million (2022: RMB30.0 million). The Group currently does not have an interest rate hedging policy, but the Group's management will consider hedging significant interest rate risk should the need arise.

Credit Risk

In the event that the Group's counterparties fail to perform their obligations, the Group's exposure to credit risk in relation to each class of recognized financial assets as at 31 December 2023 is the carrying amount of those assets stated in the consolidated statements of financial position, and the maximum outstanding amount of contingent liabilities as disclosed in the consolidate financial statement.

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

The Group has concentration of credit risk in trade receivables and amounts due from Shareholders and trading amounts due from related parties, with over 97.8% and 98.7% of exposure concentrated in five largest outstanding balances for the years ended 31 December 2023 and 2022, respectively. The Group believes the Group's credit risks on bank balances and deposits or bills receivables are limited and there is no significant concentration of credit risk because the Group's bank deposits or bills are deposited in or contracted with reputable state-owned banks with high credit ratings assigned by international credit-rating agencies.

Liquidity Risk

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

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

	As at 31 December 2023						
	interest rate	Carrying amount	On demand or within 6 months	6 months to 1 year	1 year to 5 years	> 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	3.61%-5.60%	258,762	121,585	28,544	122,359	–	272,488
Lease liabilities	4.50%-5.96%	4,206	655	6	2,252	2,325	5,238
Trade and other payables	N/A	207,604	189,542	–	18,062	–	207,604
Amount due to a shareholder	N/A	1,977	1,977	–	–	–	1,977
Amount due to a related party	N/A	1,063	1,063	–	–	–	1,063
		473,612	314,822	28,550	142,673	2,325	488,370

	As at 31 December 2022						
	interest rate	Carrying amount	On demand or within 6 months	6 months to 1 year	1 year to 5 years	> 5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	3.99%-5.60%	165,147	92,391	–	80,500	–	172,891
Lease liabilities	4.50%~5.96%	154	18	6	97	81	202
Trade and other payables	N/A	132,456	132,456	–	–	–	132,456
		297,757	224,865	6	80,597	81	305,549

NO MATERIAL ADVERSE CHANGE

Although some parts of China have implemented restrictions due to COVID-19 since late 2019, but with the successful management of the pandemic, the Board considered that it has no material impact on the operation and sales of the Group based on the available information recently.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company had distributable reserves (i.e. retained profits) of RMB0.0 million (2022: RMB191.0 million). For the year ended 31 December 2023, the Company had no immediate plan to distribute the retained profits of the Company accumulated prior to the year 2023.

DIVIDEND

In deciding whether to propose a dividend and determining the amount of the dividend, the Directors of the Company need to consider the distributable reserves, the level of liquidity and future commitments. The payment of dividend is also required to comply with relevant laws and regulations of the PRC and Hong Kong. The PRC laws require that dividends shall be paid only out of the net profit calculated according to the PRC accounting principles, which may differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the IFRS.

Given the recent development opportunities of hydrogen business, the Board proposes to declare a final dividend of RMB0.02 per share for the year ended 31 December 2023. The final dividend is subject to the approval of shareholders at the forthcoming annual general meeting.

MAJOR DEVELOPMENTS

We intend to implement the following strategies to further develop our business, strengthen our market position and create value for our Shareholders:

In terms of hydrogenated benzene-based chemicals, we plan to invest in production efficiency, work safety and environment protection, and continue to upgrade production facilities to maintain our market position in hydrogenated benzene-based chemicals industry. At the beginning of 2022, the Group started to prepare for another capacity expansion of 200,000 tonnes, which was completed and put into operation in the fourth quarter of 2023. After completion, the Company is in a better position to extend the industry chain of hydrogenated benzene-based chemicals and develop new materials.

In terms of LNG, we plan to improve production efficiency and stability and reduce production cost. In 2018, the Group completed the construction of facilities with an annual output of approximately 72,000 tonnes, and has been operating a network of four gas stations.

In terms of hydrogen, the Group currently plans to fully enter the hydrogen industry chain, covering production, transportation, storage, gas refuelling and usage. In order to grasp the opportunities arising from hydrogen business as advocated by the PRC government, such as the Implementation Plan for Fuel Cell Demonstration Application in Zhengzhou City Cluster* 《鄭州城市群燃料電池示範應用實施方案》, in June 2023, Jinma Energy entered into a cooperation agreement with the Administration Committee of Zhengzhou High-Tech Industrial Development Zone* (鄭州高新技術產業開發區管理委員會), pursuant to which, Jinma Energy will establish a project company in Zhengzhou High-Tech Industrial Development Zone. Jinma Qingneng, our wholly-owned subsidiary, is the project company for constructing hydrogen gas stations. The project company plans to construct 15 gas stations with hydrogen refuelling facilities in Zhengzhou High-Tech Industrial Development Zone in the coming three to five years, so that we can realise the scale effect and enjoy economies of scale.

Business Development of Hydrogen Gas Stations

The Group established a new hydrogen gas station in each of Zhengzhou High-Tech Zone and Jiyuan. The gas station in Zhengzhou started trial operation on 29 November 2023, with total hydrogen refuelling amounting to 15,300 kg as of 31 December 2023, serving 930 vehicles, including fuel cell dump trucks, tractors, cement mixer trucks, cold chain logistics trucks and sanitation trucks. The hydrogen gas station in Jiyuan in south 2nd ring road was put into operation in December 2023, with total hydrogen refuelling amounting to 2,330 kg as of 31 December 2023, serving 121 vehicles, including fuel cell tractors and dump trucks.

According to the "Notice on the launch of a new batch of fuel cell vehicle demonstration applications"《關於啟動新一批燃料電池汽車示範應用工作的通知》issued by the Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Science and Technology, NDRC and National Energy Administration in December 2021, among others, Henan province has been approved as one of the first batch of demonstration city clusters. In 2024, the Company plans to construct hydrogen gas stations or integrated energy stations (equipped with services such as refuelling gas, electricity, LNG and hydrogen) in cities of Jiaozuo and Zhengzhou, Henan Province with application scenarios of hydrogen. The investment will be financed by the Group's internal resources and the proceeds raised from listing on 20 December 2023.

With an aim to secure fuel cell vehicles to purchase hydrogen at our hydrogen gas stations, we have entered into a legally binding tripartite framework agreement with Yida Min'an and Yutong in March 2023, pursuant to which Yida Min'an shall purchase not more than 1,000 fuel cell muck trucks manufactured by Yutong and our Group shall operate gas stations with hydrogen refuelling facilities under an agreed price for use by the muck trucks to be purchased by Yida Min'an. At the end of 2023, Yida Min'an purchased a total of 156 fuel cell dump trucks manufactured by Yutong. Fuel cell dump trucks are used for earthmoving work in Zhengzhou High-tech Zone and Economic Development District and in Jiaozuo City. In 2024, the Company, Yutong and Yida Min'an will continue to focus on consolidating collaboration in fuel cell dump trucks and tractors by giving full play to each other's advantages, to create high-quality scenarios.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the listing of the Company (after deducting underwriting fees and other estimated expenses in connection with the global offering of the Company's shares) was approximately HK$251.6 million (equivalent to approximately RMB228.9 million). The Company will utilise the proceeds raised from the listing in accordance with the use of proceeds as stated in the prospectus of the Company issued on 12 December 2023.

Analysis on the intended use of the net proceeds from the listing as disclosed in the prospectus compared with the actual use of such net proceeds from the Listing Date up to 31 December 2023 is set out below:

Business purpose as disclosed in the prospectus	Intended use of net proceeds		Actual use of net proceeds from the Listing Date on 20 December to 31 December 2023	Unutilised net proceeds as at 31 December 2023	Estimated timetable for utilisation
	RMB'000	%	RMB'000	RMB'000	
Gas stations with hydrogen refuelling facility	194,574	85%	0	194,574	2024-2025
Investment in and/or acquisition of upstream and downstream players	11,445	5%	0	11,445	2024-2025
Working capital and other general corporate purposes	22,891	10%	0	22,891	2024-2025
	228,910	100%	0	228,910	

EMPLOYEES AND REMUNERATION

As at 31 December 2023, the Group had 413 employees (for the Company in 2022: 124), including 3 senior management (excluding the Directors) (for the Company in 2022: 1), 16 middle management (for the Company in 2022: 6) and 392 ordinary employees (for the Company in 2022: 116). For the year ended 31 December 2023, the staff cost of the Group amounted to approximately RMB32.2 million, compared with that of approximately RMB30.9 million recorded for the same period of last year.

The Company has established a Remuneration and Appraisal Committee which is responsible for making recommendations to the Board on the remuneration packages for Directors and senior management of the Company, including non-pecuniary benefits, pension rights and compensation.

The Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses linked to the performance of the Group. The Company also reimburse the Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for providing services to us or discharging their duties in relation to the Company's operations. When reviewing and determining the specific remuneration packages for the Directors, Supervisors and senior management, we take into consideration factors such as their individual performance, qualification, experience and seniority, salaries paid by comparable companies, time commitment and responsibilities of the Directors, Supervisors and senior management, their employment within the Group and desirability of performance-based remuneration.

Going forward, the Remuneration and Appraisal committee will review and determine the remuneration and compensation of the Directors, Supervisors and senior management with reference to the salaries paid by comparable companies, the time commitment and responsibilities of the Directors, Supervisors and senior management and the performance of the Group.

Their emoluments were within the following bands:

	Number of senior management excluding the Directors	
	2023	2022
Nil to Hong Kong Dollar ("**HK$**") 1,000,000	**3**	1

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

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

Pension Schemes

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

The Hong Kong based employees of the Group participate in the Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the employers' existing level of contributions can be reduced by contributions forfeited by the employers on behalf of those employees who quit the scheme prior to fully vesting of the contributions. During the years ended 31 December 2022 and 2023, there were no such forfeited contributions. There were no forfeited contributions available for reducing future contributions as at 31 December 2022 and 2023, respectively. The Group contributes the lower of HK$1,500 per month or 5% of the relevant monthly payroll costs to the Mandatory Provident Fund Scheme.

The Company persists in becoming an enterprise with a strong sense of social responsibility, consistently adhering to the principle of harmonious development combining economic benefit and social benefit, promoting technological advancement in the industry and assuming social responsibility proactively.

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

CORPORATE GOVERNANCE CODE AND THE ARTICLES OF ASSOCIATION

The Company has formulated the Articles of Association of the Company (the "**Articles of Association**") in accordance with the PRC Company Law, and other relevant laws and regulations of the PRC. These Articles of Association are the code of conduct for the Company, regulating the organization and behaviour of the Company, the rights and obligations shared between the Company and its shareholders, and between and among the Company's shareholders. The Articles of Association was adopted and became effective on the Company's Listing Date and no changes have been made in the Reporting Period since the Listing Date.

Meanwhile, the Company has also adopted the Code as set out in Appendix C1 (formerly Appendix 14) to the Listing Rules, and formulated a series of rules (such as Internal Audit Rules, Internal Control and Evaluation Rules, Compliance Management Rules and External Investment Management Rules, etc.) as well as the terms of reference of the Nomination Committee, the Remuneration and Appraisal Committee and the Audit Committee, to achieve the objective of good corporate governance. This report will further clarify how the Company applies the principles of good corporate governance set out in the Code to enable shareholders' evaluation of such application.

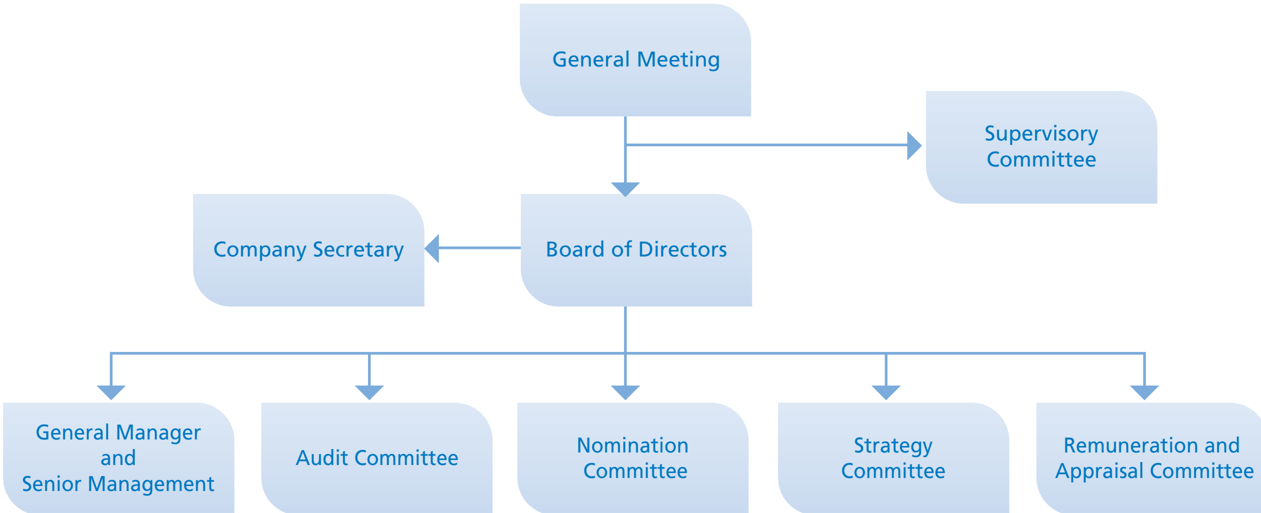
During the Reporting Period, save as disclosed below, the Company has complied with the Listing Rules and all code provisions to the Code:

Code provision C.2.7 of the Code: since the Company was listed on 20 December 2023, there had not been any meeting held by the Chairman and the independent non-executive Directors without the presence of other Directors during the period from the Listing Date to 31 December 2023. The Chairman has held a meeting with the independent non-executive Directors in 2024 and intends to hold at least one meeting per year with the independent non-executive Directors without the presence of other Directors in the future.

Code provision F.1.1 of the Code: the Company does not have a dividend policy, as the Board will consider various factors, such as the Company's earnings and financial condition, operating requirements, capital requirements, and other factors that the Board considers relevant.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance structure of the Company is as follows:



The Board is responsible for performing corporate governance functions. In 2023, the Board performed the following duties in relation to its corporate governance functions (for details, please refer to the summary of the main work performed by the Board in 2023 in this report (page 32)):

- developed and reviewed the Company's corporate governance policies and practices;
- reviewed and monitored the training and continued professional development of Directors and senior management members;
- reviewed and monitored the Company's policies and practices in complying with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct and compliance manuals for employees and Directors; and
- reviewed the Company's compliance with the Code and disclosure in the Corporate Governance Report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 (formerly Appendix 10) to the Listing Rules and the company secretary has also issued to all Directors and Supervisors a compliance notice of suspension of trading during the black-out period in accordance with the Model Code. Having made specific enquiries of all Directors and Supervisors, the Company hereby confirms that all Directors and Supervisors have complied with the standards as set out in the Model Code for the trading of securities by Directors.

BOARD OF DIRECTORS

The first session of the Board consists of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. The Directors are appointed by our shareholders for a term of three years until 28 July 2026 and may be appointed for consecutive terms. The list of members of the first session of the Board is set out below:

Executive Directors
Mr. Wang Zengguang (General manager) (Appointed on 28 July 2023)
Mr. Qiao Erwei (Deputy general manager and Board secretary) (Appointed on 22 October 2023)

Non-executive Directors
Mr. Yiu Chiu Fai (Chairman) (Appointed on 28 July 2023)
Mr. Wang Kaibao (Vice chairman) (Appointed on 16 August 2023)
Mr. Wang Lijie (Appointed on 28 July 2023)

Independent non-executive Directors
Ms. Wong Yan Ki Angel (Appointed on 22 October 2023)
Mr. Di Zhigang (Appointed on 28 July 2023)
Ms. Leung Sin Yeng Winnie (Appointed on 16 August 2023)

Note: Mr. Cheung Kwong Tat (張廣達) was appointed on 28 July 2023 and resigned on 22 October 2023.

The Board held eight meetings during the year ended 31 December 2023. The attendance of each Director of the Company at the Board meetings and the general meetings held in 2023 is as follows:

Directors	Attendance at Board Meetings	Attendance at general meetings
Executive Directors		
Mr. Wang Zengguang	8/8	6/6
Mr. Qiao Erwei (Appointed on 22 October 2023)	2/2	1/1
Non-executive Directors		
Mr. Yiu Chiu Fai	8/8	6/6
Mr. Wang Kaibao (Appointed on 16 August 2023)	4/4	3/3
Mr. Wang Lijie	8/8	6/6
Independent non-executive Directors		
Ms. Wong Yan Ki Angel (Appointed on 22 October 2023)	2/2	1/1
Mr. Di Zhigang	8/8	6/6
Ms. Leung Sin Yeng Winnie (Appointed on 16 August 2023)	4/4	3/3

Note: Mr. Cheung Kwong Tat (張廣達) was appointed on 28 July 2023 and resigned on 22 October 2023. He attended 5/5 Board meetings and 4/4 general meetings.

The division of responsibilities between the Board and the management of the Company is clear. The Board is responsible for formulating the overall strategy of the Company, setting management objectives, regulating internal control and financial management, and overseeing the management's performance. The Company's day-to-day operation and management are undertaken by the Company's management under the authorization of the Board. The functions and powers of the Board are expressly stated in Article 108 of the Articles of Association.

The roles of chairman and general manager of the Company are held by different individuals. The chairman of the Board is Mr. Yiu Chiu Fai and the general manager is Mr. Wang Zengguang.

The chairman of the Board exercises the functions and powers provided in laws, regulations, bylaws, regulatory documents, regulatory rules of securities regulatory authorities or stock exchanges where the Company's shares are listed, the Articles of Association and other management rules and regulations of the Company or function and powers delegated by the Board. The functions and powers of the chairman of Board are expressly stated in Article 112 of the Articles of Association.

The general manager is the person in charge of the daily operation and management of the Company under the leadership of the Board, and is accountable to the Board. The day-to-day operational matters of the Company shall be, in principle, approved and decided by the general manager, other than those that should be submitted to higher level governing bodies for approval in accordance with laws, regulations, bylaws, regulatory documents, regulatory rules of securities regulatory authorities or stock exchanges where the Company's shares are listed, the Articles of Association or other management rules and regulations of the Company. The specific duties of the general manager shall be performed in accordance with the Articles of Association and other management rules and regulations of the Company. The functions and powers of the general manager are expressly stated in Article 128 of the Articles of Association.

The Board comprises three non-executive Directors, namely Mr. Yiu Chiu Fai, Mr. Wang Kaibao and Mr. Wang Lijie. The term of office of Mr. Yiu Chiu Fai and Mr. Wang Lijie became effective from 28 July 2023, and the term of office of Mr. Wang Kaibao became effective from 16 August 2023. The term of office of each of the three non-executive Directors will end on 28 July 2026.

The Board comprises three independent non-executive Directors, accounting for more than one-third of the members of the Board. The three independent non-executive Directors are experts in accounting, energy technology and finance with appropriate qualifications. The chairman of the Audit Committee, Ms. Wong Yan Ki Angel, has appropriate accounting and financial management expertise and experience, and her term of office became effective from 22 October 2023. The term of office of Mr. Di Zhigang and Ms. Leung Sin Yeng Winnie became effective on 28 July 2023 and 16 August 2023, respectively. The term of office of each of the three independent non-executive Directors will end on 28 July 2026.

The Board is committed to ensuring the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors. In addition to complying with the requirements of the Listing Rules on the composition of certain Board committees, the Company also appoints independent non-executive Directors to other Board committees to ensure independent views as far as possible. The Company also formulated and implemented the Mechanism for Ensuring Independent Views and Opinions of the Board (《確保董事會取得獨立觀點及意見機制》), whereby independent non-executive Directors (like other Directors) are entitled to seek for further information from the management on matters to be discussed at Board meetings. They can also seek assistance from the Company's company secretary and independent professional advice, where necessary, at the Company's expense. The Board has reviewed the implementation and effectiveness of this mechanism and confirmed the effectiveness of the policy and will continue to review the implementation and effectiveness of such mechanism. The chairman of the Board of the Company has held a meeting with independent non-executive Directors without the presence of other Directors to discuss material matters and any concerns.

The Board confirms that none of the independent non-executive Directors has served for more than nine years, and equity-based remuneration linked to performance has not been granted to any independent non-executive Directors. All three independent non-executive Directors have submitted written confirmations to the Company for their independence.

After making reasonable enquiry with the members of the Board (including the chairman of the Board and the general manager), the Company confirms that there is no financial, business, family or other material or relevant relationship between the members of the Board (including the chairman of the Board and the general manager).

Save for entering into service contracts and except as otherwise disclosed in this report, none of the Directors, supervisors and their connected entities had entered into any major transactions, arrangements or contracts with the Company directly or indirectly in 2023.

After making reasonable enquiry with the members of the Board, the Company confirms none of the Directors have any interests in other businesses which compete or may compete with the businesses of the Company (for example, as a director, substantial shareholder, partner or sole proprietor).

A summary of the main work performed by the Board in 2023 is as follows:

- approved matters relating to the listing of the Company;
- approved the establishment of the first session of the Audit Committee, the Remuneration and Appraisal committee, the Nomination Committee and the Strategy Committee;
- considered and proposed the re-appointment of auditor; and
- approved the agenda for convening general meetings.

The Company places considerable emphasis on the training and continuous professional development of the Directors, and recognizes that personal development primarily relies on working experiences and requires various supplementary training. In 2023, the Company had organised corporate training for its Directors. In these training programs, our Directors have reviewed and enhanced their knowledge and skills to ensure they are fully informed and qualified for performing their duties in the Board. In accordance with the records maintained by the Company, as at 31 December 2023, all Directors have received the training in accordance with the code provisions on continuous professional development under the Code.

The participation by each Director in training programmes and continuous professional development for the year ended 31 December 2023 is set out below:

	Topic		
Directors	**Memorandum on Directors' Responsibilities for Companies Listed on the Main Board of The Stock Exchange of Hong Kong Limited**	**Duties and Responsibilities Training for Directors, Supervisors and Senior Management**	**Code of Practice for Company Directors: Avoiding Market Misconduct**
Executive Directors			
Mr. Wang Zengguang	√	√	√
Mr. Qiao Erwei	√	√	√
Non-executive Directors			
Mr. Yiu Chiu Fai	√	√	√
Mr. Wang Kaibao	√	√	√
Mr. Wang Lijie	√	√	√
Independent Non-executive Directors			
Ms. Wong Yan Ki Angel	√	√	√
Mr. Di Zhigang	√	√	√
Ms. Leung Sin Yeng Winnie	√	√	√

AUDIT COMMITTEE

The Board has established the Audit Committee.

The Audit Committee is primarily responsible for making recommendations on the appointment, re-appointment and removal of the external auditor, reviewing the Company's financial information, overseeing the Company's financial reporting system, risk management and internal control systems, and reporting to the Board on all matters within its terms of reference.

The Audit Committee consists of three Directors, including Ms. Wong Yan Ki Angel (independent non-executive Director), Mr. Wang Kaibao (non-executive Director) and Mr. Di Zhigang (independent non-executive Director), and is chaired by Ms. Wong Yan Ki Angel.

Given the fact that the Company was not listed until 20 December 2023, no Audit Committee meeting was held during the year.

The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2023.

The Company's auditor has audited the financial statements and issued an unqualified auditor's report.

REMUNERATION AND APPRAISAL COMMITTEE

The Board has established the Remuneration and Appraisal Committee.

The Remuneration and Appraisal Committee is primarily responsible for making recommendations to the Board on the Company's remuneration policy and structure for the Directors and management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy. The committee also reviews compensation matters relating to the resignation of Directors or senior management.

The Remuneration and Appraisal Committee consists of three Directors, including Mr. Di Zhigang (independent non-executive Director), Mr. Yiu Chiu Fai (non-executive Director) and Ms. Leung Sin Yeng Winnie (independent non-executive Director), and is chaired by Mr. Di Zhigang.

Given the fact that the Company was not listed until 20 December 2023, no Remuneration and Appraisal Committee meeting was held during the year.

The Company has adopted code provision E.1.2 (c)(ii) contained in Part 2 of the Code, i.e. the Remuneration and Appraisal Committee recommends to the Board remuneration packages of individual executive Directors and senior management.

NOMINATION COMMITTEE

The Board has established the Nomination Committee.

The Nomination Committee is primarily responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The committee is also responsible for identifying, and assessing the suitability and qualification of, candidates to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

The Nomination Committee consists of three Directors, including Ms. Leung Sin Yeng Winnie (independent non-executive Director), Mr. Wang Zengguang (executive Director) and Ms. Wong Yan Ki Angel (independent non-executive Director), and is chaired by Ms. Leung Sin Yeng Winnie.

Given the fact that the Company was not listed until 20 December 2023, no Nomination Committee meeting was held during the year.

The Company has developed and adopted the Board Diversity Policy to enhance the effectiveness of the Board and maintain a high standard of corporate governance. When selecting candidates to the Board, the Nomination Committee will consider a wide range of factors, including but not limited to, the appropriate balance of gender, skills, age, cultural and education background, ethnicity, professional experience, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time, in order to achieve board diversity. The committee will also conduct discussions each year and agree on all the measurable objectives for board diversity, and will recommend to the Board relevant objectives for adoption.

Our Directors have a balanced mix of knowledge and skills, including overall corporate governance, business strategies and planning, engineering, finance and business administration. They also obtained degrees in various areas, including chemical engineering, economic management, materials science, finance, business administration, global business, accounting and law. The Company has three independent non-executive Directors with different industry backgrounds, accounting for over one-third of the Board members. In addition, the Board is of a wide range of ages, ranging from 36 to 55. The Board confirmed that the members of the Board of the Company are not all single-sex members, with Ms. Wong Yan Ki Angel and Ms. Leung Sin Yeng Winnie serving as independent non-executive Directors of the Company, showing that the Company puts a high value on female's opinions and views. To achieve gender diversity, the Company sets to achieve female participation at the board at no less than one female member, which has already been achieved. Taking into account our existing business model and specific needs as well as the different background and abilities of our Directors, our Directors are of the view that the current composition of our Board satisfies our board diversity policy. To achieve gender diversity, the Company sets to achieve female participation at different levels of the organisation of no less than 15%.

The Company is mainly engaged in the supply of hydrogenated benzene-based chemicals and energy products, and actively recruits talents in relevant disciplines. However, most of these disciplines are traditionally dominated by men, and given that the working environment involves high temperature and the operation of heavy machinery, fewer females work in the industry, presenting challenges for the Company's diversity effort. With a view to developing a pipeline of potential successors to our Board that may achieve gender diversity, we will (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management staff who has the necessary skills and experience to our Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to our senior management or our Board so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time. Nevertheless, in order to achieve gender diversity and attract more women to join the Group, the Company provides tangible benefits to female employees, including: organizing regular physical examination activities for female employees each year; providing nursing room and other ancillary facilities for female employees to breastfeed during work hours. During the Reporting Period, the female employees of the Company (including senior management) accounted for approximately 19% of the total employees. Therefore, the Board confirmed that the Company has achieved the measurable objective of gender diversity. Moreover, the Company confirms that this policy is effective and it will continue to review the feasibility of this goal and the challenges and factors faced in achieving the objective. It will also actively participate in more welfare discussions for female employees to attract more women to join the Company.

Moreover, the Company has formulated and adopted the "Nomination Policy of Directors". The Nomination Policy of Directors covers selection criteria, nomination procedures, terms of confidentiality, supervision and reporting, and policy review. Several factors are considered when nominating Board candidates, including but not limited to the following:

- reputation and integrity;
- achievements, talents, skills, knowledge and experience in the hydrogenated benzene-based chemicals and energy products industries, business and economics area, accounting;
- views and perspectives that can be brought to the Board;
- commitment in respect of available time and relevant interest;
- independence of independent non-executive Directors; and
- the objective of the Board Diversity Policy, considering factors including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc.

These factors are not exhaustive nor decisive. The Nomination Committee can decide to nominate any candidate that is considered suitable. The Nomination Committee will review the "Nomination Policy of Directors" annually and make reference to the Board Diversity Policy in filling director vacancies to procure the diversity of the Board.

A summary of the nomination process for Directors is as follows:

- the chairman of the Nomination Committee shall convene a Nomination Committee meeting and invite the Board members to nominate candidates (if any) for consideration before the meeting. The Nomination Committee may also nominate candidates from other different sources (such as professional societies, professional headhunting companies, recommendations by the Shareholders or management, internal promotion, etc.);
- the Nomination Committee shall recommend candidates for consideration and approval by the Board, with reasons for consideration and recommendation provided to the Board;
- the Board recommends candidates to stand for election at a general meeting;
- the Company will issue a circular to shareholders to provide information on candidates nominated by the Board for election at a general meeting. The names, resumes (including eligibility and related experience), independence, proposed emoluments and other information of the candidates will be set out in the circular to the shareholders in accordance with the applicable laws, rules and regulations;
- if the Shareholders wish to recommend a person to be elected as a Director of the Company at a general meeting, they may refer to the "Procedures for a Member to Propose a Person for Election as a Director" which has been uploaded to the Company's website for the relevant procedures; and
- the election of Board members shall be proposed as ordinary resolutions at a general meeting, and should be passed by more than one-half of the voting rights held by shareholders (including proxies) attending the general meeting.

STRATEGY COMMITTEE

The Board has established the Strategy Committee.

The Strategy Committee mainly conducts researches and makes recommendations on the Company's long-term development strategy, major investment decisions, and medium and long-term plans, as well as monitoring the implementation of the strategic development plan of the Company.

The Strategy Committee consists of three Directors, including Mr. Wang Kaibao (non-executive Director), Mr. Wang Zengguang (executive Director) and Mr. Wang Lijie (non-executive Director), and is chaired by Mr. Wang Kaibo.

AUDITOR'S REMUNERATION

The auditor of the Company is Deloitte Touche Tohmatsu ("**Deloitte**"). The Directors do not have any opinion to the contrary on the selection and appointment of Deloitte as the auditor. For the year ended 31 December 2023, the listing related audit service fees were approximately RMB3.90 million, other audit service fees were approximately RMB1.57 million and non-audit services was approximately RMB0.67 million.

The fees for non-audit services provided to the Group represented the fees for the review of the internal control system of the Group and the assurance of the environmental, social and governance report of the Company.

RESPONSIBILITIES OF DIRECTORS AND AUDITOR FOR FINANCIAL STATEMENTS

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

The financial statements of the Company for the year ended 31 December 2023 have been reviewed by the Audit Committee and audited by the external auditor, Deloitte. The Directors confirm their responsibilities of preparing the Company's financial statements and presenting the results of the Company in a truthful and fair manner. The Directors are not aware of any material uncertainties relating to events or conditions which may cast doubt upon the Company's ability to continue as a going concern.

For the statement of the auditor about its responsibilities for reporting the financial statements, please refer to the section headed "Independent Auditor's Report" on pages 108 to 112 in this report.

COMPANY SECRETARY

The company secretary of the Company is Ms. Lee Kwan Ying Adrienne. The biography of Ms. Lee is as follows:

Ms. Lee Kwan Ying Adrienne (李坤瑩), aged 35, is the company secretary of our Company appointed on 1 August 2023. She is primarily responsible for the corporate governance, company secretarial and capital markets matters of our Group.

Ms. Lee joined the Jinma Group in June 2023 and served as the manager of the company secretarial and capital markets department of Jinma Energy, and assisted on the legal compliance, corporate governance and company secretarial work of the Jinma Group.

Prior to joining the Jinma Group, Ms. Lee served as an assistant solicitor in Reed Smith Richards Butler LLP (formerly known as Reed Smith Richards Butler) from January 2016 to November 2020, specialising in corporate finance.

Ms. Lee obtained a bachelor's degree in business administration (law), a bachelor's degree in laws and the postgraduate certificate in laws from The University of Hong Kong in Hong Kong in November 2010, November 2012 and June 2013, respectively. Ms. Lee was admitted as a solicitor of the High Court of Hong Kong in November 2015.

The company secretary has attended relevant professional training for no less than 15 hours.

SHAREHOLDERS' RIGHT

Pursuant to the Articles of Association, shareholders holding 10% or more of the Company's outstanding shares carrying voting rights may request in writing that an extraordinary general meeting be convened. Please refer to Article 48 of the Articles of Association for the detailed procedure regarding such shareholder's request for convening an extraordinary general meeting.

Pursuant to the Articles of Association, when the Company convenes a general meeting, shareholders individually or jointly holding 3% or more of the Company's shares carrying voting rights shall have the right to put forward a new proposal in writing to the Company by any of the means mentioned below in the "Communications with Shareholders and Investors" section. The Company shall include the contents of the proposal that fall within the scope of power of the shareholders' general meeting into the agenda of the said meeting.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with its shareholders is essential to enhancement of the relationship with investors and enhancement of investors' understanding of the Company's business and strategies.

The Board has adopted a formal Shareholders Communication Policy to ensure that shareholders are provided with ready, equal and timely access to the Company's information. We have established effective communication channels in accordance with the Shareholders Communication Policy to encourage effective shareholders' engagement and communication with shareholders. The Board has reviewed the Shareholders Communication Policy. Since the Policy has provided effective channels for shareholders to express opinions to the Company and the Company has complied with such Policy, the Board has agreed that the Policy has been properly implemented and is effective. The Company will continue to promote investor relations and enhance its communication with shareholders.

We maintain a corporate website (www.jyqhhg.com) to keep our shareholders and the investing public informed about our share price information, latest business developments, annual and interim results announcements, financial reports, public announcements, corporate governance policies and practices and other relevant shareholder information.

The Company views its annual general meeting as one of the important platforms to communicate with shareholders and encourages all Directors to make an effort to attend the annual general meeting. The Company also encourages shareholders to raise questions at the annual general meeting. All members of the Board, management officers and external auditors will attend the annual general meeting to answer questions from shareholders. Shareholders may at any time raise enquiries to the Board. Such enquiries may be made by any of the following means:

- Mail a letter to the Company's principal place of business in Hong Kong at 17th Floor, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong, addressed to the company secretary;
- Call the Company at +852 3115 7766;
- Send an email to the Company at adriennelee@hnjmny.com; or
- Raise enquiries at the general meeting.

CORPORATE CULTURE: BUILD A CENTURY-OLD JINMA BY STRIVING TOWARDS EXCELLENCE

The Company's vision is to advance industry-wide technological progress, build an environment-friendly and energy-saving enterprise and fulfil corporate social responsibilities so as to achieve its core values of integrating efficiency, benefit and responsibility. Led by such vision and core values on the way to achieving its mission, the Group incorporates economic growth, environmental protection and social responsibility into its business strategies, and creates sustainable value for customers with high-quality products. Building a healthy corporate culture within the Group is crucial for the Company to achieve its vision and mission of sustainable development. The Board has the responsibility to build a corporate culture to provide guidance for employees' behaviour. The Board of the Company has evaluated and confirmed that the Company's vision, values and business strategies are in line with its corporate culture.

PRINCIPLES OF DEVELOPMENT

The Company is steadfast in promoting high-quality development. It has won the titles of provincial-level innovative small – and medium-sized enterprise, smart factory, and quality benchmark enterprise, and received approval to set up the Henan Engineering Technology Research Centre for Crude Benzene Refining Process, laying a solid foundation for innovation and accelerating the cultivation of new productive forces. Striving to build a first-grade enterprise in safe production standardisation and an A-class enterprise in environmental performance, the Company has continuously improved the intrinsic safety standards and vigorously promoted green and low-carbon recycling development. It has also worked hard to enhance the comprehensive competencies and qualities of employees to build a first-class team and the Company's core competitiveness.

PRINCIPLE OF INTEGRITY

Integrity is the basic principle that the employees of Jinyuan shall follow when they cooperate with each other and conduct business activities with commercial partners. Jinyuan has formulated human resource management policies to build a mutually respectful, inclusive and friendly environment in the workplace. In terms of business ethics, the guidelines for employee conduct are set out in the Group's code of conduct and anti-corruption policies. In order to support the implementation of the above policies, the Group offers relevant training courses on a regular basis to promote and reinforce the Group's values of acting in a lawful, ethical and responsible manner.

For the efforts made by the Company relating to anti-corruption, please refer to the section headed "Environmental, Social and Governance Report" on pages 43 to 80 of this report.

ACHIEVEMENT OF EXCELLENCE

The Company has been awarded the 2023 Advanced Unit (Special Contribution Unit for High-Quality Development) in the Jiyuan High-tech Zone, included in the list of Quality Benchmark of Henan Province for 2023 by the Department of Industry and Information Technology of Henan (for its application experience in implementing automated manufacturing to enhance product quality), included in the list of Jiyuan's municipal-level engineering technology research centres whose establishment has been initially approved by the Industrial and Technological Innovation Committee of the Jiyuan Demonstration Zone in 2023, and awarded the Labor Security Integrity Rating of the Jiyuan Demonstration Zone for 2023 by the Human Resources and Social Security Bureau of the Jiyuan Industry-City Integration Demonstration Zone. It also obtained the Energy Management System Certification and certifications for chemical enterprises in sodium carbonate, coking, rubber and plastic products, pharmaceuticals and others. The Company ranked 86th on the list of Henan Province's demonstration enterprises for digital transformation of SMEs in 2023, and was included in the list of engineering technology research centres of Henan Province in 2023.

DEVELOPMENT STRATEGIES

The Group intends to implement the following strategies to further grow our business, strengthen our market position, and create value for our Shareholders:

(a) in respect of hydrogenated benzene-based chemicals, to invest in production efficiency and safety, and environmental protection and continue to upgrade our production facilities to maintain our market position in the hydrogenated benzene-based chemicals industry;

(b) in respect to LNG, to improve the efficiency and stability of production and reduce production costs; and

(c) in respect to hydrogen, to focus on hydrogen supply to fuel cell vehicles, build a network of hydrogen gas stations and expand the Group's footprint in hydrogen energy industry chain.

ADMINISTRATIVE RULES ON ANTI-FRAUD AND WHISTLEBLOWING MECHANISM

In order to prevent fraud, strengthen the Company's governance and internal control, reduce corporate risks, regulate its operation, ensure the achievement of its operation goals and sustainable, stable and healthy development, and safeguard the legitimate interests of the Company and its Shareholders, the Company has formulated the Administrative Rules on Anti-Fraud and Whistleblowing Mechanism based on its actual circumstances.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms its responsibility for overseeing the Group's risk management and internal control system on an ongoing basis and reviewing their effectiveness. The Audit Committee is authorised by the Board to review the Group's risk management and internal control system at least annually. Such systems are established to manage rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable rather than absolute assurance against material misstatement or loss.

The Group has an internal audit function to conduct analyses and independent assessments on whether the Group's risk management and internal control systems are adequate and effective.

Risk management and internal control procedures

The risk management and internal control procedures of the Group are as follows:

- **Main features of risk management and internal control system**

  Taking a risk-based approach which focuses on control and integrating risk management, internal control and process management to establish a sound comprehensive risk management and internal control system.

- **Risk management procedures**

  First, establish a Risk Database for risk management at three levels, classify the risk levels based on the features or processes of the operation and management activities that involve risks, identify and set a list of risks; then assess the identified risks in terms of their possibilities of occurrence and impacts through scored surveys and questionnaires, and rank the risks based on their levels of importance; last, conduct risk diagnosis for risk liabilities, and provide suggestions for dealing with the risks.

- **Procedures for reviewing the effectiveness of the risk management and internal control system**

  Pursuant to the Company's Internal Control Evaluation Policy and the operation monitoring – internal evaluation of internal control procedures as set out in the Internal Control Manual, as well as the requirements of the Audit Committee, the Audit Department carries out risk and internal control evaluation on a regular basis.

- **Procedures for resolving material internal control deficiencies**

  If the Audit Department, externally-engaged consulting firms or listing regulatory authorities identify any material internal control deficiencies, the Company's AdministrationDepartment shall respond to such deficiencies as material and key risks facing the Company, and shall develop countermeasures and improve the Company's Risk Database and internal control processes in a timely manner.

- **Internal control measures**

  The Company has established and clearly defined internal control organisational bodies and their responsibilities. The Board is the decision-making body on internal control. It is responsible for establishing a sound internal control system and its effective implementation, and for reviewing the effectiveness of the internal control system design, supervising the self-evaluation of internal control, as well as coordinating internal control audit and other relevant matters. The Company's Administration Department is the centralised management department for internal control system operation, and is responsible for organising the establishment, daily maintenance and supervision of the internal control system. The Company's Audit Department is the centralised management department for internal control system evaluation, and is responsible for organising the evaluation of internal control system. The Company's various departments are internal control execution departments, and are responsible for implementing the management policies and business processes within their respective scope of responsibilities, as well as for conducting self-supervision of such implementations. As part of our internal control measures, the Company has established appropriate internal controls and mechanisms to monitor related-party transactions, connected transactions and continuing connected transactions (if any) to ensure compliance with the relevant requirements of the Listing Rules.

  The Audit Department incorporates the Company's internal control evaluation into its annual work plan each year. The Company will organise internal and external professionals to participate in the supervision and evaluation of internal control, and adopt qualitatively and quantitatively integrated methods to enhance the accuracy of the supervision and evaluation results. The Company also incorporates the internal control evaluation results into the performance appraisal system for departments.

- **Handling and dissemination of inside information**

  Regarding handling and dissemination of inside information, the Company has established a set of management policies pursuant to the SFO and the Listing Rules, which mainly include the definition of inside information, the issuance criteria, the responsibilities of the Company's directors, senior management, controlling shareholders and other relevant staff, so that the public can obtain the disclosed inside information in an equal, timely and effective manner.

Opinions of the Audit Committee

The Audit Committee reviews the Group's risk management and internal control system annually. Based on the management's assessment, the Audit Committee reviewed and firmly believed that there was no event that led the Audit Committee to believe that the Company's risk management and internal control system (covering finance, operations, compliance and all other material controls) were inadequate and no significant control failings or weaknesses were identified during the Reporting Period and will identify, assess and manage the significant risks facing the Company on an ongoing basis. The Audit Committee has also reviewed the adequacy of resources, staff qualifications and experience, training programmes received by staff and budget of the Company's accounting, internal audit, financial reporting functions and ESG performance and reporting, and considered that the Group's risk management and internal control system was adequate and effective and the Company concurred with the opinions of the Audit Committee. The Audit Committee also considered that the Company's processes for financial reporting and Listing Rule compliance were effective.

The Audit Committee also confirmed that the Company's resources, staff qualifications and experience in accounting and financial reporting functions, as well as training programs received by staff and the relevant budgets were adequate.

Report Description

This is the Group's Environmental, Social and Governance report, covering the Group's overall performance in environmental and social areas during operations of its main businesses (production, processing and sale of hydrogenated benzene-based chemicals and energy products) from 1 January 2023 to 31 December 2023 (the "Reporting Period"). The governance of the Group is set out in the section headed "Corporate Governance Report" of this annual report (Pages 28 to 42).

This report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (ESG Guide) as set forth in Appendix C2 to the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company has complied with the disclosure requirements (including the "comply or explain" provisions) set out in Appendix C2 of the Listing Rules. For ease of presentation and reading, Henan Jinyuan Hydrogenated Chemicals Co., Ltd. and its subsidiaries is represented as "the Group", "our Company" and "the Company" in this report.

Reporting principles:

Materiality: The Report is in compliance with the materiality principle stipulated by the Stock Exchange. The materiality pertaining to the ESG issues of the Group is determined by the Board. Readers can find content related to stakeholder communication, identification process of substantive issues and the matrix of substantive issues in this report.

Quantitative: The statistical criteria, methods, assumptions and/or calculation tools for the quantitative KPIs herein, as well as the sources of the conversion factors, are explained in different sections of the report.

Consistency: Consistent statistical methodologies are applied to the data disclosed in this report.

Balance: This report provides an unbiased picture of the Group's performance during the Reporting Period without statements that may inappropriately influence a decision or judgment by the reader.

Statement of the Board on ESG Governance

Abiding by the disclosure requirements of the *Environmental, Social and Governance Reporting Guide* promulgated by the Hong Kong Stock Exchange, the Group and the Board have improved the ESG management system and are committed to making ESG part of the Company's major decisions and business practices.

The Board, responsible for guiding and reviewing the Company's ESG-related matters, is the highest-level accountable and decision-making body for ESG matters and bears full responsibility for the Company's ESG strategies and reports. The secretariat to the Board takes charge of implementing and advancing the specific ESG matters of the Company and regularly reporting the work progress to superiors; reviewing, prioritising and managing ESG-related issues and risks and putting risk response measures into operation; and reviewing the Company's annual ESG report and information disclosure matters and submitting them to the Board for consideration and approval. The production department is in charge of supervising the Company's commitments and performance on key ESG issues such as unified scheduling and management of resources used in production (water, electricity, gas, steam, and sewage), formulating ESG management policies, strategies, and goals based on the assessment of ESG-related risks, and regularly monitoring the progress of ESG management.

This report thoroughly discloses the progress and effectiveness of the Company's ESG in 2023, which has been reviewed and approved by the Board before disclosure. The Board and all Directors of the Company guarantee that the information contained in the report is free from false records, misleading statements or material omissions, and assume individual and joint liability for the authenticity, accuracy and completeness of its content.

1. Responsibility and Management

The Group established an ESG management system to comply with the relevant requirements of the *Environmental, Social and Governance Reporting Guide* issued by the Stock Exchange. The Group's major decisions and business practices were imbued with the concept of sustainable development, marking the Group's fulfillment in its social responsibility. In the meantime, the Group gave priority to communication with stakeholders by listening to the expectations and demands of stakeholders through various channels. There would be mutual growth between the Group and stakeholders.

1.1 ESG Management System

The Group followed the relevant laws and regulations on environmental protection and the latest policies in China as well as the requirements of the Stock Exchange's "Environmental, Social and Governance Reporting Guide". Having combined with the identification results of substantive issues and its own operating practices, the Group forecasted the performance of pollution prevention and energy conservation and has improved management by objectives.

The Group has obtained ISO9001:2015 certification (the standard for quality management systems), ISO14001:2015 certification (the standard for environmental management systems), ISO45001:2018 certification (the standard for occupational health and safety management systems), and ISO50001:2018 certification (the standard for energy management systems) to date. Moreover, the Group has been recognized as a quality benchmarking enterprise at the provincial level, a smart factory at the provincial level, an innovative small and medium-sized enterprise at the provincial level, and an engineering technology research center at the provincial level. The Group has obtained 21 utility model patents.


Moqc
美澳认证
能源管理体系认证证书
注册号：51323En0090R0M
统一社会信用代码：914190010572256304
兹证明
河南金源氢化化工股份有限公司
注册地址：济源市西一环路南
经营地址：河南省济源市西一环路南
能源管理体系符合
GB/T23331-2020/ISO50001:2018;RB/T 114-2014
《能源管理体系 纯碱、焦化、橡塑制品、制药等化工企业认证要求》
该能源管理体系认证所覆盖的范围为：
资质许可范围内粗苯的精加工及其相关的能源管理活动
（产品单位产量综合能耗及能耗核算边界见同证书号附件）
颁证日期：2023年12月14日　有效日期：2026年12月13日
总经理：
深圳美澳检测认证有限公司

Picture: The certificate of certification to energy management systems

The Group gave particular attention to ESG work. The Board of the Group was responsible for guiding and reviewing the ESG-related matters, and assumed full responsibility for ESG strategies and governance, such as assessing and identifying the Company's ESG-related risks to ensure the establishment of appropriate and effective management and internal control systems for ESG risks; formulating management policies and strategies in respect of the Group's ESG; regularly reviewing the Group's performance; and approving the disclosure information in the Group's ESG report. The general manager and senior management of the Company took charge in monitoring the commitment and performance of key ESG issues, evaluating ESG-related risks to formulate management policies and strategies for ESG and ESG-related goals of the Company and monitoring the progress regularly. The secretariat to the Board was in charge of reviewing and supervising the progress of indicator management regularly and reporting to the Board of the Company. Functional departments and subordinate companies were responsible for implementing ESG based on their job duties and collaborating on annual ESG information disclosure and reporting.

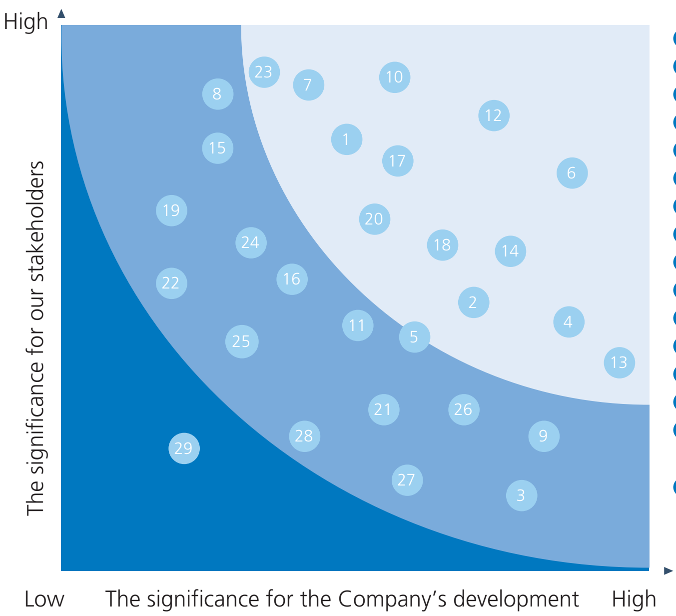
- **Communication with stakeholders**

The Group maintained close communication with stakeholders through regular meetings and reports, public information releases, consultation and feedback, participation in activities and cooperative projects. By giving its ear to the opinions and suggestions of government/regulators, shareholders/investors, customers, employees, suppliers/business partners, communities, experts, the public/media and other stakeholders, the Group identified the expectations of stakeholders for ESG, thereby setting priorities for ESG.

Stakeholders	Communication Channels	Topics of Concern
Governments/Regulatory Agencies	• Daily communications • Information bulletin • Government-enterprise collaboration • Censorship by the government	• Ecological protection • Operational compliance • Safety production • Green procurement
Shareholders/Investors	• Regular reports and information disclosure • Shareholders' meeting • Investors' surveys • Roadshow on business results • Teleconference	• Corporate governance • ESG governance • Operational compliance • Product quality • Fighting against corruption and promoting integrity
Customers	• Daily services and communications • Customer satisfaction surveys • Portal • Customer service hotline	• Product quality • Customer service • Customer rights
Employees	• Consultation • Daily communication • Employee trainings	• Employee rights and interests • Employee development • Employee care
Suppliers/Business Partners	• Business negotiation • Business communication	• Win-win cooperation • Long-term partnership
Community	• Volunteer service • Public welfare activities	• Social responsibility • Ecological protection
Experts	• Questionnaire and surveys	• Carbon emissions • Energy and resources • Technological innovation of products
Public/Media	• Financial reports, announcements as well as consultation • Portal • Telephone, email and internet communication platform	• Corporate image • Ecological protection • Social responsibility

- **Identification of substantive issues**

In accordance with the *Environmental, Social and Governance Reporting Guide* in Appendix C2 of the Listing Rules, the Company communicated with various stakeholders through different forms to identify and screen ESG issues relating to the Company by referring to general international ESG initiatives and standards as well as ESG issues that were front of mind for the whole sector. The Company gained an in-depth understanding of the concerns and expectations of different stakeholders for ESG fields of the Company with online questionnaires, and formed a matrix of ESG substantive issues to determine the degree and boundaries of issue disclosure based on the results of the questionnaire.



1. Operational compliance
2. Corporate governance
3. Uphold integrity and fight corruption
4. ESG governance
5. Management of carbon dioxide emission
6. Pollutant and waste management
7. Energy and resource management
8. Ecological protection
9. Addressing climate change
10. Safety production management
11. Safety education and training
12. Occupational health and safety measures
13. Fair procurement
14. Supplier evaluation
15. Supplier chain environmental and social risk management
16. Green procurement
17. Product quality management
18. Disposal of substandard products
19. Customer service quality
20. Safeguarding customer rights
21. Technological innovation of products
22. Intellectual property protection
23. Employment
24. Protect the rights and interests of employees
25. Employee training and development
26. Employee care and assistance
27. Employee volunteer activities
28. Charitable donation
29. Rural vitalization

The matrix and list of the substantive issues of the Company

1.2 Adhere to Compliance Operations

The Group stringently complies with relevant laws and regulations, relating to bribery, extortion, fraud and money laundering including the Criminal Law of the PRC《中華人民共和國刑法》, the Company Law of the PRC《中華人民共和國公司法》, the Anti-Unfair Competition Law of the PRC《中華人民共和國反不正當競爭法》and the Audit Law of the PRC《中華人民共和國審計法》and other laws and regulations to carry out business activities to continuously improve the internal control and compliance management system. The Company firmly prohibits corruption, bribery, extortion, fraud, money laundering and other behaviours that violate business ethics. Through the Compliance Management Regulations《合規管理規定》, the compliance follow-up, tracking and monitoring procedures are clearly defined. And through internal policy documents such as the Anti-Corruption and Whistle-blowing Mechanisms《反舞弊與舉報機制管理規定》, the Whistleblowing and Complaint Management《舉報投訴管理規定》and the Regulations on the Management of Letters and Visits《信訪管理規定》, the procedures of prevention and control and whistleblowing of violations are clarified to ensure the achievement of the Company's business objectives and the sustainable, stable and healthy development of the Company. At the same time, the Company implemented supervision and management in accordance with Internal Audit Rules《內部審計制度》, Internal Control Evaluation Rules《內部控制評價制度》, Post-employment Audit management regulations《離任審計管理規定》, Project Audit and Management Rules《項目審計管理規定》and Financial Audit Management Regulations《財務審計管理規定》.

During the Reporting Period, the Group was not involved in litigations or incur corresponding penalties arising from corruptions, litigations and bribery. During the Reporting Period, no concluded legal cases regarding corruption were filed against the Group or its employees. The major measures taken by the Group to ensure compliance operations are:

- **Improving system requirements:** integrating compliance management into the system specifications and business processes of human resources, administrative, financial, legal, engineering, procurement, sales and other modules, and each department carried out work according to their respective responsibilities and system requirements to ensure legal compliance in the production and operation process.

- **Strengthening supervision and inspection:** the Board of Directors is responsible for supervising and managing the overall risks associated with the business. The Company has established an audit committee to review and supervise the Company's financial reporting procedure and internal control system. Under the leadership of the Audit Committee of the Board of Directors, the audit department of the Company conducted special audits, post-employment audits and project audits according to the annual audit work plan to check the violations in the process of the Company's business execution to prevent compliance risks.

- **Keeping whistle-blowing channels open:** employees, external customers and suppliers are encouraged and supported to report violations through letters, telephones, intranet communication mailboxes, email mailboxes, visits and other channels. The Company promptly accepts the whistleblowing information, strictly implements the confidentiality requirements of the whistleblowers, and gives corresponding rewards to whistleblowers who have verified valid reports based on the principle of "one case, one award".

- **Enhancing integrity training:** conducted one phase of anti-corruption training, covering a total of 123 board members, including management and employees, emphasizing the importance of ethical standards and integrity culture, enhancing employees' awareness of legal red lines, and enhancing employees' legal awareness and ethical concepts.

The Company's Risk Management Process

- Identifying and classifying risks: identified existing and emerging risks and classified them according to their nature and provided trainings to directors, senior management and employees with respect to risk management and internal control policies and the duties and responsibilities of directors and management of listed companies under the Listing Rules and other applicable laws and regulations;

- Assessing the impact of risks: based on the identification and classification of risks, the Company analysed and evaluated the likelihood of potential risks and the extent of losses with reference to past experience;

- Establishing mitigation measures: in order to effectively mitigate potential impact risks, the Company has adopted the following two main strategies: (1) committed to changing the risk profile to fundamentally reducing the possibility of risk occurrence by setting more stringent safety standards; (2) through reasonable financial arrangements, to cope with possible risk events and losses caused by them;

- Enhancing experience and summarizing: the Company thoroughly evaluated the cost-effectiveness of the mitigation measures taken and reviewed the effectiveness and efficiency of the risk management process. After a comprehensive analysis, the Company will report the assessment results to the management and the Board of Directors in detail, with a view to providing a strong reference for the Company to further improve its risk management system.

Data of Anti-corruption Training in 2023

Indicators for anti-corruption training	Unit	2023
Number of anti-corruption trainings by rank		
Directors	Time	2
Management	Time	4
Employees	Time	4
Directors	Person-time	16
Management	Person-time	50
Employees	Person-time	1,620

2. Improve the Level of Environmental Management

The Group adhered to the environmental management concept of green development and compliance with laws and regulations, closely focused on the national "double carbon" target and continuously improved our environmental management system, in strict compliance with the laws, regulations and standards, including the Environmental Protection Law of the PRC《中華人民共和國環境保護法》, the Water Pollution Prevention and Control Law of the PRC《中華人民共和國水污染防治法》, the Atmospheric Pollution Prevention and Control Law of the PRC《中華人民共和國大氣污染防治法》, the Soil Pollution Prevention and Control Law of the PRC《中華人民共和國土壤污染防治法》and the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes《中華人民共和國固體廢物污染環境防治法》to serve the Group's green, low-carbon and high-quality development with practical actions. The Group actively promoted energy conservation, emission reduction and pollution prevention, improved energy use efficiency and optimized energy consumption structure, strived to create a green circular economy and built a green production lifestyle.

During the Reporting Period, the Group had not been subject to any major environmental lawsuit or corresponding penalty.

2.1 Strengthen Oversight of Emissions

The Group strictly abided by the relevant requirements of national regulations and local policies, actively fulfilled its corporate environmental responsibility, established a sound environmental management organizational structure, gradually improved the environmental management system, and carried out multi-dimensional environmental protection actions to reduce emissions of greenhouse gases and discharge of wastewater, air pollutants, solid wastes and harmful substances to realize the compliant disposal and resource utilization of wastes, and achieve green and sustainable corporate development. In 2023, the Group passed the environmental management system certification.

Emissions Management Goals: 2021-2025

Air pollutants	Implementation of ultra-low emission standards: • Particulates <5mg/m^3 • Sulfur dioxide emissions <10mg/m^3 • Nitrogen oxides <50mg/m^3 • NH_3 <8mg/m^3
Wastewater	100% wastewater recycling rate
Solid wastes	Solid wastes that can be comprehensively utilized are fully utilized to achieve zero discharge; solid wastes that cannot be comprehensively utilized are all entrusted to qualified companies for transportation and disposal in compliance

Note: for further details of the Group's 2024 Emission Management Goals, please refer to the prospectus of the Company dated 12 December 2023.

- **Emission reduction and emission control measures**

The Group has set up a comprehensive desulphurisation and denitrification system (脱硫脱硝系統) at its production base and implement relevant internal protocols to ensure stable operations. To comply with the national Emission Standard of Air Pollutants for Boiler ("鍋爐大氣污染物排放標準"), such system can process and remove large amount of nitrogen oxides and sulphides in the flue gas generated during the hydrogenation of crude benzene. Upon the removal of nitrogen oxides and sulphides, the flue gas will then be discharged through the induced draft fan (引風機) and chimney; In respect of wastewater treatment, the Group worked closely with the wastewater treatment station operated by the Jinma Group; wastewater is processed by the wastewater treatment station operated by the Jinma Group to reach national safety standards for disposal; In terms of hazardous solid waste disposal, for the dangerous waste that cannot be utilized, after being reviewed and filed by the municipal environmental protection bureau and the environmental protection bureau where the entrusting party is located, the company entrusted qualified units to dispose of it in compliance with regulations. Moreover, the company has a complete set of records from the generation to the disposal and utilization of the waste, for the purpose of statistical monitoring. As for the disposal of harmless solid waste, the company has properly utilized, entrusted for disposal, and temporarily stored them according to their respective characteristics, with a complete set of records from the generation to the utilization of the waste, for the purpose of statistical monitoring. The Group also contracted with qualified environmental impact assessment agency to conduct regular inspections regarding the Group's compliance with the emission of wastewater, waste gas and noise standard according to various environmental protection laws and regulations, including but not limited to chemical oxygen demand value of wastewater, volatile organic compound value of exhaust gas and the equivalent continuous sound level of noise. During the Reporting Period, the Group maintained proper management of hazardous waste water, industrial solid waste and carbon emissions.

Emissions data from 2021 to 2023

Indicator	Unit	2023	2022	2021
Total emissions volume of SO_2	Ton	**0.1**	0.1	0.4
Intensity of SO_2 emissions	Kg/RMB10,000	**$4.3*10^{-4}$**	–	–
Total emissions volume of NO_X	Ton	**2.3**	2.4	2.4
Intensity of NO_X emissions	Kg/RMB10,000	**$9.8*10^{-3}$**	–	–
Total emissions volume of particulate	Ton	**0.03**	0.05	0.10
Intensity of particulate emissions	Kg/RMB10,000	**$1.3*10^{-4}$**	–	–
Total emissions volume of greenhouse gases	tCO_2e	**150,015.1**	–	–
Total emissions volume of direct greenhouse gases	tCO_2e	**81,417.4**	–	–
Total emissions volume of indirect greenhouse gases	tCO_2e	**68,597.7**	–	–
Intensity of greenhouse gases emissions	tCO_2e/RMB10,000	**0.6**	1.0	1.2
Total discharge volume of sewage	Ton	**0**	–	–
Intensity of sewage discharge	Kg/RMB10,000	**0**	–	–
Production volume of hazardous wastes	Ton	**189.3**	–	–
Intensity of hazardous waste production	Kg/RMB10,000	**0.8**	–	–
Hazardous waste handling rate	%	**100**	–	–
Production volume of non-hazardous wastes	Ton	**90**	–	–
Intensity of non-hazardous waste production	Kg/RMB10,000	**0.4**	–	–
Non-hazardous waste handling rate	%	**100**	–	–

Notes: 1. Emission data of SO_2, NO_x and particulates in exhaust gas are calculated according to the Group's online monitoring system and self-monitoring statistics; 2. Emission volume of greenhouse gases is calculated based on the Greenhouse Gas Accounting System Corporate Accounting and Reporting Standards issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the Fifth Assessment Report 2013 issued by the Intergovernmental Panel on Climate Change (IPCC) and the Accounting Method and Reporting Guide for Greenhouse Gas Emissions by Independent Coking Enterprise of the PRC (Trial), among which the greenhouse gas emissions factors of the power part are selected according to the Accounting Method and Reporting Guide for Greenhouse Gas Emissions by Enterprise in 2021 issued by the Ministry of Ecology and Environment; 3. Production volume of hazardous wastes is calculated according to the statistical ledger of the production system of the Group; 4. Non-hazardous wastes are mainly wastewater biochemical treatment sludge, coke pellet gas sludge and domestic wastes, and the total emission volume of domestic wastes is calculated at 0.5kg/person/day; 5. Intensity data are calculated by dividing emission/discharge/production volume by revenue; 6. The source of emissions data comes from the production-oriented subsidiaries of the Group; 7. The Company released the ESG Report for the first time in the current year. Therefore, some indicators only disclose the information of 2023.

Measures to reduce GHG and air pollution

The Company is committed to implementing a series of management measures during the production process to continuously reduce GHG emissions and air pollution. The Company attaches great importance to the daily maintenance of pollution prevention facilities to ensure their stable operation, so as to avoid illegal exhaust gas emissions caused by the malfunction of equipment. The Company conducts strict leak detection and repair work on a quarterly basis. Once any problem is found, it will take immediate remedial measures to ensure that the problem can be solved in a timely manner. In addition, the Company's on-site operators will conduct detailed inspections on the production facilities every hour and promptly deal with leakage related problems if discovered, thus effectively reduce the discharge of pollutants.

- The Company has adopted advanced desulphurisation process to convert hydrogen sulphide in coal gas into sulphur paste and at the same time, the tail gas scrubber in the desulphurisation device is activated to absorb the hydrogen sulphide in the desulphurisation regeneration waste gas, so as to achieve organised "zero" waste gas emission.

- Taking the removal of benzene and dry regeneration gas as example, our original process was to extract part of the coal gas (with approximately 30% carbon content) and methanation process gas (with approximately 60% carbon content) as renewable natural gas. To mitigate GHG emissions, the Company has enhanced the production process and changed to adopt the renewable natural gas from hydrogen-rich tail gas and nitrogen-rich tail gas (with approximately 5% carbon content), which has greatly reduced GHG emissions. The Company will continue to explore ways to enhance the production process and reduce discharge of waste gas and mitigate GHG emissions.

2.2 Energy Resource Conservation

The Group adheres to the philosophy of environmental protection to build a green chemical enterprise, strictly complies with laws and regulation and standards, including the Energy Saving Law of the PRC《中華人民共和國節約能源法》, the Metrology Law of the PRC《中華人民共和國計量法》, the Rules for the Implementation of the Metrology Law of the PRC《中華人民共和國計量法實施細則》, and the General Rules for Calculation of the Comprehensive Energy Consumption《綜合能耗計算通則》, establishes an energy management system to ensure high-quality and stable operation of production on the basis of environmental protection, creates value for users with high-quality products, and improves the economic benefits of the Company. The Group advocates green production and green office, improves the comprehensive utilization of resources, reduces the consumption of energy and resources, and contributes to the sustainable development of the society.

■ Energy management system

The Group has formulated and implemented energy management system documents such as Energy Management Guide《能源管理手冊》, Energy Management Rules and Regulations《能源管理規章制度》, and Energy System Procedure Documents《能源體系程序文件》, in order to standardize the Group's energy management, improve energy utilization efficiency and reduce energy consumption. According to the requirement of the Energy Management Systems Requirements with Guidance for Use《能源管理體系要求及使用指南》(ISO50001:2018), the Group formulated and implemented energy management policy and established an energy management group to ensure the smooth and effective operation of the energy management system.

Key steps for energy management

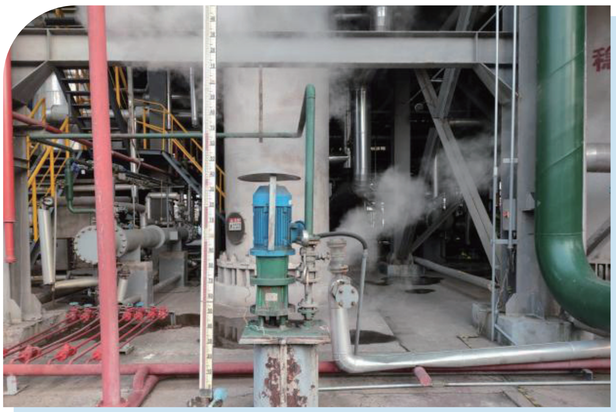
- Connotation of energy management policy;
  - o Compliance with energy management laws and regulations and other requirements, reduce energy consumption from the source, and promote the development of circular economy;
  - o Adoption of new energy-saving technologies and processes, and continuously improving energy performance through innovation and transformation, reducing energy consumption and improving energy efficiency;
  - o Reasonable use of energy, lean management, establishing and maintaining a standardized energy management system and continuously improving its effectiveness;
  - o Adhering to people-oriented, full participation, fulfilling social responsibilities, improving product quality, and promoting the Company to achieve green and sustainable development.

Assessment of Risks and Opportunities	Implementation of Energy Goals	Energy Review
Assess and analyze the risks and opportunities of energy management regularly, plan and implement measures as to risks and opportunities and and evaluate their effectiveness, and promote continuous improvement of energy management system and energy performance.	The Company and its departments shall formulate an energy management plan annually to establish and implement energy goals and indicators, and assign them into various departments and positions. The accomplishment of energy-saving goals is considered in the employees' performance assessment, and performance assessments are carried out and reward and punishment are executed based on the accomplishment of goals.	Determine energy assessment methods and standards based on its own characteristics and requirements of relevant laws and regulations, conduct regular energy assessment using methods and tools such as direct measurement, on-site investigation, energy balance, energy audit and energy efficiency benchmarking, and record the results.

■ **Water resources management**

The Group strictly abided by the Water Law of the People's Republic of China《中華人民共和國水法》and relevant national laws and regulations, continuously strengthening water resources management. During the Year, the Group improved and revised the internal systems, including the Administrative Provisions on the Identification, Evaluation and Update of Environmental Factors《環境因素識別、評價及更新管理規定》. Looking ahead, the Group will continue to review and improve its water-saving measures continuously, aiming to achieve the goal of enhancing the Group's water consumption efficiency.

The Group sourced its water resources from tap water, surface water and did not have problems sourcing water that is fit for purpose. The Group encourages employees to save water resources and recycle the steam condensed from on-site instrument heating.



Picture: Steam condensate recovery device

■ **Measures for energy saving and reduction of resource consumption**

The Group continuously boosted energy efficiency and strengthened resource utilization and management. It also actively instituted and implemented measures for energy saving and reduction of resource consumption, striving to be a role model in green operation.

Green office

- ■ To standardize the use of air conditioners, computers and other equipment in our offices for effective reduction of waste and energy-saving and reduction of resource consumption, the Company formulated and implemented a series of systems such as the Energy Management Guide《能源管理手冊》. The Company actively promoted green office by ensuring computers utilization rate of 100% in management positions and accelerated the achievement of complete paperless process of, among others, administrative approval, official document processing and conference management. This not only improved work efficiency, but also significantly reduced the use of paper.
- ■ By the end of 2022, the OA and NC systems had been used by all the staff throughout the member companies of the Group, realizing the popularization of information-based office. At the same time, the Company fully used energy-saving LED lamps in public areas and offices and set temperature limits for air conditioners to reduce energy consumption. The Company also posted signs of saving electricity near the lighting switches to enhance employees' energy-saving awareness. Thus, a good atmosphere for all employees to participate in energy-saving and reduction of resource consumption has been created.

Green production

- The Company achieved effective energy and water resources savings with frequency converters, waste heat boilers and cooling water reuse equipment. In the meantime, the optimized PLC communication module and the central control wireless station for coal preparation helped us successfully reduce consumption of communication cable spare parts, improving our operation efficiency. In addition, the Company improved the cleaning method of the cleaning tank, which not only reduced the power consumption, but also reduced the cost of salt-extraction treatment. The Company also improved the oil cooler in the gas station of the air compressor in the gas production workshop to further improve the production efficiency.
- The Company has renovated and upgraded the coal compressor B for its nonpolar air flow. After the renovation, the equipment saved 866 kWh per hour, and the annual production could reach 3,000 hours. The annual saving was about RMB1.6108 million (the electricity fee calculated at RMB0.62/kWh, excluding tax).
- The Company made ingenious use of waste heat of the centrifuge outlet to heat the desulfurization liquid, which improved the quality of coal gas purification while reduced the load of the cooling rack of cycle water, saving 600 tonnes of water and 11,800 kWh of electricity per month, totaling RMB9,100.
- The Company made full use of the side line of the coal compressor's outlet by adjusting the parameters of wet desulphurisation process and successfully reduced the sulfur and other impurities in the coal gas. The purification and methanation catalyst, therefore, could be extended by over 20% on the basis of the designed life, saving about RMB7.70 million for the whole year.
- The Company conducted sealing renovation for the nitrogen compressor, reducing the nitrogen loss in circulation system of the nitrogen compressor effectively, which enabled the Company to reduce the purchase of liquid nitrogen by 144 tonnes per year.

Green travel

- Employees were encouraged to make the Company's shuttles and public transportation as their main commuting options for commuting and travelling to and from downtown districts. They were also motivated to use their own storage bags or biodegradable plastic bags when shopping to reduce the use of ordinary plastic bags.

Data on use of resources from 2021 to 2023

Index	Unit	2023	2022	2021
Diesel	Ton	6.1	–	–
Gasoline	Ton	7.5	–	–
Net purchased electricity	1000 kWh	15,311.4	–	–
Net purchased heat	GJ	47,851.1	–	–
Total integrated energy consumption	Ton of standard coal	44,467.5	–	–
Intensity of integrated energy consumption	Ton of standard coal/RMB10,000	0.2	–	–
Total freshwater consumption	Million ton	0.1	–	–
Intensity of freshwater consumption	ton/RMB10,000	0.6	–	–
Recycling rate of water for industrial use	%	100	–	–
Packaging	Ton	N/A	N/A	N/A

Notes: 1. The integrated energy consumption data above is calculated according to the General Rules for Calculation of the Comprehensive Energy Consumption《綜合能耗計算通則》; 2. The intensity data above is calculated by dividing consumption volume by revenue; 3. The resource consumption data comes from the production-oriented subsidiaries of the Group; 4. As methane、benzene are bulk industrial product, no packaging is used in the process of production and transportation; 5. The Company released the ESG report for the first time this year and therefore only disclosed the data of resource usage in 2023.

2.3 Eco-Environmental Protection

The Group strictly abides by laws and regulations regarding eco-environmental protection. The Group moves to promote environmental protection after taking into full account the potential impact of its production and operation activities on eco-environment and natural resource. It seeks to protect the ecological environment with a responsible attitude and as an accountable business to fulfil its corporate environmental protection responsibility.

■ Special campaign for energy conservation and environmental protection

The Group is highly committed to optimal resource utilisation and environmental protection throughout the entire production cycle. The Group have adopted multiple environmental protection measures such as waste gas recycling, centralised treatment of waste residue and waste water recycling so as to mitigate the environmental impact of the Group's business. These measures have enabled the Group to achieve minimal or zero discharge of wastewater, also ensured meeting relevant emission standards for both waste gas and noise. In addition, the Group can reuse the heat dissipated during the production process and recover waste water, which can be reused after proper treatment. The Group are committed to developing and deploying new and proprietary technologies aiming at improving the utilisation efficiency of energy and resources as well as reducing the environmental impact of the production processes.

Meanwhile, the Company practiced the concept of energy conservation and environmental protection through practical actions, in particular, actively upgraded the energy-consuming equipment of production facilities, prioritised the use of the energy-saving devices meeting first-class energy efficiency standards and adjusted high-power electrical appliances by frequency converters, which effectively reduced power consumption during the production process. To achieve organised discharge of waste gas, the Company will continue to enhance the production process.

Picture: special VOC treatment of tank farm

Picture: energy-saving devices meeting first-class energy efficiency standards

- **Mitigating natural environmental impact**

The Company has established a rigorous procedure to ensure that the environmental impact assessment has been conducted in strict accordance with the Environmental Impact Assessment Law of the PRC《中華人民共和國環境影響評價法》before commencement of any production and processing. The Company also fully assessed the possible environmental risks involved in the production, and engaged professional third-party institutions to provide technical support, to manage the potential environmental impact of the Company's business in a scientific and effective way.

For instance, in the construction of facilities and expansion of projects, the Company always abides by laws and regulations relating to environmental protection and has adopted a series of measures to ensure compliance. Before initiation of the project, the Company will activity seek assistance from third-party institutions for a detailed report, to evaluate the feasibility and effectiveness of the prevention measures for environmental protection in place. Moreover, upon the completion of the project, the Company will also engage a third-party institution for acceptance, to ensure the compliance with relevant environmental standards and requirements for the project achievement.

■ **Protecting biodiversity in the place where we operate**

The Group always complies with various requirements in the Environmental Protection Law of the PRC《中華人民共和國環境保護法》. The Group spared no effort in water and soil conservation adhering to the principles of reasonable development and effective protection and based on relevant laws and regulations and industrial standards, whereby proactively bears its greater responsibility in terms of environmental protection. During the construction and operation of the project, we made adequate assessment of potential impacts on environment and natural resources, actively kept away from the environmental sensitive areas and important water resources, and minimized the occupation of farmland and forest. Meanwhile, we strictly monitored the ecology to keep a close eye on the changes in environmental sensitive regions of industrial park, and has formulated feasible and effective plan in response to environmental risks in advance. After continuous efforts, the Group reduced environmental pollution and protected ecological environment with its responsible attitude and behaviour.

- Strictly implement "Three Simultaneity" rules and environmental impact assessment rules. All new, rebuilding or expansion projects have to prepare environmental impact assessment reports as required, and obtain the approval of competent departments;

- Strictly implement "six 100%" for construction projects, complete enclosure of construction areas, 100% wet cleaning being used as coverage of exposed soil, complete coverage of construction materials, reduce fume generated from welding with fume collector and complete coverage of transport vehicles such as construction trucks, and strictly implement the relevant early warning regulations during the heavy pollution weather warning period.

- Site selection and land used for new, rebuilding or expansion projects should avoid occupying agricultural and forest land, and soil control measures should be strictly implemented to prevent soil environmental pollution;

- Reduce dust and soil loss through greening, coverage, spray and other measures during the project construction, and carry out excavation and back-filling operations based on the national and local requirements to make every effort to ensure water and soil conservation;

- Implement water-proof measures at factory areas, set up groundwater monitoring stations as required, and actively implement groundwater and soil control and pollution prevention measures and environmental risk prevention measures;

- Achieve 100% reuse of water resources by constructing comprehensive wastewater treatment station, initial rainwater collection pool, circulating water system, etc, to reduce the soil and water pollution in the natural environment to a large extent while reducing the surface groundwater yield;

- Use tubular gas scrubber, wet desulphurization tail gas scrubber and other processes and devices to purify the hydrogen sulphide in coal gas, making organised discharge of hydrogen sulphide and others to be within the environmental limit, which significantly reduced the air pollution;

- Use regenerative adsorber for refining, regenerative adsorber for preliminary process and other processes and devices to purify the tail gas arising from the refined de-oil naphthlene removing device and the preliminary de-oil naphthlene removing device when they are operating to regenerate, which significantly reduced the off-odour and air pollution.

2.4 Response to Climate Change

The Group proactively responds to threats and challenges arising from the climate change, including real risks resulting from the extreme weather conditions that may actually affect the Group, and transitional risks arising from compliance with applicable environmental laws and regulations and strict environmental protection standards. The Group continuously pays attention to changes in external policies and regulations related to climate. Taking into account its business conditions, the Group identifies operational risks of the Company from the climate change, provides measures against the identified transformation risks and physical risks and promotes the implementation, review and assessment of the measures within the Group. The Group also captures the potential growth opportunities in the climate risks.

- The Group has set targets to reduce greenhouse gas emission, through approaches such as energy saving, reduction of consumption, process upgrading, green office and other measures, which help realize the goal of achieving carbon peaking and carbon neutrality;

- The Group pays significant attention to fires, floods, extreme weather and other environmental related risks, and has formulated comprehensive contingency plans to tackle potential crises. For the purpose of ensuring employees to respond promptly and effectively in any emergencies, the Group regularly organizes emergency drills in production facilities so that employees are familiar with and master the correct processes and methods for tackling such incidents;

- The Group keep a close eye on changes in national and local policies, to get well prepared for more stringent environmental laws and regulations;

- The Group is committed to constantly improving its R&D capability, and promoting clean production and comprehensive utilization of resources.

2030 GHG Emission Target

- The Company is committed to reducing the concentration of GHG emission generated from its direct operations (Scope 1 and Scope 2) by 10% by 2030 based on 2023 GHG emission data.

Climate-related risks	Type of risks/opportunities	Potential impacts	Response to risks
Transitional risks	Policy and regulatory risk	Restrictions on greenhouse gas emissions tend to be increasingly stricter in relevant national policies, laws and regulations, and external regulatory authorities have gradually increased the requirements for information disclosure	Strengthen the development and application of energy-saving technologies and the development of renewable energy, properly process exhaust gas of boilers and vehicles, optimize and adjust pollution preventive facilities, and actively transform to develop clean energy
	Market risk	The risks brought by climate change is gradually becoming more aware to the market, and consumers tend to choose green and low-carbon products	Reduce waste gas emissions in the production process and provide clean products and services
	Reputational risk	Failure to take proactive and effective actions to respond to climate change or to disclose information in a timely manner so as to respond to the needs of stakeholders may damage the Company's reputation	Continuously improve the level of information disclosure, maintain communication and exchange with stakeholders, identify and respond to their requirements and expectations for the Company
Physical risks	Acute risk	Disasters such as floods, rain, snow, freezing, and high temperature are likely to occur under seasonal extreme weather, which may cause the Company to face risks such as asset damage, personnel loss, and business interruption	A special weather response system and disaster contingency plans are formulated and implemented to control the adverse impact of extreme weather on the Company's production and operation
	Chronic risk	Equipment and facilities may be damaged due to the rising temperature, which may affect the Company's normal operation and increase its operating cost	Intensify inspection and maintenance of production and operation equipment

Case: Building an Industrial Ecosystem for Hydrogen Energy

Hydrogen energy is a clean energy source among those with the best potential for development, its development and utilization marks the key strategic orientation for global industrial innovation and energy transformation. Looking forward, the Group will prudently draw its layout in relation to the industrial chain, prioritize its reliance ground on its existing hydrogen production equipment, and expand its hydrogen output capacity, so as to produce automotive hydrogen that is unique in quality. The Company will focus on the industrial planning of hydrogen production, hydrogen storage, hydrogen transportation, hydrogen re-fueling, hydrogen fuel cells and hydrogen vehicles, and form a hydrogen energy industry chain, as well as achieve circular development with traditional energy sources. The Company's goal is to build a model base for green, low-carbon and circular development, to achieve clean and efficient use of coal, and to promote green and sustainable development.

3. Focus on Safety and Health

Adhering to the safety concept of "safety is the soul of life for an enterprise", the Group has formulated its safety policy of "safety first, prevention-oriented; comprehensive management, general crew safety; concerning health and scientific development". By improving the safety management system and implementing safety production measures, the Group continued to strengthen the supervision and management of production safety to ensure the life safety of employee.

3.1 Management on Safety Operation

Our Group strictly adheres to laws and regulations such as the Work Safety Law of the People's Republic of China and the Fire Protection Law of the People's Republic of China, and has formulated a series of policy documents in respect of safety and health, such as the Jinyuan Standardization Management Manual for Safety of Hydrogen Energy, the Emergency Plan and Response Control Procedures, the Management Regulations for Emergency Plans, and the Investigation, Treatment and Publicity System for Hidden Hazards, as well as the Prevention and Management Regulations for Emergent Environmental Incidents.

During the Reporting Period, the Group set the following safety production objectives:

- No minor injuries, serious injuries or unnatural death;
- No major equipment operation accidents or production accidents;
- No in-plant traffic accidents;
- No incidence of occupational diseases;
- No fire or explosion accidents;
- "Three-level" safety training for all of the employees;
- All special operational personnel certified;
- All special equipment inspected;
- Full effectiveness achieved with the dual prevention mechanism;
- All major hidden hazards properly treated.

In order to achieve the above safety production goals, the Group has taken the following major measures: firstly, implement standardized safety production to ensure safety of production process; secondly, provide employees with medical security, and organize regular health examinations and occupational health trainings; thirdly, organize trainings and education, and carry out emergency drills to enhance employees' safety awareness and emergency response capability. During the Reporting Period, there was no major safety incident occurred in the Group.

Work-related Injury Data in 2021-2023

Indicator	Unit	2023	2022	2021
Deaths of full-time employees who died from work-related injuries	Persons	**0**	0	0
Percentage of full-time employees who died from work-related injuries	%	**0**	0	0
Days of work lost due to work-related injuries (days lost per 200,000 work hours)	Days	**0**	0	0

Picture: Experts on Safety and Instruments Invited to Preach Staff Knowledge Regularly

Picture: Regular Emergency Drills, Safety Lectures, etc

3.2 Safety Education and Training

The Group continuously enhances employees safety quality and operational skills, improves prevention capability through safety education training, so as to ensure the Company's safety production and employees' personal safety. In order to strengthen awareness of safety production within the Company and stakeholders, the Company accordingly formulates the training requirements, which are designed to different categories of employees such as management personnel, new employees, general operators, returning workers and transitioning employees, special equipment operators and contractors.

Person in charge of the Company and safety management personnel	• must pass assessments of knowledge of safety production knowledge and management capability and obtain safety qualification certificate; • carry out education concentrated on safety knowledge and accident prevention once a month.
New employees	• must undergo training in three-level safety education and pass its examination; • sign three-level safety education card and safety production education and training records for confirmation.
General operators	• must have training for knowledge that the operators should understand and grasp and pass the safety examination; • learn and undertake activities according to the Company's annual plans for safety learning, training and education.
Returning workers and transitioning employees	• those who have been absent from their positions for more than three months must have safety education again and pass the examination; • those who have transferred to new positions or changed the type of work will need to undergo trainings for second-level and three-level safety education and pass the examinations. For example, if their type of work is changed to special equipment operators, they will have to pass the examination and obtain the corresponding qualification certificates in accordance with the training requirements on special equipment operators.
Special equipment operators	• Special equipment operators shall receive special safety and technical training and obtain special equipment operation certificate of the People's Republic of China before operation.

Contractors	• need to sign the Safety Construction Agreement. • accept the safety education and training organized by the Company's safety department, pass the examination, and obtain the Entry Pass ID Card.
Other personnel	• including interns, visitors and persons for the purpose of learning and receiving training for safety education organized by functional departments; • before the new process, new technology, new method, new equipment and new material are put into use, the technical department is responsible for organizing the relevant personnel to carry out the adaptability training of process technology and safety operation procedures. • for those who who are engaged in temporary, larger-scale operation (e.g. annual inspection and maintenance) where major accidents may occur, or an other work that requires on-site safety education, the person in charge of the operation will liaise with the relevant departments to conduct pre-operation safety education.

During the Reporting Period, the Group invested a total of RMB14,052,400 in safety production. The Group carried out a total of 680 safety education trainings, and the total number of safety education participants reached 13,456, including 38 new employees who received three-level (including factory, workshop, teams and groups) training, and were able to work after passing the assessment. The Group conducted 140 emergency drills at the headquarters, and the total number of participation of emergency drills reached 2,078, with 23 people holding registered safety engineer certifications and 199 people with special equipment operation certificates.

Picture: learn switch on process of hydrogen compressor

Picture: special training for GB30871-2022

Picture: Management personnels are learning how to have consultation and assessment of disasters induced by low temperatures, freezing and condensation conditions and measures in response to those conditions.

3.3 Occupational Health Management

The Group conscientiously implements laws and regulations including the Law of the PRC on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), Regulations of Henan Province on Social Insurance for Industrial Injuries (《河南省工傷保險條例》) and Regulations of Henan Province on Prevention and Control of Occupational Diseases (《河南省職業病防治條例》). The Group provides all-around protection for employees' occupational health through monitoring and assessing occupational hazards, occupational health surveillance and informing and warning of occupational hazards.

During the Reporting Period, the Group did not record any occupational disease cases, with a 100% coverage rate of occupational disease physical examination. The Group takes following steps focused on occupational health management:

- **Regular occupational health examinations:** The Group regularly organizes employees to occupational health examinations, finds and deals with occupational health issues in time.

- **Health training:** The Group provides the training for occupational health to improve employees' awareness and prevention capability of occupational disease.

- **Daily protection:** The Group provides employees with personal protective equipment against occupational disease to heighten self-protection awareness.

- **Occupational hazard monitoring:** The Group carries out monitoring and evaluation of occupational hazards and take effective, preventive measures to reduce risk of occupational hazards.

- **Formulation of emergency plans:** The Group established emergency plans for occupational disease and accidents to handle these accidents promptly and effectively.

Safety and Health Management in Production of Chemicals Products:

The production or processing of hydrogenated benzene-based chemicals and energy products as well as the operation of oil and gas stations and hydrogen gas station are inherently dangerous in nature. For instance, benzene is considered to be carcinogenic. If leakage occurs during the benzene production process, it may cause harm to the health of the production personnel. In addition, hydrogen used in fuel cells is a very flammable gas and can cause fire and explosion if it is not handled properly. Therefore, we attach great importance to the management of the occupational health of our employees in terms of social factors. The Company has established rules and regulations for occupational disease prevention, including Occupational Disease Protection Facilities Maintenance and Repair System 《職業病防護設施維護檢修制度》, Occupational Disease Protection Supplies Management System 《職業病防護用品管理制度》, Occupational Disease Monitoring and Evaluation Management System 《職業病危害監測及評價管理制度》, which set out measures to respond to relating risks, including the following:

- (1) hiring full-time occupational disease protection management personnel, who are responsible for occupational disease protection management and implementation and monitoring of occupational disease protection measures, and establishing comprehensive occupational health surveillance files;

- (2) formulated occupational health education and training plan to conduct occupational disease prevention education and assessment for employees at least twice a year, and inviting professional institutions to carry out occupational disease prevention and control training for all employees;

- (3) providing individual protective equipment that meets the requirements of relevant national standards and industry standards for workers exposed to occupational hazards;

- (4) strengthening the supervision and management of production equipment and pipelines, strengthening the airtightness of equipment, and preventing the dissipation and leakage from equipment (including both hydrogenated benzene based chemicals business and hydrogen business);

- (5) selecting and entrusting an institution with occupational health examination qualifications approved by the provincial health administrative department to conduct occupational health examinations on our employees exposed to occupational hazards, which shall be conducted once a year. We conduct regular rotation of employees at each position, and make appropriate adjustments of personnel if there occurs any abnormal results of physical examinations.

4. Upholding the People-Oriented Approach

The Group upholds the talent concept of respecting people, relying on people, cultivating people and satisfying people. On top of respecting and protecting the rights and interests of employees, the Group continues to improve its talent development management system and create an employee development platform. It also devotes to creating a sound working environment and business atmosphere, so as to grow together with its employees.

4.1 Ensuring Equal Employment

The Group has established and improved its employment management policies and has complied with applicable laws relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, and attaches great importance to the protection of employees' rights and interests. Specifically, it has formulated "Regulations on Management of Recruitment of Employees" and "Regulations on Management of Employment Contract", clearly specifying the employee recruitment procedures. The Company conducts recruitment activities based on the principle of equality, openness and impartiality. It selects and hires employees through competition procedures and provides employees with diversified and equal job opportunities, in a bid to build a diversified talent pipeline. The Company has taken active approaches to expand diversified recruitment channels, including on-campus recruitment and recruitment advertisement to respond actively with the special talent program launched by the local government. When making recruitment decisions, the Company will comprehensively take into account the availability of local labour and its alignment with the Company's social and workforce planning needs. The Company will also consider its business strategy, industry development trend and market competitiveness, to ensure that the people it hired can fully meet its development requirements. The Company will enter into the employment contract with its employees in accordance with relevant laws and regulations, to ensure that the employment is lawful and compliant, to create a harmonious and stable employment relation. The Group strictly prohibits the use of child labour and forced labour, and forbids all forms of employing child labour and compulsory labour. During the Reporting Period, the Group was not involved in any litigation relating to employment of child labour, forced labour and material breach of labour laws.

Employment Data in 2023

Indicator	Unit	Number in 2023	Unit	Proportion in 2023
Total Employees	Persons	**413**	%	–
By Gender				
Male employees	Persons	**332**	%	80.39
Female employees	Persons	**81**	%	19.61
By Title				
Functional business	Persons	**39**	%	9.44
Professional technology	Persons	**32**	%	7.75
Skills operation	Persons	**342**	%	82.81
By Employment Type				
Full-time employees (contract)	Persons	**413**	%	100
Part-time employees (labor dispatch, temporary workers)	Persons	**0**	%	0
By Age				
Under 30 years old	Persons	**143**	%	34.63
31-40 years old	Persons	**226**	%	54.72
41-50 years old	Persons	**37**	%	8.96
Above 51 years old	Persons	**7**	%	1.69
By Region				
Within Henan Province	Persons	**411**	%	99.52
Outside Henan Province	Persons	**2**	%	0.48
Minority Employees				
Number of minority employees	Persons	**2**	%	0.48

Employee Turnover Indicator in 2023

Indicator	Unit	2023
Annual Turnover Rate of Employees		
Annual turnover rate of full-time employees	%	4.94
By Gender		
Turnover rate of full-time male employees	%	4.94
Turnover rate of full-time female employees	%	0
By Age		
Turnover rate of employees under 30 years old	%	1.73
Turnover rate of employees who are 31-40 years old	%	3.21
Turnover rate of employees who are 41-50 years old	%	0
Turnover rate of employees over 51 years old	%	0
By Region		
Turnover rate of employees within Henan Province	%	4.94
Turnover rate of employees outside Henan Province	%	0

4.2 Protecting the Rights and Interests of Staff

The Group strictly complies with relevant laws and regulations, including the Labour Law of the PRC, Labour Contract Law of the PRC, Law of the People's Republic of China on the Protection of Minors and the Provisions on the Prohibition of Using Child Labour, and respects and protects employees' rights and interests. The Company prohibits the employment of children and the use of compulsory labour, and requires employees to provide diploma and identity card and other necessary certificates before employment for strict examination. It implements work system according to the national legal working hours, and proactively protects employees' rights and interests in salary and welfare, working hours and vacations. During the Reporting Period, the Group did not experience any case of litigation relating to employment of child labour, forced labour or major labour violations.

All members of the Group have registered with local labour and social security departments and have opened housing fund accounts at local housing provident fund management center. The Group has participated in various social insurances, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. According to the certificate issued by the Bureau of Human Resources and Social Security of Jiyuan Industry-City Integration Demonstration Zone and Jiyuan Housing Provident Fund Management Center, the Group has no material non-compliance in social insurance and housing provident fund contribution. During the Track Record Period, the Group had no record of administrative punishment for acts in violation of laws and regulations relating to social insurance and housing provident fund management.

The Group has developed policies to detail recruitment procedures and regulations when recruiting. Before new employees join the Group, the Group's human resources department will carry out strict background checks on candidates to eliminate any employment of child labour. When any irregularities are found, the Group will immediately investigate and take disciplinary action. If necessary, the Group will further improve the labour mechanism in view of any violations.

The Group has adopted various measures to protect the rights and interests of employees, including:

Remuneration and benefits	• Determine employees' wages based on their positions by reference to the list of post wage; • Grant appropriate welfares at national legal holidays; • Employees or their families with special difficulties can apply for special hardship allowance; • Provide heating fee, cooling fee and quarterly benefits, etc.
Performance assessment	• Move up or down the ranks based on the performance appraisal results of employees; • Always pay attention to and respond to employees' reasonable requests through labour union.
Statutory holidays	• Make clear the application procedures for and pay standards of personal leave, sick leave, marriage leave, maternity leave, funeral leave, etc., protecting the rights and interests of staff

4.3 Promoting Employee Development

The Group attaches great importance to the building of a talent pool. It works to improve the level of expertise and job skills of management and ordinary staff through multi-layered training system and diversified training program, to meet the needs of the sustainable development of the Company. Meanwhile, the Group has established a fair and impartial internal competitive selection mechanism, providing staff with a promotion channel to realize their self-value, and offering opportunities for staff to grow with the Company.

- **Strengthen professional training to improve the overall quality of employees**

  The Company has formulated an annual employee training plan based on the Group's development plan and the annual operation plan. After the training, the training organization department will evaluate the training effect, and organize the training staff to conduct satisfaction evaluation of the course content and learning process. The Company's training programs include skill training, special training and comprehensive training. The training objects include new employees, ordinary employees and management.

During the Reporting Period, the training projects conducted by the Group include:

Forms of training	Training objects	Training content
Comprehensive training	Management	• Safety, anti-terrorism, warning education, occupational health training; • Energy management training; • Management capacity improvement training.
Comprehensive training	New employees	• Three-level safety education for employees (company, department/workshop, shift).
Skill training (professional skill)	Ordinary employee	• Party class study (once every 10 days); • Safety training (on a weekly basis); • Technical skills training (on a weekly basis); • Conduct different professional trainings for employees in different positions.
Skill training (certified training)	Ordinary employee	• Qualification certificate training for safety management personnel; • Operation certificate training for special operation personnel; • Special equipment operation certificate training; • Training of certified safety engineers; • Qualification training for occupational health management personnel.
Special training	All staff	• Safety training; • Technics training; • Anti-corruption training.

Training data of employees in 2023

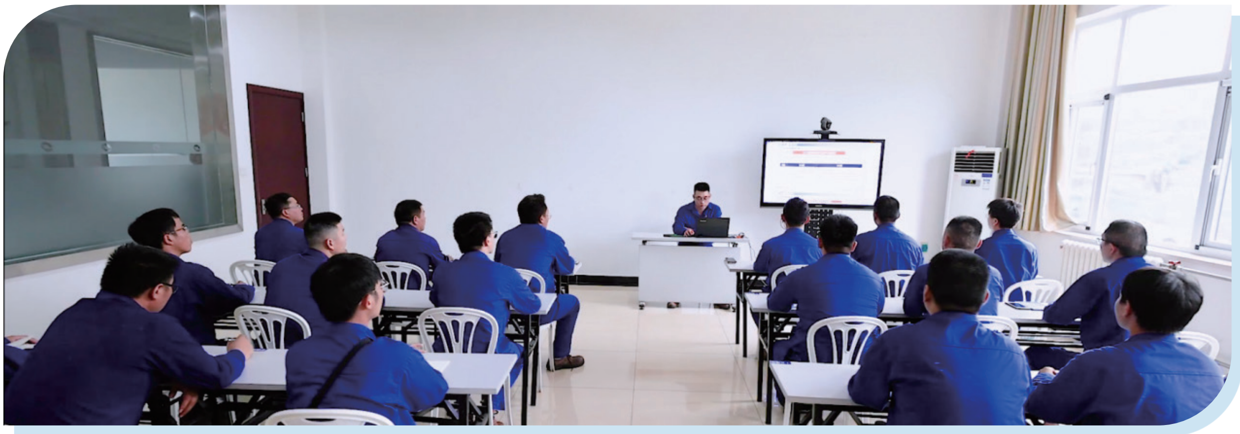
Indicator	Unit	2023
Total number of employee trainings	Times	**657**
Total number of employees trained	Persons	**44,370**
Total expenditure on training	RMB ten thousand	**18.9**
Percentage of employees trained (Percentage of employees trained = (Number of employees trained/Number of employees) * 100%)	%	**100**
Percentage of male employees trained	%	**100**
Percentage of female employees trained	%	**100**
Percentage of ordinary employees trained	%	**100**
Percentage of middle employees trained	%	**100**
Percentage of senior employees trained	%	**100**
Average hours of training for employees	Hours	**25.1**
Average hours of training for male employees	Hours	**25.1**
Average hours of training for female employees	Hours	**25.1**
Average hours of training for ordinary employees	Hours	**25.1**
Average hours of training for middle employees	Hours	**29.0**
Average hours of training for senior employees	Hours	**26.0**

■ **Smooth development channels and optimizing the building of a talent pool**

The Company regards the work performance of employees as an important basis for the adjustment of positions/ranks, and provides internal employees with three forms of development, namely internal promotion, internal transfer and internal competition, to fully mobilise employees' work initiative and enthusiasm. Meanwhile, the Company assesses the middle and senior management on a monthly basis and incorporates the assessment results into the annual assessment results. The ranks of the mid-level cadres who rank last in the assessment will be adjusted based on the actual situation every year. The Company always pays attention to the demands of employees through the labour union, and gives feedback to the reasonable demands raised by employees.

In addition, in order to attract high-tech talents, the Company will provide staff with master's degrees a subsidy of RMB2,500 per month, and put them in suitable positions to give full play to their strengths.

The Company has established a reward mechanism for updating academic qualifications, providing lifetime allowance to all employees for their academic qualifications upgrading, encouraging them to develop into technical talents and enjoying the benefits of middle-level cadres.



Picture: Technical talent training seminar

4.4 Caring for the Life of Employees

The Group is concerned about the occupational health and safety of employees as always and strives to offer employees with a healthy and safe working environment, to improve the senses of happiness and belonging of employees. The Company provides all-round care and protection for its employees and creates a healthy and warm working environment by organising recreational and sports activities, offering assistance to employees in difficulty, and providing health examinations and subsidies with employees.

Recreational and sports activities	• Hold recreational and sports activities every year, and reward the top three employees or groups; • Hold Nanshan Brisk Walking Activity in March each year, and staff and cadres can participate on a voluntary basis; • Organize staff to scenic spots for recuperation depending on actual situation from August to October every year;
Employees support	• Provide different assistance and condolences to employees in need. And subsidies totaling RMB4,000 were offered to two employees in difficulty in 2023.
Other benefits	• General medical checkups for employees each year; • Organise all female employees to conduct gynaecological physical examinations on Women's Day, with a subsidy of RMB150 per person; • Breastfeeding breaks of two hours each day for female employees during breastfeeding period.

Picture: Carry out various recreational and sports activities

Picture: Establish an employee-employer relationship wall to record the growth moments of employees and the enterprise to enhance employees' sense of belonging

Picture: Regular visits and recuperation activities for employees

5. Practicalize Operation with Responsibility

The Group sticks to its principle of "conceptual operation, integrity as base, cooperation for co-winning", continues to provide our customers with quality products and services, and constantly improves construction of its scientific and technological innovative system. Furthermore, together with the upstream and downstream partners it strives to concurrently building a green, sustainable industrial chain.

5.1 Product Quality Management

The Group strictly complies with the relevant laws and regulations such as the "Product Quality Law of the People's Republic of China" and "the PRC Administrative Measures on the Production Licenses of Industrial Products" 《中華人民共和國工業產品生產許可證管理條例》, and adhering to the quality principle of "creating values for our customers with high quality products". The Group continues to improve construction of its product quality management system, strictly controls its product and service quality. Moreover, the Group continues to optimize services for its customers, attaches great importance on privacy protection and data security.

The Group adopts multiple management measures to facilitate improvement of quality and efficiency. As such, there was no complaint in relation to product quality received during the Reporting Period, with a satisfactory rate from class A and class B customers of 98% and 95.6%, respectively. No product recall events arose due to potential safety risks or quality or other issues.

During the Reporting Period, the Group did not violate any laws and regulations in relation to health and safety, advertising, labelling and privacy matters relating to products and services that had a significant impact on the Group.

- **Ensuring product quality**

The Company formulates and implements the "Standardization of Process Quality Management System"(工藝質量標準化管理制度), continuously improves production operating procedures, effectively controls various factors that affect product quality during the production process, and performs regular maintenance, upkeeping and overhauling of production facilities to ensure stable operation of the system. The Company provides insurance covering certain property, machineries and equipment as well as other assets that are owned, operated or deemed to be important, as through its purchase of safety production liability insurance, comprehensive property insurance and machinery damage insurance to cover potential risks in the course of business operations. During the Reporting Period, the Company has passed the re-examination of ISO9001 quality management system certification. There was no business interruption due to fire disasters, power shortage or other events beyond our control during the business period.

In respect of practicalising the inspection process for raw and auxiliary materials and products, the Company clearly provides relevant parameters relating to steam, nitrogen, compressed air and other outsourced energy resources in the contract, pursuant to which the supplies must meet the quality criteria specified in the contract, so that raw and auxiliary materials are to the satisfactory requirements of production process; product control indicators are also clearly provided, and regular sampling for chemical testing and analysis is performed to ensure that the ex-factory products are to the satisfactory standards of product quality; regular sampling for chemical testing and analysis is performed, whereby any products identified of nonconformity will be subject to review and disposal.

- **Optimizing customer service**

The Company abides by the Sales Management System (《銷售管理制度》), implements pre-sales, in-sales and after-sales services, and communicates with customers by means of telephone follow-up visits, door-to-door visits, distribution of satisfaction questionnaires and technical exchanges, and collects customer feedbacks in a timely manner using letters, telephones, the Internet, suggestion boxes and other channels, so as to provide assistance to customers for solving any problems they may encounter during their use of the Company's products.

- Management of defective products: Formulate and implement the Defective Products Management Rules (《不合格品管理規定》) and take graded measures to deal with the defective products, such as reworking, concession acceptance, scrapping or downgraded use to ensure that products and raw materials that do not meet standards are controlled. Defective products will already be dealt with before selling to the market and hence, no recall procedure is applicable;

- Provide product after-sales service: We develop and improve relevant systems such as the Customer Complaint Form, Customer Complaint Handling Scheme and Customer Feedback Form, proactively offer attentive aftersales service and pay a return visit to customers; conduct customer satisfaction survey on a regular basis in terms of product quality and after-sales service by face-to-face communication, letters and other forms, start from customers' needs, listen to their demands, actively address complaints related to products and services, promptly handle customer feedback, and are open to customer supervision to improve and enhance product quality in a timely manner;

The Company attaches high importance to managing the complaints received from customers. A written record is formulated upon reception of a complaint on any product quality issues, and based on which relevant responsible departments are organized to conduct analysis and discussion for root causes of the problems, and they may promptly respond to the customer and provide opinions and solutions to cope with the problems, continuously follow up coping progress of the complaint. The Company regards any complaints and feedbacks from its customers as an important information source for making improvement to its working, production and operation, for this purpose it regularly conducts analysis on product quality issues arising from the complaints of its customers, on top of which necessary technological modifications are made, and relevant departments and subordinated enterprises are supervised and obliged to take certain corrective and precautional measures.

- **Privacy protection of customers**

The Company attaches high importance to the privacy protection of customers, clearly provides the employee's responsibility to the confidentiality of customer information and relevant punishment policy, carries out educational trainings to strengthen privacy protection and enhance the awareness of employees to protect confidentiality, strictly forbids employees from leaking any customer information through any channels to units or individuals other than the Company. The Company enhances its protection of customer information through approaches such as proper processing to protect confidentiality of customer's obsolete information, timely making notification to inform customers in case a certain business employee changes their working position. Moreover, the Company has developed and applied many computer monitoring software, taking such precautions ensure corporate information and network security are protected and exposure of information leakage is removed through real time monitoring, peripheral management, control of applications, management of terminal security, technical encryption, network operating logs and other methods.

During the Reporting Period, there was no case involving the Group in respect of any infringement to customer privacy.

5.2 Encouraging Innovation and Development

The Group attaches high importance to the construction of the innovation system, encourages employees to devote to innovation work and bringing efficiency, employ and incorporate domestic and foreign advanced technologies, proactively engages in technological innovation, process optimization, equipment upgradation and other efforts. In addition, the Group positively promotes the combination linkage of production, education and research, constructs research platforms that propel the progress of production, education, research and application, and constantly enhances industrial application of new products, technologies and materials.

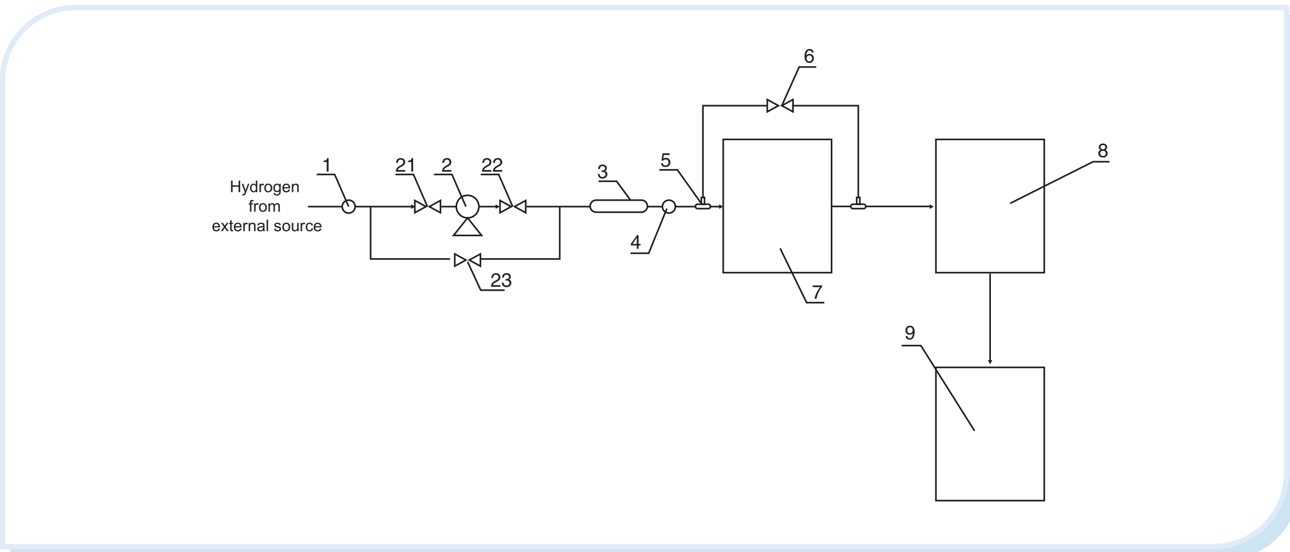
■ **Enhancing the development of innovative ability**

The Group has implemented the Administrative Measures for Innovation and Efficiency《創新創效管理辦法》, and has set up an innovation incentive mechanism for employees to foster the awareness of innovation and improvement of all employees. The Group has established Henan Engineering Technology Research Center (Henan Crude Benzene Refining Process Engineering Technology Research Center (河南省粗苯精製過程工程技術研究中心)), and has maintained long-term cooperation with MCC ACRE Coking & Refractory(Dalian) Engineering Consulting Corporation# (中冶焦耐(大連)工程技術有限公司), with its talented R&D team the Group has contributed to the breakthrough of the core technology during the technological cooperation. In 2023, the Group has a R&D team of 62 employees, and the annual investment for R&D was approximately RMB57,280,000.

The Company dedicates to the transformation of scientific and technological results, strengthens the linkage tie in between the scientific and technological R&D work and the practical application. In 2023, the Company has established the thematic project of innovation and efficiency, and has achieved encouraging outcomes as contributed by all departments through their methodical implementation of the innovation theme. Amongst other things, after the centrifuge compression heat recovery and utilization project was put into use, it has not only improved the gas purification quality (the desulfurization efficiency of the desulfurization tower on hydrogen sulfide increased from 20% to 84.9%), but also reduced load of the cooling water rack of circulating water, saving 600 tonnes of water per month, 11,800 kWh of electricity, amounted to RMB9,100/month; after non-polar gas capacity transformation of coal compressor B, the electricity current can be saved by 50 amps per hour, that is, the electricity consumption can be saved by 866kWh per hour. An air compressor has been added to the instrument gas. When the instrument gas pressure decreases, the air compressor can automatically start to provide timely supply gas to ensure safe and stable production operations; in respect of sewage treatment, the Company has established a sulfur-containing sewage treatment system. Driven by a series of technological innovations, the Company's operating costs have been further reduced and the Company's production efficiency thereby has been improved.

Picture: renowned industrial experts engaged to provide long-term technical guidance

Picture: expert lectures conducted regularly



Picture: pressure control device for benzene hydrorefining

■ **Enhancing intellectual property protection**

The Group strictly complies with the Patent Law of the PRC《中華人民共和國專利法》and relevant laws and regulations of locations where we operate related to intellectual property protection. We have established robust processes and refined methods in respect of intellectual property management, and have intensified efforts in intellectual property protection, ensuring compliance of intellectual property protection with the regulations. While focusing on enhancing the comprehensive ability to create, apply, protect, and manage intellectual property rights, we reinforce technical employees' awareness to keep sensitive information confidential, steadfastly maintaining the integrity and security of our intellectual property rights. Simultaneously, great emphasis is placed on privacy protection and information security, and the Contract Law of the People's Republic of China《中華人民共和國合同法》is strictly observed to prohibit disclosure of trade secrets of contracting parties. For process involving the transformation of scientific and technological achievements, we also strictly follow the requirements set forth in the Law on Promoting the Transformation of Scientific and Technological Achievements of the PRC《中華人民共和國促進科技成果轉化法》, ensuring the utmost confidentiality of technical secrets.

During the Reporting Period, the Group has obtained 21 utility model patents.

	Patent name	Patent No.
1.	A hydrogenated oil delivery system* (一種加氫油輸送系統)	ZL202021125946.8
2.	Nitrogen charging device for closed unloading trucks*(密閉卸車氮氣充壓裝置)	ZL202021125935.X
3.	Fire extinguishing steam device for loading platforms*(裝車台滅火蒸汽裝置)	ZL202021126202.8
4.	Stabilised tower system in benzene hydrogenation process*(苯加氫工藝中穩定塔系統)	ZL202021126201.3
5.	A crude benzene hydrogenation steam system*(一種粗苯加氫蒸汽系統)	ZL202222775487.3
6.	A crude benzene hydrogenation pre-fractionation system*(一種粗苯加氫預分餾系統)	ZL202222769486.8
7.	A solvent recovery unit for crude benzene hydrogenation extraction distillation*(一種粗苯加氫萃取蒸餾溶劑回收單元)	ZL202222822392.2
8.	A crude benzene hydrogenation distillation system*(一種粗苯加氫蒸餾系統)	ZL202222822390.3
9.	An independent closed cooling cycle system for benzene hydrogenation pump equipment*(一種苯加氫泵類設備獨立閉式冷卻循環系統)	ZL202222981998.0
10.	A gas filtration system*(一種煤氣過濾系統)	ZL202222983497.6
11.	A storage tank slag removal waste gas treatment system*(一種儲罐清渣廢氣治理系統)	ZL202223019219.5
12.	A socket-type heat exchanger tube bundle installation structure*(一種承插式換熱器管束安裝結構)	ZL202223018215.5
13.	A closed exhaust device for crude benzene unloading pump*(一種粗苯卸車泵密封排氣裝置)	ZL202223112948.5
14.	generation exhaust gas adsorption device*(一種再生尾氣吸附裝置)	ZL202223384730.5
15.	A filtration and purification inlet device for coal compressor*(一種煤壓機進口過濾淨化裝置)	ZL202223384311.1
16.	A recycled water chemical treatment device*(一種循環水加藥裝置)	ZL202223384314.5
17.	A centrifugal pump seal cooling device*(一種離心泵機封冷卻裝置)	ZL202223335325.4
18.	A low-level regeneration tank defoaming device*(一種低位再生槽消泡裝置)	ZL202223309678.7
19.	A distribution system for coal gas produced by coke granule coal gas*(一種焦粒制氣所產煤氣的配入系統)	ZL202223322163.0
20.	A water circulation pipeline with high pressure* (一種壓力高的水循環管路)	ZL202320368545.2
21.	A fume collector*(一種油煙收集器)	ZL202320368830.4

5.3 Enhancement of Supply Chain Management

The Group adhered to the supplier management concept of fairness, justness and mutual benefit in the establishment of a scientific and transparent supplier management system. The Group also adopted "The Procurement Management Rules"《採購管理制度》and other management regimes to clear the requirements of procurement and standardize the procurement process. For supplier selection, the Group abided by the principles of "high-quality, cost-effective, contract-first and trustworthy" to proactively identified the potential risks of the supply chain in the selection and evaluation of suppliers, so as to ensure the quality of the purchased products and services. Meanwhile, the Group entered into Code of Conduct for Suppliers《供應商行為準則》and Open and Transparent Procurement Agreement《陽光採購協議》with cooperating suppliers to establish a partnership with transparency, justness and mutual benefit, so as to ensure a stable and effective supply chain. In feasible situations, the following practices apply to all suppliers of the Group.

- **Supplier rating and classification management:** according to the impact of the purchased product provided by the supplies on the production of the Company's products and its quality, the suppliers were divided into qualified providers, temporary providers and unqualified providers by the Company, and the selection and evaluation of suppliers providing for raw and auxiliary materials of key materials, important materials and general materials were based on the actual needs of the Company's production. The Company will conduct multidimensional investigation and evaluation on suppliers in respect to their production size, financial capacity and potential quality issues before they became approved.

- **Supplier's assessment and appraisal:** the Company continuously assess and supervise the quality of the provided materials during the term of the contract, and conduct comprehensive assessment and appraisal on the suppliers annually based on their respective supplying ability, quality retention and other relevant data, as well as adjust its procurement based on market changes at any time to meet the demand for its production.

- **ESG risk assessment of suppliers:** The Company required suppliers to comply with all applicable environmental, health and safety laws, regulations and requirements. The Group dynamically evaluated the suppliers' ability in taking up environmental and social responsibilities and the extent of environmental and safety influence of their products to the Company, so as to ensure the sustainability of supplies from all qualified suppliers.

- **Preferential measures for energy-saving and environmentally-friendly products:** The materials and products purchased by the Company meet the requirements of national, local and industrial laws and regulations on environmental protection. Under the condition of ensuring product quality, we preferentially select production processes and products with low energy consumption and low pollution. The Group formulated related rules such as the Procurement Management Rules《採購管理制度》to clarify procurement requirements and procedures, ensuring a stable and efficient supply chain operation, elevating the supply chain management level, and enhancing competitiveness.

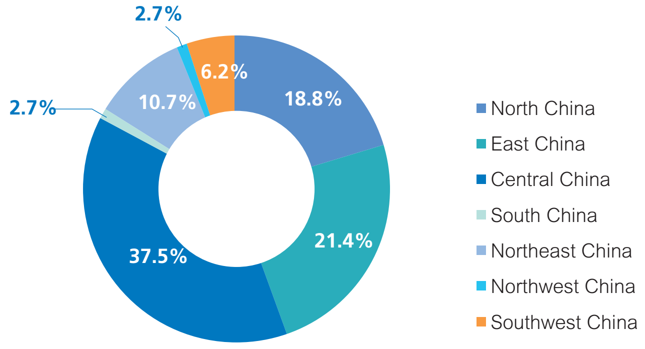
- **Carrying out supplier training:** For materials and products that are flammable, explosive or toxic and hazardous, the Company conducted necessary environmental protection knowledge and professional qualification training for suppliers' storage and transportation personnel to take precautionary measures to avoid fire, explosion and leakage during storage and transportation and other events.

Supplier Data in 2023

Indicator	Unit	2023
Number of annual audited suppliers	number	134
North China	%	18.8
East China	%	21.4
Central China	%	37.5
South China	%	2.7
Northeast China	%	10.7
Northwest China	%	2.7
Southwest China	%	6.2

During the Reporting Period, the Group cooperated with a total of 134 suppliers. The distribution of suppliers by region is as follows:

Ratio of Suppliers (by Region)



6. Community Public Service

While paying attention to its own development, the Group also actively contributes to the society. The Group adheres to the corporate culture concept of "being loyal internally, being honest externally, and being responsible toward the society". Starting from "benefiting from the society and giving back to the society", the Group assumed its corporate social responsibility and made full use of its own sources to provide necessary financial and material assistance to assisted areas and improve people's livelihood and well-being. The Group is committed to supporting the communities in which it operates, including community engagement, so to understand community needs and ensure that the Group's activities give consideration to community interests. Following the national strategic deployment, the Company highlighted the social value of an enterprise through a series of activities to give back to the society, such as blood donation for love, and epidemic prevention and control.

The Board hereby presents its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

We are a supplier of hydrogenated benzene-based chemicals and energy products in Henan province, primarily focusing on (i) the production and processing of hydrogenated benzene-based chemicals, which principally include pure benzene, toluene and xylene; and (ii) the production and processing of energy products comprising LNG and coal gas; and (iii) hydrogen purification and operation of hydrogen gas station. The Group is committed to optimal resource utilisation and environmentally responsible production throughout the production cycle. The Group has adopted a number of environmentally responsible measures to alleviate the impact of operations of the Group on the environment.

Discussion and analysis of the business of the Group, significant factors affecting the results and financial position of the Group and financial ratios of the Group are provided in the section headed "Management Discussion and Analysis Overview" of this annual report (pages 10 to 27). The Group's environmental policies and performance are provided in the section headed "Environmental, Social and Governance Report" of this annual report (pages 43 to 80). In addition, description of the principal risks and uncertainties faced by the Group, the future development of the Group and details regarding the Group's relationships with its key stakeholders, including employees, are provided in "Employees and Remuneration" and "Pension Scheme" in the section headed "Management Discussion and Analysis Overview" (pages 10 to 27), "Corporate Governance Report" (pages 28 to 42), "Environmental, Social and Governance Report" (pages 43 to 80) and this section (pages 81 to 95) of this annual report. The particulars of important events that have occurred since the end of Reporting Period are provided in the section headed "Management Discussion and Analysis Overview" of this annual report (pages 10 to 27). These discussions form part of this Directors' report.

FOUR YEAR FINANCIAL SUMMARY

Summaries of the results, assets and liabilities of the Group for the past four financial years (extracted from the audited financial statements published by the Group for 2020 to 2023) are set out as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December			
	2023	2022	2021	2020
	RMB'000	RMB'000 (restated)	RMB'000	RMB'000
Revenue	**2,330,228**	2,254,533	1,479,594	1,079,233
Cost of sales	**(2,181,429)**	(1,966,854)	(1,326,461)	(977,671)
Gross profit	**148,799**	287,679	153,133	101,562
Other income	**8,553**	6,354	5,067	7,348
Other gains and losses	**(4,397)**	(5,535)	(9,707)	(5,650)
Impairment losses under expected credit loss model, net of reversal				
Selling and distribution expenses	**(18,420)**	(15,366)	(11,963)	(11,606)
Administrative expenses	**(31,315)**	(31,562)	(22,980)	(21,708)
Listing expense	**(1,415)**	0	0	0
Finance costs	**(6,064)**	(8,022)	(2,645)	(8,561)
Share of result of a joint venture	**3,148**	0	0	0
Profit before tax	**98,889**	233,548	110,905	61,385
Income tax expense	**(16,568)**	(39,467)	(31,429)	(16,751)
Profit for the year	**82,321**	194,081	79,476	44,634
Other comprehensive income:				
Item that may be reclassified subsequently to profit or loss:				
Fair value gain on bills receivables at fair value through other comprehensive income ("**FVTOCI**"), net of income tax	**66**	327	35	232
Total comprehensive income for the year	**82,387**	194,408	79,511	44,866
Total comprehensive income for the year attributable to:				
—Owners of the Company	**55,126**	138,556	72,504	29,324
—Non-controlling interests	**27,261**	55,852	7,007	15,542
	82,387	194,408	79,511	44,866
Earnings per share (RMB)	**0.09**	0.26	0.14	0.05

Selected Historical Consolidated Assets and Liabilities Data

	As at 31 December			
	2023	2022	2021	2020
	RMB'000	RMB'000 (restated)	RMB'000	RMB'000
Non-current assets	**1,111,619**	722,973	657,088	676,847
Current assets	**551,767**	352,464	316,607	295,450
Current liabilities	**382,573**	259,872	380,214	418,656
Net current assets (liabilities)	**169,194**	92,592	(63,607)	(123,206)
Total assets less current liabilities	**1,280,813**	815,565	593,481	553,641
Equity attributable to owners of the Company	**1,021,775**	582,010	458,754	401,550
Total equity	**1,127,440**	719,557	555,149	505,638
Non-current liabilities	**153,373**	96,008	38,332	48,003
	1,280,813	815,565	593,481	553,641

PAYMENT OF DIVIDENDS

Given the recent development opportunities of hydrogen business, the Board proposes to declare a final dividend of RMB0.02 per share for the year ended 31 December 2023. The final dividend is subject to the approval of shareholders at the forthcoming annual general meeting.

TAX ON DIVIDENDS FOR H SHAREHOLDERS

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

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

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

Pursuant to the applicable provisions and the implementing regulations of the Individual Income Tax Law of the PRC《中華人民共和國個人所得稅法》and the State Administration of Taxation on the Administrative Measures on Enjoying Tax Treaty Treatment by Non-resident Taxpayers (State Administration of Taxation Announcement 2019 No. 35) ("**Tax Treaty Announcement**"), the Company will withhold and pay individual income tax for the H Shareholders according to the following arrangement:

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

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

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

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

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

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

KEY RELATIONSHIP WITH STAKEHOLDERS – KEY CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the total revenue from top 5 customers of the Group and the revenue from the largest customer of the Group accounted for 50.84% and 35.75% (2022: 61.2% and 41.1%), respectively, of the total revenue of the Group. The top three largest customers are the Company's joint ventures or independent third parties, and such revenue was generated from the sales of hydrogenated benzene-based chemicals, coal gas and LNG of the Group and there is no collectability problem upon due.

Save as disclosed above and save for the Jinma Group, none of the Directors of the Company, close associates of the Directors or Shareholders ("**Shareholders**") (which, to the best knowledge of the Board, own more than 5% of the Company's issued shares) had an interest in any of the Group's five largest customers at any time during the year.

During the year ended 31 December 2023, the aggregate amount of purchase attributable to the Group's top five suppliers and the purchase amount attributable to the largest supplier of the Group accounted for 63.39% and 32.56% (2022: 67.1% and 40.5%), respectively, of the total purchase amount of the Group.

Save for the Jinma Group, none of the Directors of the Company, close associates of the Directors or Shareholders (which, to the best knowledge of the Board, own more than 5% of the Company's issued shares) had an interest in any of the Group's five largest suppliers at any time during the year.

In recent years, the Group has almost operated with stable production and sales level. Such efficiency relied on the close and effective relationship management with major suppliers and customers via good communication and execution in all aspects, which included quality control, logistics and payment, resulting in a win-win situation.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of key subsidiaries and joint ventures of the Group are provided in Note 18 and Note 20 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are provided in Note 43 to the consolidated financial statements. On 31 December 2023, distributable reserves (i.e. retained profits) of the Company amounted to RMB0.0 million (2022: approximately RMB191.0 million).

DONATIONS

During 2023, the Group did not make any charitable donations (2022: nil).

SHARE CAPITAL

On 20 December 2023, the Company issued 238,910,000 H Shares with an aggregate nominal value of RMB238,910,000 at the price of HK$1.2 per H Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) in connection with the global offering of the Company's H Shares. The Company received approximately HK$251.6 million (equivalent to approximately RMB228.9 million) in net proceeds from the listing of the Company.

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 34 to the consolidated financial statements in this report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has compliance procedures in place to ensure its compliance with relevant laws, rules and regulations. During the Reporting Period, the Group has complied with relevant laws and regulations which have material influence on its operation.

DIRECTORS AND SUPERVISORS

During the year ended 31 December 2023 and as at the date of this report, the Directors and Supervisors of the Company were as follows:

Executive Directors:

Mr. Wang Zengguang *(General manager) (appointed on 28 July 2023)*
Mr. Qiao Erwei *(Deputy general manager and Board secretary) (appointed on 22 October 2023)*

Non-executive Directors:

Mr. Yiu Chiu Fai *(Chairman) (appointed on 28 July 2023)*
Mr. Wang Kaibao *(Vice chairman) (appointed on 16 August 2023)*
Mr. Wang Lijie *(appointed on 28 July 2023)*

Independent Non-executive Directors:

Ms. Wong Yan Ki Angel *(appointed on 22 October 2023)*
Mr. Di Zhigang *(appointed on 28 July 2023)*
Ms. Leung Sin Yeng Winnie *(appointed on 16 August 2023)*

Supervisors:

Mr. Wong Tsz Leung *(appointed on 28 July 2023)*
Mr. Wu Zhiqiang *(appointed on 16 August 2023)*
Mr. Li Hebao *(appointed on 28 July 2023)*

None of the Directors or Supervisors has entered into any service agreement with the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

For the biographical details of the Directors, Supervisors and the senior management of the Company, please refer to the section headed "Directors, Supervisors and Senior Management" of this annual report (pages 99 to 107).

Note: Mr. Cheung Kwong Tat was appointed as a director on 28 July 2023 and resigned on 22 October 2023. Mr. Wang Gaofeng was appointed as a supervisor on 28 July 2023 and resigned on 15 August 2023.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2023, the interests and short positions (if any) of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") were as follows:

Long position in associated corporation

Jinma Energy

Name	Nature of interest	Class of securities	Number of shares held (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Yiu Chiu Fai	Interest in controlled corporation (Note 3)	H shares	162,000,000 (L)	30.26%
	Beneficial owner	H shares	2,681,000 (L)	0.50%
Mr. Wang Lijie	Interest in controlled corporation (Note 4)	H shares	42,900,000 (L)	8.01%

Notes:

1. The letter "L" denotes the person's long position in such shares.

2. The calculation is based on the total number of 535,421,000 shares in issue of Jinma Energy, of which all are H shares.

3. Mr. Yiu Chiu Fai (a non-executive Director) is the legal and beneficial owner of the entire issued share capital of Golden Star. Golden Star, which in turn, holds 96.3% of the issued share capital of Jinma Coking, and Jinma HK is wholly owned by Jinma Coking. Jinma HK holds 30.26% of the issued share capital of Jinma Energy. Accordingly, Mr. Yiu is deemed to be interested in Jinma Energy's interest held by Jinma HK by virtue of the SFO.

4. Mr. Wang Lijie (a non-executive Director) is the legal and beneficial owner of 33.44% of the equity interest in Jinma Xingye. Jinma Xingye holds 8.01% of the issued share capital of Jinma Energy. Accordingly, Mr. Wang is deemed to be interested in Jinma Xingye's interest in Jinma Energy by virtue of the SFO.

Save as disclosed above, as at 31 December 2023, none of the Directors, Supervisors nor the chief executive had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed, during the year 2023 or as at the end of the year, none of the Directors or Supervisors of the Company, or the entities connected with the Directors or Supervisors, has participated or is or was materially interested, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

NON-COMPETITION UNDERTAKING

Jinma Energy has confirmed to the Company that during the Reporting Period, it has complied with the non-competition undertaking (the "**Non-competition Undertaking**") given by it to the Company on 4 December 2023. Details of the Non-competition Undertaking are set out in the section headed "Relationship with our Controlling Shareholder" of the prospectus of the Company dated 12 December 2023.

The independent non-executive Directors have also reviewed the status of compliance by Jinma Energy with the undertakings in the Non-competition Undertaking and have confirmed that, as far as the independent non-executive Directors can ascertain, there is no breach of any of the undertakings in the Non-competition Undertaking.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year 2023 was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No other contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during 2023 and until the date of this annual report.

PERMITTED INDEMNITY PROVISION

The Company has taken out appropriate insurance coverage for Directors', Supervisors' and the chief executive's liabilities in respect of legal actions against its Directors, Supervisors and chief executive arising out of corporate activities. The level of the coverage is reviewed annually. In 2023, no permitted indemnity provision was in force for the benefit of the Company's Directors, Supervisors and the chief executive.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout the year ended 31 December 2023 and remain so as at the date of this annual report.

MATERIAL ACQUISITION

On 26 June 2023, the Company entered into the Equity Transfer Agreement with Yugang Coking, pursuant to which Yugang Coking has agreed to sell, and the Company has agreed to purchase, 10% of the equity interest in Jinrui Energy, at the consideration of RMB20 million. Such consideration has been paid in cash in full to Yugang Coking. The Board has considered the Group's long-term strategy of expanding its business in the value chain of clean energy, and the PRC government's strategic policy in developing clean energy. As Jinrui Energy is engaged in the manufacturing and sale of LNG, the Board considers that the Group's acquisition of another 10% equity interest in Jinrui Energy would consolidate the Group's control in and the management of Jinrui Energy, and is in line with the Group's overall developmental strategies. After the completion of the Acquisition, Jinrui Energy will continue to be a subsidiary of the Company and its results will continue to be consolidated into the consolidated financial statements of the Group. In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. Although the Acquisition will be regarded as an investing activity for acquiring the Sale Interest in Jinrui Energy, and therefore not conducted in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is beneficial to the long-term business strategy of the Group.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2023, the Group conducted the following continuing connected transactions in respect of its business, details of which are disclosed in compliance with the requirements under Chapter 14A of the Listing Rules:

Name of Connected Person	Relationship with the Group	Nature of Transaction	Annual Cap for 2023 RMB'000	Actual Transaction Amount for 2023 RMB'000 (Note)
Jinma Energy (and its associates (excluding the Group))	Jinma Energy is interested in 75% of the total share capital of the Company and is a substantial shareholder and controlling shareholder of the Company.	Purchase of general services	13,000	202
		Purchase of crude coking coal gas	380,000	12,351
		Purchase of crude benzene	231,000	6,224
		Purchase of raw materials for the Coke Granule Coal Gas Facilities	47,000	2,448
		Purchase of the miscellaneous materials	3,200	176
		Sale of by-products	33,000	767
Yugang Coking Group	Yugang Coking is held as to 88.03% by Golden Fair Chemicals (Holdings) Limited, which is in turn held as to 65.92% by a substantial shareholder of Jinning Energy, a member of the Group.	Sale of products	35,000	600

Note: This is the actual transaction amount from the Listing Date of the Company (i.e. 20 December 2023) to 31 December 2023.

Purchase and sale of services or products from or to the Jinma Group

- **Purchase of general services from the Jinma Group**

On 6 December 2023, the Company entered into a framework agreement with Jinma Energy for a term from 1 January 2023 to 31 December 2025 in relation to the purchase of general services (such as wastewater treatment, chemical examination, maintenance and construction consultation services) (the "**General Services**") by the Group from the Jinma Group (the "**Purchase of General Services Framework Agreement**").

Pursuant to the Purchase of General Services Framework Agreement, we may, from time to time, procure from the Jinma Group certain General Services by entering into specific agreements with the Jinma Group, setting out details of the requisite service specifications. Payment from our Group to the Jinma Group for such General Services will be settled by us on a monthly basis.

We have historically purchased wastewater treatment, chemical examination, maintenance and construction consultation services from the Jinma Group, which has all along been providing stable and reliable services to us. Considering that we do not currently have wastewater treatment facilities, the Directors consider it to be beneficial for us to continue purchasing wastewater treatment service from the Jinma Group instead of constructing our own wastewater facilities or engaging third party providers which are expected to charge at a higher rate in view of additional transportation costs. In addition, if we were to perform the chemical examination, maintenance and construction consultation services on our end, we would be required to employ additional staff and provide requisite training and to construct and/or acquire relevant venue and facilities. Hence, by engaging such centralised services from the Jinma Group, we can lower our costs, and it is considered beneficial for us to continue purchasing the General Services from the Jinma Group.

In respect of amount, the 2023 annual cap for these continuing connected transactions is RMB13 million and the transaction amount from the Listing Date to 31 December 2023 is approximately RMB0.2 million.

- **Purchase of crude coking coal gas from the Jinma Group**

On 6 December 2023, the Company entered into a framework agreement with Jinma Energy for a term from 1 January 2023 to 31 December 2025 in relation to the purchase of crude coking coal gas by our Group from the Jinma Group (the "**Purchase of Crude Coking Coal Gas Framework Agreement**").

Pursuant to the Purchase of Crude Coking Coal Gas Framework Agreement, we will from time to time place purchase orders with the Jinma Group, specifying the amount of crude coking coal gas required by us, the requisite product specifications, as well as the expected delivery schedule. The Jinma Group will sell crude coking coal gas to us and deliver the products according to the agreed delivery schedule. Further, the Jinma Group will be obliged to first satisfy our requirements for crude coking coal gas before it is permitted to sell its crude coking coal gas to any other party. Payment from our Group to the Jinma Group for the purchase of crude coking coal gas will be settled by us on a monthly basis.

We have historically purchased substantially all of our crude coking coal gas from the Jinma Group. Considering that (i) the chemical properties and industry/market characteristics of crude coking coal gas make it desirable for us to source from the Jinma Group, (ii) it is consistent with the national strategic policy of promoting circular economic development, and (iii) we are able to rely on the Jinma Group for an adequate and stable supply of crude coking coal gas, we will continue to source crude coking coal gas from the Jinma Group as a raw material for our production of coal gas.

In respect of amount, the 2023 annual cap for these continuing connected transactions is RMB380 million and the transaction amount from the Listing Date to 31 December 2023 is RMB12.35 million.

- **Purchase of crude benzene from the Jinma Group**

  On 6 December 2023, the Company entered into a framework agreement with Jinma Energy for a term from 1 January 2023 to 31 December 2025 in relation to the purchase of crude benzene by the Group from the Jinma Group (the "**Purchase of Crude Benzene Framework Agreement**").

  Pursuant to the Purchase of Crude Benzene Framework Agreement, we will from time to time place purchase orders with the Jinma Group, specifying the amount of crude benzene required by us, the requisite product specifications, as well as the expected delivery schedule. The Jinma Group will sell crude benzene to us and deliver the products according to the agreed delivery schedule. Payment from our Group to the Jinma Group for the purchase of crude benzene will be settled by us on a monthly basis.

  As a result of such a long-term relationship between us and the Jinma Group, the Jinma Group is familiar with our business processes, requirements and quality standards and is able to supply crude benzene that meets with our procurement standards on a continuous basis. Further, the geographic proximity of the relevant facilities of the Jinma Group minimises transportation cost and time. As such, we believe that it is in our interest to continue to source some of our crude benzene from the Jinma Group.

  In respect of amount, the 2023 annual cap for these continuing connected transactions is RMB231 million and the transaction amount from the Listing Date to 31 December 2023 is approximately RMB6.22 million.

- **Purchase of raw materials for the Coke Granule Coal Gas Facilities from the Jinma Group**

  On 6 December 2023, the Company entered into a framework agreement with Jinma Energy for a term from 1 January 2023 to 31 December 2025 in relation to the purchase of raw materials for the Coke Granule Coal Gas Facilities including coke granules, oxygen and steam (the "**Coke Granules Coal Gas Raw Materials**"), by our Group from the Jinma Group (the "**Purchase of Coke Granule Coal Gas Raw Materials Framework Agreement**").

  Pursuant to the Purchase of Coke Granule Coal Gas Raw Materials Framework Agreement, we will from time to time place purchase orders with the Jinma Group, specifying the amount of the Coke Granules Coal Gas Raw Materials required by us, the requisite product specifications, as well as the expected delivery schedule. The Jinma Group will sell the Coke Granules Coal Gas Raw Materials (as the case maybe) to us and deliver the products according to the agreed delivery schedule. Payment from our Group to the Jinma Group for the purchase of the Coke Granules Coal Gas Raw Materials will be settled by us on a monthly basis.

  The geographical proximity of the Jinma Group could minimise transportation cost and time for delivery of such raw materials. Hence, given that we will only purchase coke granule coal gas raw materials from the Jinma Group if the relevant price is comparable to (or better than) the price offered by an independent third party, sourcing coke granules, oxygen and steam directly from the Jinma Group could maximise our operational efficiency and stability of our operations. In light of the above, we believe that it is in our interest of flexible sourcing to purchase coke granule coal gas raw materials from the Jinma Group as raw materials for our production of coke granule coal gas.

  In respect of amount, the 2023 annual cap for these continuing connected transactions is RMB47 million and the transaction amount from the Listing Date to 31 December 2023 is approximately RMB2.45 million.

- **Purchases of miscellaneous materials from the Jinma Group**

  On 6 December 2023, the Company entered into a framework agreement with Jinma Energy for a term from 1 January 2023 to 31 December 2025 in relation to the purchase of compressed air, nitrogen, desalinated water and other chemicals (collectively, the "**Miscellaneous Materials**") by our Group from the Jinma Group (the "**Miscellaneous Purchases Framework Agreement**").

  Pursuant to the Miscellaneous Purchases Framework Agreement, we may, from time to time, procure the Miscellaneous Materials from the Jinma Group. Payment from our Group to the Jinma Group for the Miscellaneous Materials will be settled by us on a monthly basis.

  The geographical proximity of the Jinma Group could minimise transportation cost and time for delivery of such Miscellaneous Materials. Hence, sourcing the Miscellaneous Materials directly from the Jinma Group could maximise our operational efficiency and stability of our operations. In light of the above, we believe that it is in our interest to source the Miscellaneous Materials from the Jinma Group as ancillary materials required in our production process.

  In respect of amount, the 2023 annual cap for these continuing connected transactions is RMB3.2 million and the transaction amount from the Listing Date to 31 December 2023 is approximately RMB0.18 million.

- **Sale of by-products to the Jinma Group**

  On 6 December 2023, we entered into a framework agreement with Jinma Energy for a term from 1 January 2023 to 31 December 2025 in relation to the sale of by-products including steam and chemical products such as heavy benzol (collectively, the "**By-products**") from our Group to the Jinma Group (the "**Sale of By-products Framework Agreement**").

  Pursuant to the Sale of By-products Framework Agreement, the Jinma Group will from time to time place purchase orders with us, specifying the amount of By-products required by the Jinma Group, the requisite product specifications, as well as the expected delivery schedule. Following our acceptance of the orders, we will sell the relevant By-products to the Jinma Group and deliver the products according to the agreed delivery schedule. Payment to us from the Jinma Group for the purchase of By-products will be settled by the Jinma Group on a monthly basis.

  As it is beneficial to us to have uptakers for our By-products, considering the geographical proximity and long history of relationship between us and the Jinma Group, and that the selling price of the By-products are no less favourable than those offered to Independent Third Parties, we will continue to sell the By-products to the Jinma Group.

  In respect of amount, the 2023 annual cap for these continuing connected transactions is RMB33 million and the transaction amount from the Listing Date to 31 December 2023 is approximately RMB0.77 million.

Sale of products to Yugang Coking Group

On 6 December 2023, we entered into a framework agreement with Yugang Coking for a term from 1 January 2023 to 31 December 2025 in relation to the sale of products including coal gas and LNG from our Group to the Yugang Coking Group (the "**Yugang Coking Supply Framework Agreement**").

Pursuant to the Yugang Coking Supply Framework Agreement, the Yugang Coking Group will from time to time place purchase orders with us, specifying the amount of products required by the Yugang Coking Group, the requisite product specifications, as well as the expected delivery schedule. Following our acceptance of the orders, we will sell the relevant products to the Yugang Coking Group and deliver the products according to the agreed delivery schedule. Payment to us from the Yugang Coking Group for the purchase of products will be settled by the Yugang Coking Group on a monthly basis.

We have historically sold our products to the Yugang Coking Group and other Independent Third Parties. The sale of products to the Yugang Coking Group will contribute to the overall sales of our Group's products and the implementation of our sales plan. Considering the geographical proximity and long history of relationship between us and the Yugang Coking Group, and that the selling price of the products are no less favourable than those offered to Independent Third Parties, it is favourable to us for selling the products to the Yugang Coking Group.

In respect of amount, the 2023 annual cap for these continuing connected transactions is RMB35 million and the transaction amount from the Listing Date to 31 December 2023 is approximately RMB0.6 million.

Opinions of Independent Non-executive Directors and Auditor

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or on terms no less favourable than those entered into by independent third parties with the Group; and (iii) pursuant to the relevant agreements governing these transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Group's auditor has issued an unqualified letter containing its findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. The auditor confirms and states in the letter that:

- They have not noticed anything that causes them to believe that the continuing connected transactions disclosed have not been approved by the Board of the Company.
- For transactions involving the provision of goods or services by the Group, they have not noticed anything that causes them to believe that the transactions were not conducted in accordance with the Group's pricing policy in all material aspects.
- They have not noticed anything that causes them to believe that the transactions were not conducted in accordance with the relevant agreements governing the transactions in all material aspects.
- In respect of the aggregate transaction amount of the above continuing connected transactions, they have not noticed anything that causes them to believe that the continuing connected transactions disclosed exceeded the relevant annual caps as approved by the Company.

Except for the connected transactions (including continuing connected transactions) disclosed above and other transactions disclosed as fully exempt continuing connected transactions in the Prospectus, all the related parties' transactions set out in Note 39 to the consolidated financial statements of the Group do not constitute continuing connected transactions or connected transactions of the Company that are required to comply with the relevant annual review, disclosure or shareholder's approval requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (if applicable) in respect of the aforementioned transactions.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SECURITIES

As at 31 December 2023, so far as is known to the Directors, the following parties (other than a Director, Supervisor or chief executive Officer) were directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Nature of Interest	Class of Shares	Number of Shares Held (Note 1)	Approximate percentage of shareholding in the relevant class of Shares of the Company (Note 2)	Approximate percentage of shareholding in the total Share Capital of the Company (Note 3)
Jinma Energy	Beneficial owner	Unlisted Shares	713,380,000 (L)	99.53%	74.65%
	Interests in controlled corporation (Note 4)	Unlisted Shares	3,350,000 (L)	0.47%	0.35%
Haitong International Securities Company Limited	Beneficial owner	H Shares	7,268,000 (L)	3.04%	0.76%
	Other (Note 5)	H Shares	35,836,000 (L)	15.00%	3.75%
		H Shares	11,938,000 (S)	5.00%	1.25%
Haitong International Securities Group Limited	Interests in controlled corporation (Note 6)	H Shares	43,104,000 (L)	18.04%	4.51%
			11,938,000 (S)	5.00%	1.25%
Haitong International Holdings Limited	Interests in controlled corporation (Note 7)	H Shares	43,104,000 (L)	18.04%	4.51%
			11,938,000 (S)	5.00%	1.25%
Haitong Securities Co., Ltd.	Interests in controlled corporation (Note 8)	H Shares	43,104,000 (L)	18.04%	4.51%
			11,938,000 (S)	5.00%	1.25%
Genesis M Co., Limited	Beneficial owner	H Shares	32,614,000 (L)	13.65%	3.41%
Zenith Steel Group Co., Ltd.	Interests in controlled corporation (Note 9)	H Shares	32,614,000 (L)	13.65%	3.41%
Mr. Dong Caiping	Interests in controlled corporation (Note 10)	H Shares	32,614,000 (L)	13.65%	3.41%
Ms. Wang Fengmei	Interest of spouse (Note 11)	H Shares	32,614,000 (L)	13.65%	3.41%
Prosperity Steel United Singapore Pte. Ltd.	Beneficial owner	H Shares	32,614,000 (L)	13.65%	3.41%
Mr. You Zhenhua	Interests in controlled corporation (Note 12)	H Shares	32,614,000 (L)	13.65%	3.41%
Max Success Group Holdings Limited	Beneficial owner	H Shares	32,614,000 (L)	13.65%	3.41%
Mr. Yeung Chi Ming	Interests in controlled corporation (Note 13)	H Shares	32,614,000 (L)	13.65%	3.41%
Ms. Wu Meiling	Interest of spouse (Note 14)	H Shares	32,614,000 (L)	13.65%	3.41%
Zhongsheng Holdings Company Limited	Beneficial owner	H Shares	23,890,000 (L)	10.00%	2.50%
Zhongsheng Group Holdings Limited	Interests in controlled corporation (Note 15)	H Shares	23,890,000 (L)	10.00%	2.50%

Notes:

1. The letter "L" denotes the entity/person's long position in such Shares. The letter "S" denotes the entity/person's short position in such Shares.

2. The percentage is calculated based on the 716,730,000 unlisted shares or 238,910,000 H Shares, respectively.

3. This percentage is based on the total share capital of the Company of 955,640,000 shares.

4. Shanghai Jinma is wholly owned by Jinma Energy. Accordingly, Jinma Energy is deemed to be interested in Shanghai Jinma's interest in the Company by virtue of the SFO.

5. The 35,836,000 shares held by Haitong International Securities Company Limited are equity interests among the over-allotment option exercisable by it in its capacity as the sole overall coordinator in the Company's global offering and the 11,938,000 shares are equity interests deferred to one of the cornerstone investors in the global offering of the Company in its capacity as the stabilising manager in the Global Offering.

6. Haitong International Securities Company Limited is wholly owned by Haitong International Securities Group Limited. Accordingly, Haitong International Securities Group Limited is deemed to be interested in the interest of the Company owned by Haitong International Securities Company Limited by virtue of the SFO.

7. Haitong International Securities Group Limited is owned as to 73.4% by Haitong International Holdings Limited. Accordingly, Haitong International Holdings Limited is deemed to be interested in the interest of the Company owned by Haitong International Securities Group Limited by virtue of the SFO.

8. Haitong International Holdings Limited is wholly-owned by Haitong Securities Co., Ltd.. Accordingly, Haitong Securities Co., Ltd. is deemed to be interested in the interest of the Company owned by Haitong International Holdings Limited by virtue of the SFO.

9. Genesis M Co., Limited is wholly-owned by Zenith Steel Group Co., Ltd.. Accordingly, Zenith Steel Group Co., Ltd. is deemed to be interested in the interest of the Company owned by Genesis M Co., Limited by virtue of the SFO.

10. Zenith Steel Group Co., Ltd. is owned as to 57.2% by Mr. Dong Caiping. Accordingly, Mr. Dong Caiping is deemed to be interested in the interest of the Company owned by Zenith Steel Group Co., Ltd. by virtue of the SFO.

11. Ms. Wang Fengmei is the wife of Mr. Dong Caiping and is therefore deemed to be interested in the same number of shares as Mr. Dong.

12. Prosperity Steel United Singapore Pte. Ltd. is wholly-owned by Mr. You Zhenhua. Accordingly, Mr. You Zhenhua is deemed to be interested in the interest of the Company owned by Prosperity Steel United Singapore Pte. Ltd. by virtue of the SFO.

13. Max Success Group Holdings Limited is wholly-owned by Mr. Yeung Chi Ming. Accordingly, Mr. Yeung Chi Ming is deemed to be interested in the interest of the Company owned by Max Success Group Holdings Limited by virtue of the SFO.

14. Ms. Wu Meiling is the wife of Mr. Yeung Chi Ming and is therefore deemed to be interested in the same number of shares as Mr. Yeung.

15. Zhongsheng Holdings Company Limited is owned as to 99.99% by Zhongsheng Group Holdings Limited. Accordingly, Zhongsheng Group Holdings Limited is deemed to be interested in the interest of the Company owned by Zhongsheng Holdings Company Limited by virtue of the SFO.

Save as disclosed above, there was no other interest recorded in the register that was required to be kept under Section 336 of the SFO as at 31 December 2023.

SUFFICIENCY OF PUBLIC FLOAT

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

PROVISION OF FINANCIAL ASSISTANCE AND GUARANTEES FOR ASSOCIATES OR SUBSIDIARIES

For the year ended 31 December 2023, no financial assistance or guarantees were provided by the Company to its associates or subsidiaries in respect of any banking facilities.

PROPERTY INTEREST AND PROPERTY VALUATION

The Company has valued the property interests of the Group and included such valuation in the prospectus of the Company dated 12 December 2023 and those property interests are not stated at valuation (or at subsequent valuation) in the financial statement. The valuation of the property interest of the Group as at 30 September 2023 was RMB190,860,000 as included in the prospectus of the Company dated 12 December 2023. Had the property interests been stated at such valuation, the depreciation that would be reduced and charged against the consolidated statement of profit or loss and other comprehensive income during the Reporting Period would be approximately RMB377,000.

EMPLOYEES AND REMUNERATION POLICY

Employees are the Group's important asset. As at 31 December 2023, the Group employed 413 employees, with an average turnover of less than 10.97% over the past three years, reflecting the competitive remuneration and benefits provided by the Group to its employees.

The Group has established a remuneration committee to review the remuneration policy for all Directors and the management of the Group based on the Group's overall operating results, individual performance and comparison of market practices. The Group has made full contributions to social insurance (including pension insurance, medical insurance, work injury insurance, unemployment insurance and maternity insurance) and housing provident funds for its employees in accordance with the relevant PRC labour laws and regulations. Other relevant information is provided in Note 33 to the "Consolidated Financial Statements".

Details of Directors' remuneration for 2023 are provided in Note 13 to the "Consolidated Financial Statements" in this annual report.

PENSION SCHEMES

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

The Hong Kong based employees of the Group participate in the Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the employers' existing level of contributions can be reduced by contributions forfeited by the employers on behalf of those employees who leave the scheme prior to vesting fully in the contributions. During the years ended 31 December 2022 and 2023, there were no such forfeited contributions. There were no forfeited contributions available for reducing future contributions as at 31 December 2022 and 2023. The Group contributes the lower of HK$1,500 per month or 5% of the relevant monthly payroll costs to the Mandatory Provident Fund Scheme.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by Deloitte Touche Tohmatsu ("**Deloitte**") who will retire from the office of auditor at the forthcoming annual general meeting of the Company and, being eligible, will offer itself for re-election. Since the Listing Date and up to the date of this annual report, the Company has not changed its auditor.

On behalf of the Board

Yiu Chiu Fai
Chairman

Hong Kong
26 March 2024

In 2023, in strict compliance with the requirements of the Company Law, the Articles of Association, the Listing Rules, the Rules of Procedures for Supervisory Committee Meetings and relevant laws and regulations, all members of the Supervisory Committee had conscientiously and effectively fulfilled their functions, exercised its powers independently in accordance with the law and safeguarded the legitimate rights and interests of the Company, Shareholders and employees. The Supervisory Committee exercises supervision and inspection over the Company's business plan, use of proceeds, connected transactions, financial position, implementation of resolutions of Shareholders' general meetings, major decision-making procedures of the Board and the legality of the Company's operation and management activities, as well as the fulfilment of duties by the directors and senior management, etc., to promote the standardised operation and healthy development of the Company.

I. BASIC ASSESSMENT ON THE OPERATION, MANAGEMENT BEHAVIOUR AND RESULTS OF THE COMPANY IN 2023

In 2023, the Supervisory Committee of the Company, in strict accordance with the requirements of the Company Law, the Articles of Association, the Rules of Procedures for Supervisory Committee Meetings, abided by the principle of good faith, stringently strengthened the implementation of various tasks, and exercised supervision over the proper performance of duties of the Company's Directors, general manager and other senior management, and were of the view that the Board and the Directors fulfilled the duties conferred by the laws and the Articles of Association, responded positively to the changes in the market, implemented earnestly the resolutions of the Shareholders' general meeting and the Board, and were devoted, assiduous, pioneering, with no violation of the laws, regulations, the Articles of Association, or any behaviour that was detrimental to the interests of the Company or the Shareholders. The Supervisory Committee supervised the Company's production and operating activities during its term of office and is of the view that the Company's management had performed its obligations faithfully and had duly executed all the resolutions of the Board.

II. THE MEETINGS OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee of the Company convened two meetings:

On 20 July 2023, the first meeting of the First Session of the Supervisory Committee was held, out of the three Supervisors who were eligible to attend the meeting, three Supervisors were present at the meeting. The meeting was convened in compliance with the requirements of the Company Law and Articles of Association. The meeting had considered and approved the following proposal: on Election of the Chairman of the Supervisory Committee of the Company, agreed to elect Wong Tsz Leung as the chairman of the Supervisory Committee of the Company for a term of three years from the date of approval at this meeting of the Supervisory Committee.

On 8 August 2023, the second meeting of the First Session of the Supervisory Committee was held, out of the three Supervisors who were eligible to attend the meeting, three Supervisors were present at the meeting. The meeting was convened in compliance with the requirements of the Company Law and Articles of Association. The meeting had considered and approved the following proposals: the Proposal on the Plan for Initial Public Offering of Overseas Listed Ordinary Shares of the Company for Listing on the Main Board of The Stock Exchange of Hong Kong Limited; the Proposal on the Use of Proceeds from the Initial Public Offering of H Shares of the Company and Spending Plan; the Proposal on the Formulation of Rules of Procedures for Supervisory Committee Meetings of the Company Applicable after the Listing; the Proposal on the Distribution Plan of Accumulated Profits Prior to the Initial Public Offering of H Shares of the Company.

III. SUPERVISION OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2023:

(I) Operating the Company according to law

During the Reporting Period, the Supervisory Committee complied with the requirements of the Company Law and the Articles of Association, conscientiously performed its duties by being present at all the Shareholders' general meetings of the Company held during the reporting period and attending all the meetings of the Board in accordance with the law, paying close attention to the business and operation of the Company and supervising the operation of the Company in compliance with the law in 2023, and considered that the Company continuously improved its internal control system, operated in accordance with the law and formed a well-developed check and balance mechanism. All decision-making procedures were legal and valid, and the resolutions of the Shareholders' general meeting and the Board were well implemented. The Directors, managers and other senior management of the Company were able to perform their duties with integrity and diligence, with no violation of laws, rules and regulations as well as the Articles of Association or any behaviour that was detrimental to the interests of the Company and Shareholders.

(II) Financial conditions of the Company

During the Reporting Period, the Supervisory Committee, taking into account the actual situation of the Company, effectively supervised, inspected and reviewed the financial position of the Company for 2023 by listening to the reports of the financial department and conducting regular audits, and considered that the Company's financial system was sound with solid financial operation and the preparation of its financial statements was in compliance with the Accounting Systems for Enterprises, the Accounting Standards for Business Enterprises and the relevant financial rules and systems, gave a full, objective and true picture of the financial position and operation results of the Company. The standard unqualified auditor's reports issued by the accounting firm on the annual financial position of the Company for the Reporting Period were of objective, justifiable and accurate audit opinions.

(III) Related party transactions

The Supervisory Committee of the Company supervised and verified the connected transactions that were conducted during the Reporting Period, and was of the view that the connected transactions of the Company were necessary for the normal operation of the Company, and its decision-making procedures were in line with the relevant laws and regulations and the Articles of Association, and both parties to the transactions strictly complied with the agreements entered into. The prices of the connected transactions were fair and in line with the principles of transparency, fairness and impartiality, and there were no circumstances that jeopardized the interests of the Company and other non-related Shareholders.

(IV) Internal control assessment of the Company

During the Reporting Period, the Supervisory Committee reviewed the set up and operation of the Company's internal control assessment system and was of the view that the Company established a sound internal control system covering all aspects of the Company's business in accordance with the relevant regulations and in light of the actual situation of the Company, so as to ensure the normal activities of the Company's business and to protect the safety and integrity of the Company's assets. The existing internal control system is in compliance with the requirements under relevant national laws and regulations and that can cope with the actual needs of the Company in its production operation management, and such system has been effectively implemented. The Company's internal control organisation was complete, and the internal audit department and staffing were in place to ensure the sufficiently effective execution and supervision of the Company's key internal control activities.

IV. COMPREHENSIVE OPINIONS OF THE SUPERVISORY COMMITTEE ON THE CIRCUMSTANCES OF THE COMPANY IN 2023

(I) During the Reporting Period, the Supervisory Committee strictly implemented the Company Law, the Articles of Association, the Listing Rules, the Rules of Procedure for Supervisory Committee Meetings and other relevant regulations, grasped in a timely manner the legitimacy of the Company's major decision-making matters and various decision-making procedures, and supervised the Board and the senior management in accordance with the law in order to safeguard the interests of the Company and the Shareholders.

(II) During the Reporting Period, the senior management officers of the Company had strictly complied with the Articles of Association and the State laws and regulations when they performed their duties to safeguard the interests of the Company and its Shareholders, and had conscientiously implemented the resolutions of the general meeting with due diligence and no violation of laws and regulations.

(III) The Supervisory Committee had seriously reviewed the 2023 financial report of the Company and the relevant information, considered that the financial position for 2023 was good, the systems were effectively implemented and cost control was effective. The report truly and accurately reflects the financial position and operating results of the Company during the Reporting Period.

V. SUPERVISORY COMMITTEE'S OUTLOOK OF WORK IN 2024

In 2024, the Supervisory Committee of the Company will continue to strictly comply with the relevant laws and regulations as well as the requirements of the Articles of Association and the Rules of Procedures for Supervisory Committee Meetings, fully exercise the rights conferred by the laws and regulations and perform its supervisory duties faithfully and diligently. In view of the development status of the Company, the Supervisory Committee will improve the supervision system related to all aspects of production and operation in a timely manner, and continue to promote the regular and systematic supervision, so as to advance the standardised operation of the Company. In accordance with the relevant provisions of the Articles of Association, the Supervisory Committee will further supervise the standardisation of the Company's corporate governance structure, supervise the management's implementation of the resolutions of the Shareholders' general meeting and the decisions of the Board, and pay attention to the ethical cultivation, degree of dedication and performance of the management at all levels. The Supervisory Committee will also continue to strengthen its self-construction, focus on the improvement of the professional quality of supervisors, strengthen the training and learning of accounting, audit, finance and other business knowledge, innovate its working methods and improve the standard of supervision to effectively safeguard the rights and interests of Shareholders.

DIRECTORS

The Board currently consists of eight Directors, of whom two are executive Directors, three are non-executive Directors and three are independent non-executive Directors. The term of office of all Directors (of the current session of the Board) shall end on 28 July 2026, and the Directors may be appointed for consecutive terms. The Board shall be responsible for and shall have general power to manage and develop the Company's business.

Executive Directors

Mr. Wang Zengguang (王增光), aged 43, was appointed as our Director and general manager on 28 July 2023 and was redesignated as an executive Director on 16 August 2023. He is responsible for the overall management, formulation and implementation of business strategies of our Group. He is also a member of the nomination committee and the strategy committee.

Mr. Wang has over 18 years of experience in corporate management. From March 2003 to February 2017, Mr. Wang worked in the Jinma Group and held various positions successively. He served in Jinma Energy as a worker and participated in its early construction works from March 2003 to December 2003, as deputy director of the production management department from January 2004 to July 2009, as deputy director and director of the coal preparation workshop from July 2009 to January 2015 and was simultaneously appointed as the production director of Jinma Energy's production management department as well as the assistant general manager of Bohai Chemical Co., Ltd*, a member of the Jinma Group, in January 2015.

In February 2017, Mr. Wang was appointed as the deputy general manager of our Predecessor and has been working in various positions within our Group and the Jinma Group since. From January 2018 to July 2023, he served as Jinma Energy's deputy general manager. In June 2020, he was appointed as the secretary of the party branch of our Predecessor as well as an executive director of our Predecessor. From November 2020 to January 2023, he served as the general manager of our Predecessor, primarily responsible for the overall operations and management. From November 2020 to July 2023, he also served as an executive director of our Predecessor, primarily responsible for supervision and management. Mr. Wang does not hold any position in the Jinma Group.

In July 2004, Mr. Wang graduated from Party School of Henan Committee of C.P.C (中共河南省委黨校) in the PRC with a diploma in economic management. In August 2015, he graduated from Zhengzhou University (鄭州大學) in the PRC through online education, majoring in business administration. In July 2023, he graduated from China University of Petroleum (East China) (中國石油大學(華東)) in the PRC through online education, majoring in chemical engineering and technology.

Mr. Qiao Erwei (喬二偉), aged 43, was appointed as our deputy general manager on 28 July 2023, the board secretary on 1 August 2023 and our executive Director on 22 October 2023. He is responsible for participating in the daily operations and management of our Group. Mr. Qiao joined the Jinma Group in November 2003 and served in various positions, including as shift supervisor, safety officer and "safety, environmental protection and quality" system internal auditor of the coking workshop, dispatcher of the production department and as deputy director of the cooperate development management department until January 2020. From January 2020 to August 2021, he was appointed as the deputy manager of Jinrui Energy, primarily responsible for production operation management. From August 2021 to January 2022, he was appointed as the manager of Jinrui Energy. In March 2022, he was appointed as the director of Jinrui Energy and has been responsible for the operations of Jinrui Energy since. Mr. Qiao does not hold any position in the Jinma Group.

Mr. Qiao graduated from Zhengzhou University (鄭州大學) in the PRC in December 2007, majoring in law. He also obtained an intermediate certificate in economic professional and technical qualification and a certificate as a registered safety engineer in November 2003 and September 2006 respectively.

Non-executive Directors

Mr. Yiu Chiu Fai (饒朝暉), aged 55, was appointed as our Director and the chairman of the Board on 28 July 2023 and was redesignated as a non-executive Director on 16 August 2023. He is also the chairman of the board of Shenzhen Jinma (a member of the Jinma Group) and a director of Jinma Zhongdong ("**Jinma Zhongdong**" which is a member of the Jinma Group). He is responsible for providing strategic advice and recommendations on the operations and management of our Group. He is also a member of the remuneration and appraisal committee.

Mr. Yiu has over 30 years of experience in corporate management. Mr. Yiu joined the Jinma Group in May 2006 as a director. Mr. Yiu was appointed as an executive director and the chairman of the board of directors of Jinma Energy in July 2016 and is mainly responsible for formulating corporate and operational strategies and making major corporate decisions. Prior to joining our Group and the Jinma Group, Mr. Yiu was a department manager of Xiamen Commercial Foreign Trade Corporation from August 1990 to September 1993, a director and deputy general manager of Shangxiang Minmetals Investment Ltd. from December 1993 to June 1997, an executive director of Asia Energy Logistics Group Limited (formerly known as Central China Enterprises Limited), a company listed in Hong Kong, (stock code: 351) from June 1998 to September 2000, and the chairman of Yugang Coking from June 2002 to July 2012.

Mr. Yiu was a director of Sino System Limited, a private company limited by shares incorporated in Hong Kong, which never commenced any operation and was dissolved by way of striking off on August 9, 2002. Mr. Yiu was also a director of Henan Taiwu Electricity Co., Ltd.* (河南太屋電力有限公司), a company incorporated in the PRC, with its business scope covering production and sale of electricity. The said company's business license was revoked on December 26, 2003 as it did not carry out its annual inspection as required under the relevant PRC regulations. Mr. Yiu confirmed that the aforementioned companies were solvent at the time of dissolution and that there was no misconduct or misfeasance on his part as a director of the company that had led to its dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Mr. Yiu obtained a bachelor's degree in law from Xiamen University in July 1990. He also obtained a master's degree in business administration from the University of South Australia in April 2003 through long distance learning.

Mr. Wang Kaibao (汪開保), aged 51, was appointed as our non-executive Director and the vice chairman of the Board on 16 August 2023. He is responsible for formulating our Group's corporate and operational strategies and the overall business operations and management of our Group. He is also a member of the audit committee and the chairman of the strategy committee.

Mr. Wang joined Maanshan Steel in August 1996 and has served in various positions since, including as technician, deputy head, head, factory director and safety director. Since March 2015, he has been the chief engineer. In December 2018, he became the deputy secretary of the party committee and has been promoted as the secretary of the party committee since June 2019, primarily responsible for leading the party committee. From June 2019 to February 2022, he served as the factory director of the coking factory headquarter, primarily responsible for administrative work. Since February 2022, he has also been serving as a manager, primarily responsible for administrative work. He is also a senior engineer. Since May 2020, he has been a non-executive Director of Jinma Energy.

Mr. Wang graduated from Wuhan Metallurgy University of Science and Technology* (武漢冶金科技大學) (now known as Wuhan University of Science and Technology* (武漢科技大學)) with a bachelor's degree in coal chemical technology in July 1996.

Mr. Wang Lijie (王利杰), aged 36, was appointed as our Director on 28 July 2023 and was redesignated as a non-executive Director on 16 August 2023. He is responsible for participating in formulating our Group's corporate and operational strategies and the overall business operations and management of our Group. He is also a member of the strategy committee.

Mr. Wang has almost 10 years of experience in corporate management. From January 2012 to October 2013, he served as the deputy general manager of Yugang Coking, primarily responsible for procurement. From November 2013 to October 2019, he served as a general manager of Shanghai Jinma, primarily responsible for the overall operations and management. Since February 2015, he has been the chairman of the board of directors of Jinma Xingye, primarily responsible for the overall operations and management. Since May 2019, he has been the general manager of Shenzhen Jinma (a member of the Jinma Group), primarily responsible for the overall operations and management. Since March 2022, he has been a director of Xiamen Jinma ITG Co., Ltd.* (廈門金馬國貿有限公司) (an associate of the Jinma Group), primarily responsible for business operation management.

Mr. Wang completed the new business leaders development programme from Beijing University in the PRC in September 2016.

Independent non-executive Directors

Ms. Wong Yan Ki Angel (黃欣琪), aged 52, was appointed as our independent non-executive Director on 22 October 2023. She is primarily responsible for supervising compliance and corporate governance issues of our Group and providing independent opinion and advice to the Board. She is also the chairman of the audit committee and a member of the nomination committee.

Ms. Wong has over 25 years of experience in accounting, auditing, corporate finance and capital market. She worked for Kwan Wong Tan &Fong (Kwan Wong Tan & Fong merged with Deloitte Touche Tohmatsu in August 1997) from October 1995 to July 1997 then from August 1997 to November 1999, she worked for Deloitte Touche Tohmatsu. She later served a number of roles at Great East Packaging Holdings Limited (偉東包裝製品集團有限公司) from October 1999 to March 2003, including group financial controller and assistant finance manager. Between April 2003 and December 2007, she held various positions at Benefit Capital Limited (百富達融資有限公司) including vice president and executive director. From April 2005 to November 2005, she also acted as chief financial officer of Shengda (Group) Holdings Ltd. (勝達國際控股有限公司). Since November 2007, she has been an executive director of Advanced Capital Limited (匯財資本有限公司), where she is responsible for operation management and major decisions.

Ms. Wong has been an independent non-executive director of Betta Pharmaceuticals Co., Ltd.* (貝達藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300558), Many Idea Cloud Holdings Limited (多想雲控股有限公司), a company listed on the Stock Exchange (stock code: 6696), and Sino-Synergy Hydrogen Energy Technology (Jiaxing) Co., Ltd. (國鴻氫能科技(嘉興)股份有限公司), a company listed on the Stock Exchange (stock code: 9663), since January 2021, October 2022 and October 2023, respectively.

Previously, Ms. Wong also served as a director of various public companies listed in different regions. From August 2009 to January 2011, she acted as a non-executive director of Esmart Holdings Limited, (currently known as Duty Free International Limited), a company listed on Stock Exchange of Singapore Dealing and Automated Quotation System of the Singapore Exchange Limited (stock code: DutyFree), during which she acted as the chairman of the board from February 2010 to January 2011. She served as an independent non-executive director of (i) China Best Group Holding Limited, a company listed on the Stock Exchange (stock code: 0370), from June 2011 to September 2014; (ii) Oriental Unicorn Agricultural Group Limited (currently known as China Demeter Financial Investments Limited), a company listed on the GEM of the Stock Exchange (stock code: 8120), from October 2011 to May 2013; (iii) China Shengda Packaging Group Inc., a company formerly listed on the Nasdaq Stock Exchange (stock code: CPGI), from August 2014 to September 2015; (iv) China Public Procurement Limited (currently known as Cherish Sunshine International Limited), a company listed on the Stock Exchange (stock code: 1094), from December 2015 to July 2018; (v) Miko International Holdings Limited, a company listed on the Stock Exchange (stock code: 1247), July 2017 to July 2018; and (vi) Yuhua Energy Holdings Limited (currently known as Jintai Energy Holdings Limited), a company listed on the Stock Exchange (stock code: 2728), from November 2016 to December 2018, respectively. From March 2013 to January 2021, Ms. Wong served as an independent non-executive director of Hengxing Gold Holding Company Limited* (恆興黃金控股有限公司), a company listed on the Stock Exchange (stock code: 2303), which was delisted in February 2021. From November 2015 to April 2023, she also served as the independent director of BIT Mining Limited (formerly known as 500.com Limited), a company listed on the New York Stock Exchange (stock code: BTCM).

Ms. Wong obtained a bachelor's degree in economics, majoring in international accounting, from Xiamen University (廈門大學) in the PRC in July 1994, a post-graduate certificate in professional accounting from the City University of Hong Kong in November 2000 and a master's degree of business administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC in October 2009. She obtained the certificate of follow-up training courses for independent directors of listed companies from the Shenzhen Stock Exchange in the PRC in May 2022.

Ms. Wong has been admitted as a member or fellow member of several associations. She has been successively admitted as fellow member of the Institute of Financial Accountants in the United Kingdom since October 2003, fellow member of the Society of Registered Financial Planners in Hong Kong since November 2003, fellow member of the Singapore Institute of Directors since October 2009, member of the Hong Kong Institute of Directors since November 2014, fellow member of the Institute of Public Accountants (FIPA) (澳洲公共會計師協會資深會員) since April 2015, founding member of the Hong Kong Independent Non-executive Director Association (香港獨立非執行董事協會) since January 2016, fellow member of CPA Australia (澳洲會計師公會) since May 2017, member of the Guangdong Association of Management Accountants since December 2017, and member of the Association of Chinese Internal Auditors in Hong Kong (香港華人內部審計師公會) since April 2022, respectively.

Ms. Wong was a director of Shenzhen Caicixuan Catering Management Co., Ltd.* (深圳彩瓷軒餐飲管理有限公司), a company incorporated in the PRC in February 2013, engaged in catering business, which was dissolved by way of deregistration in January 2014. Ms. Wong confirmed that the aforementioned company was solvent at the time of dissolution and that there was no misconduct or misfeasance on her part as a director of the company that had led to its dissolution, nor is she aware of any actual or potential claim that has been or will be made against her as a result of the dissolution.

Mr. Di Zhigang (邸志崗), aged 39, was appointed as our independent non-executive Director on 28 July 2023. He is primarily responsible for supervising compliance and corporate governance issues of our Group and providing independent opinion and advice to the Board. He is also a member of the audit committee and the chairman of the remuneration and appraisal committee.

Mr. Di was a research and development engineer at Shanghai Electric Group Co., Ltd. Central Academe (上海電氣集團股份有限公司中央研究院) from July 2014 to October 2016, primarily responsible for research and development work. From November 2016 to April 2020, he served as a stack engineer in Shanghai Refire Technology Co., Ltd. (上海重塑能源科技有限公司), primarily responsible for supplier selection, development and test evaluation work. Since May 2020, he has been a senior manager and chief scientist of Shanghai Yunliang New Energy Technology Co., Ltd.* (上海韻量新能源科技有限公司), primarily responsible for design and development work and management of the product development team.

Mr. Di graduated from Northeastern University (東北大學) in the PRC with a bachelor's degree in materials science and engineering in July 2007. He then obtained a master's degree in materials science from Northeastern University in the PRC and a doctor's degree in materials physics and chemistry from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2009 and June 2014 respectively.

In 2020, Mr. Di completed the 11th high-level talent training course in the Jiading District in the PRC. In 2022, he was awarded as an outstanding youth engineer in Shanghai in the PRC. In the same year, he obtained a first prize in the Science and Technology Award by the Shanghai Transportation Engineering Society* (上海市交通工程學會科學技術獎). In 2023, he obtained a first prize in the Shanghai Science and Technology Award for Scientific and Technological Progress* (上海市科學技術獎科技進步獎).

Ms. Leung Sin Yeng Winnie (梁善盈), aged 39, was appointed as our independent non-executive Director on 16 August 2023. She is primarily responsible for supervising compliance and corporate governance issues of our Group and providing independent opinion and advice to the Board. She is also a member of the remuneration and appraisal committee and the chairman of the nomination committee.

Ms. Leung has over 13 years of experience in corporate finance before engaging in asset management. In 2020, Ms. Leung founded Transcend Capital Partners ("**Transcend**"), a venture capital firm investing in start-ups in Asia, and has been its general partner since. In October 2022, Transcend Capital Partners II L.P., Transcend's second fund, was appointed as co-investment partner of the Innovation and Technology Venture Fund (ITVF) established by the Government of Hong Kong. It is an ESG-conscious fund that invests in startups in Asia. Prior to founding Transcend, she was an investment banker in UBS AG from August 2006 to June 2019, primarily responsible for advising on corporate finance.

Ms. Leung graduated with first class honours from the Hong Kong University of Science and Technology with a bachelor of business administration in global business and finance in November 2006.

Ms. Leung has been licensed under the SFO as a representative of Pollock Asset Management Limited to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities since March 2021, May 2021 and April 2021, respectively.

SUPERVISORS

The Supervisory Committee of the Company currently consists of three Supervisors, of whom two are shareholder representatives, and one is an employee representative. Shareholder representative Supervisors are elected by the Shareholders and employee representative Supervisors are elected by employee representatives. The Supervisors are appointed for a term of three years and may be appointed for consecutive terms. The Supervisory Committee is responsible for overseeing the Board and senior management in discharging their responsibilities and reviewing financial statements of the Group.

Mr. Wong Tsz Leung (黃梓良), aged 60, was appointed as our shareholder representative Supervisor and elected as the chairman of the supervisory committee on 28 July 2023. He is primarily responsible for overseeing the affairs of the supervisory committee, supervising our operations and financial activities and supervising our Directors and senior management in the performance of their duties.

Mr. Wong has approximately 28 years of experience in financial strategic planning and management. He was the chief financial controller of OSSIMA Publishing Group Limited from January 1995 to September 2005. In February 2012, he joined the Jinma Group as a supervisor of Jinma Energy's predecessor. In July 2016, he was appointed as a shareholder representative supervisor of Jinma Energy, primarily responsible for overseeing the affairs of the supervisory committee. Since November 2010, he has been the financial manager of Jinma HK, primarily responsible for Jinma HK's daily financial work.

Mr. Wong was a director of Samsung Drycleaning Company Limited, a private company limited by shares incorporated in Hong Kong, which was engaged in the dry cleaning services business and was dissolved by way of striking off on 19 September 2003. He was also a director of The Golden Key Hotels of the World Limited, a private company limited by shares incorporated in Hong Kong, which was engaged in the provision of consultation and training services for hotel operations and was dissolved by way of deregistration on 17 June 2005. He was also a director of Ma Lee Hung Charity Funds (Hong Kong) Limited, a company limited by guarantee, which was engaged in events organisation and was dissolved by way of deregistration on 14 December 2018. He was also a director of High Ascent Limited, a private company limited by shares incorporated in Hong Kong, which was a holding company engaged in investment activities and was dissolved by way of deregistration on 26 July 2019. Mr. Wong confirmed that the aforementioned companies were solvent at the time of dissolution by striking off or deregistration and that there was no misconduct or misfeasance on his part as a director of the said companies that had led to the companies' dissolutions, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions.

Since 2016, Mr. Wong has been serving as an executive director and the chief financial officer of Smart-Core Holdings Limited, a company listed in Hong Kong (stock code: 2166).

Mr. Wong obtained a master's degree in business administration from the University of Wales in December 2011 via its distance learning programme.

Mr. Wu Zhiqiang (吳志強), aged 58, was appointed as our shareholder representative Supervisor on 16 August 2023. He is primarily responsible for supervising our operations and financial activities, supervising our Directors and senior management in the performance of their duties.

Mr. Wu joined Maanshan Steel in July 1986 and has served in various positions. From July 1986 to December 1991, he worked in the preliminary rolling mill, primarily responsible for management of rollers, guides and blades. From January 1992 to December 1998, he served as the chief staff member of the security department of the thermal power plant, primarily responsible for advocating laws and investigating cases. From January 1999 to August 2001, he served as the deputy section chief and section chief of the security department of the thermal power plant, primarily responsible for corporate security, comprehensive management and fire management. From September 2001 to January 2012, he served as the deputy secretary of the disciplinary committee and the chief of the inspection section, primarily responsible for disciplinary inspection, duty crime prevention and performance monitoring. From January 2012 to July 2016, he served as the director of the office of the thermal power plant, primarily responsible for corporate management, secretarial management, file management, general logistics and site management. From July 2016 to October 2017, he served as the deputy director of the management office of the thermal power plant, primarily responsible for external management, sales and technology output. From October 2017 to August 2018, he served as a member of the disciplinary committee of the party workshop research office of the thermal power plant. From September 2019 to April 2020, he served as a member of disciplinary committee of the research office of the thermal power plant. From April 2020 to December 2020, he worked as a commissioner of the energy and environmental protection department. Since April 2020, he has been the senior supervisor of the party committee inspection office, audit department, group supervisory committee secretariat and the supervisory committee secretariat office, primarily responsible for the research, supervision and inspection of the board of supervisors. He joined Magang (Group) Holding Co., Limited, the controlling shareholder of Maanshan Steel, as the person in charge of professional management of the human resources department in January 2021, and was promoted as the chief manager from September 2021 to April 2022, primarily responsible for the development of the shared employment market, contract management, protection of employee rights and interests and dispute resolution. Since April 2023, he has been the company lawyer of Maanshan Steel.

In October 1992, Mr. Wu graduated from Anhui University (安徽大學) in the PRC with a diploma in law. In June 2003, he graduated from Party School of Anhui Provincial Committee of C.P.C (中共安徽省委黨校) with a major in law. In July 2003, he graduated from the Open University of China (國家開放大學), formerly known as China Central Radio and TV University (中央廣播電視大學), majoring in law.

In August 1997, Mr. Wu qualified as a lawyer in the PRC. In August 2018, he obtained a level one legal consultant position in state-owned enterprises professional qualification.

Mr. Li Hebao (李合寶), aged 38, was appointed as our employee representative Supervisor on 28 July 2023. He is primarily responsible for supervising our operations and financial activities, supervising our Directors and senior management in the performance of their duties.

Mr. Li joined our Group in August 2011 and served as a section chief of the plant area of our Predecessor, primarily responsible for ensuring stable production in the plant area. In October 2016, he was appointed as the deputy general manager of our Predecessor, primarily responsible for environmental protection and production. Prior to joining our Group, he worked in Henan Kaifeng Jinkai Chemical Co., Ltd.* (河南省開封市晉開化工有限公司) from July 2007 to June 2010, and was primarily responsible for on-site production.

Mr. Li obtained a diploma in chemical engineering from Henan University of Technology (河南工業大學) in the PRC in July 2007. In July 2017, he graduated from Henan Institute of Science and Technology (河南科技學院) in the PRC majoring in chemical engineering and technology through correspondence education.

In November 2019, Mr. Li became an intermediate certified safety engineer in the PRC.

SENIOR MANAGEMENT

Members of the senior management are responsible for the day-to-day operation of the business of the Company. For the biographical details of Directors who form part of the senior management, please see page 99 of this section.

Mr. Wei Xiaohui (衛曉輝), aged 43, is a deputy general manager of our Company, primarily responsible for the overall management and daily business operations of our Group.

Mr. Wei joined the Jinma Group in February 2004 and worked in the chemical production workshop until June 2011. In July 2011, he joined our Predecessor and served in various positions, including being primarily responsible for project construction work, process management work and overall production work. From July 2012 to February 2023, he served as the deputy general manager of our Predecessor, primarily responsible for process management and overall production work. From February 2023 to July 2023, he served as the general manager of our Predecessor, primarily responsible for the overall operations and management.

Mr. Wei obtained a diploma in quality management and inspection technology from Henan University (河南大學) in July 2002. He graduated from the Henan Institute of Science and Technology (河南科技學院) in July 2019 through correspondence education, majoring in chemical engineering and technology.

Mr. Li Yan (李研), aged 42, is a deputy general manager of our Company, primarily responsible for the overall management and daily business operations of our Group.

From January 2020 to August 2020, Mr. Li was the deputy general manager of Jinning Energy, primarily responsible for assisting the general manager in the overall operations and management. Since August 2020, Mr. Li has been the general manager of Jinning Energy, primarily responsible for overall operations and management. On 12 August 2023, Mr. Li was also promoted as the chairman of the board of Jinning Energy.

Prior to joining our Group, Mr. Li served as an office staff in Jinma Energy from March 2003 to January 2009. From February 2009 to August 2020, he was a manager of Jinma Xingye.

Mr. Li graduated from Henan University in the PRC in September 2020, majoring in Economics.

Mr. Pang Liyi (龐吏義), aged 49, is the financial controller of our Company, primarily responsible for the financial management of our Group.

From January 2000 to May 2005, he served as the manager of the capital verification department and the director of Henan New Sunshine Certified Public Accountants Co., Ltd.* (河南新陽光會計師事務所有限公司), primarily responsible for verification work, audit and evaluation, and judicial accounting appraisal. From May 2005 to October 2010, he served as the deputy director of the audit department of Yugang Coking, primarily responsible for overall audit work. Since November 2010, he has been working in the Jinma Group. From November 2010 to May 2021, he served as the deputy director of Jinma Energy's financial department, primarily responsible for the overall operations and management of the financial department. He was then promoted as the director of Jinma Energy's financial department in June 2021, primarily responsible for overseeing the financial department. From March 2022 to July 2023, he served as the financial department director of Jinma Zhongdong, primarily responsible for overseeing the works of the financial department.

Mr. Pang graduated from Henan University (河南大學) in the PRC with a diploma in accounting in June 1997. In April 2005, he graduated from the Open University of China (國家開放大學), formerly known as China Central Radio and TV University (中央廣播電視大學), majoring in accounting.

Mr. Pang obtained the Chinese Certified Public Accountant qualification in October 2000. Mr. Pang qualified as a registered tax agent in the PRC in June 2001, a registered public valuer in the PRC in September 2001 and a senior accountant in Henan province of the PRC in September 2013. Since November 2016, he has been a non-practising member of the Chinese Institute of Certified Public Accountants.

To the Shareholders of Henan Jinyuan Hydrogenated Chemicals Co., Ltd.
(a joint stock company established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Henan Jinyuan Hydrogenated Chemicals Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 113 to 182, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on retail of liquefied natural gas ("LNG"), refined oil and hydrogen	
As explained in Note 5 to the consolidated financial statements, retail sales of LNG, refined oil and hydrogen are recognised when the control of the goods has been transferred, being at the point the customers purchase the goods at the gas stations operated by the Group. For the year ended 31 December 2023, the Group recognised retail sales of LNG, refined oil and hydrogen amounting to approximately RMB197,201,000. We identified revenue recognition from contracts with customers relating to retail sales of LNG, refined oil and hydrogen attributable to trading segment as a key audit matter due to its financial significance and revenue is one of the key performance indicators to the Group which give rise to an inherent risk of occurrence of these revenue to the Group.	Our procedures in relation to occurrence of revenue recognition on retail sales of LNG, refined oil and hydrogen included: • Understanding the key controls related to the occurrence assertion of revenue recognition relating to retail sales and evaluating the design and operating effectiveness of these controls; • Reconciling the total revenue recognised for retail sales to the total cash receipts of different settlement channels during the year; • Performing substantive analytical procedure over the reasonableness of revenue recognised from retail sales with reference to certain inputs (i.e. purchased quantities and market price of major products); and • Checking, on a sample basis, the recorded transactions by examining the underlying supporting evidences including settlement records and transaction records from the gas stations.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, 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 judgement 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.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chen Ping Him.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2024

	NOTES	Year ended 31/12/2023	Year ended 31/12/2022
		RMB'000	RMB'000
Revenue	5	**2,330,228**	2,254,533
Cost of sales		**(2,181,429)**	(1,966,854)
Gross profit		**148,799**	287,679
Other income	6	**8,553**	6,354
Other gains and losses	7	**(4,397)**	(5,535)
Selling and distribution expenses		**(18,420)**	(15,366)
Administrative expenses		**(31,315)**	(31,562)
Listing expenses		**(1,415)**	–
Finance costs	8	**(6,064)**	(8,022)
Share of result of a joint venture		**3,148**	–
Profit before tax	9	**98,889**	233,548
Income tax expense	10	**(16,568)**	(39,467)
Profit for the year		**82,321**	194,081
Other comprehensive income:	11		
Item that may be reclassified subsequently to profit or loss:			
Fair value gain on bills receivables at fair value through other comprehensive income ("**FVTOCI**"), net of income tax		**66**	327
Total comprehensive income for the year		**82,387**	194,408
Profit for the year attributable to:			
– Owners of the Company		**54,925**	138,229
– Non-controlling interests		**27,396**	55,852
Profit for the year		**82,321**	194,081
Total comprehensive income for the year attributable to:			
– Owners of the Company		**55,126**	138,556
– Non-controlling interests		**27,261**	55,852
Total comprehensive income for the year		**82,387**	194,408
Earnings per share (RMB)			
– Basic	14	**0.09**	0.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	31/12/2023	31/12/2022
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	870,605	559,480
Right-of-use assets	16	112,491	111,353
Intangible assets	17	23,056	28,958
Goodwill	19	10,669	10,669
Interest in a joint venture	20	90,911	–
Deferred tax assets	21	3,887	4,796
Deposits for acquisition of property, plant and equipment and right-of-use assets		–	7,717
		1,111,619	722,973
CURRENT ASSETS			
Inventories	22	117,484	65,699
Trade and other receivables	23	32,034	31,135
Tax recoverable		9,407	642
Amounts due from related parties	24	23,411	62,380
Bills receivables at FVTOCI	25	68,721	84,930
Restricted bank balances	26	–	15,208
Bank balances and cash	26	300,710	92,470
		551,767	352,464
CURRENT LIABILITIES			
Borrowings	27	142,000	87,000
Trade and other payables	28	199,010	144,180
Amount due to a shareholder	29	1,977	–
Amount due to a related party	30	1,063	–
Contract liabilities	31	28,834	15,426
Lease liabilities	32	652	23
Tax payable		9,037	13,243
		382,573	259,872
NET CURRENT ASSETS		169,194	92,592
TOTAL ASSETS LESS CURRENT LIABILITIES		1,280,813	815,565

	NOTES	31/12/2023	31/12/2022
		RMB'000	RMB'000
CAPITAL AND RESERVES			
Share capital/paid-in capital	34	955,640	100,000
Reserves		66,135	482,010
Equity attributable to owners of the Company		1,021,775	582,010
Non-controlling interests		105,665	137,547
TOTAL EQUITY		1,127,440	719,557
NON-CURRENT LIABILITIES			
Borrowings	27	116,762	78,147
Payables for purchase of property, plant and equipment		18,062	–
Lease liabilities	32	3,554	131
Deferred revenue	35	14,513	16,099
Deferred tax liabilities	21	482	1,631
		153,373	96,008
		1,280,813	815,565

The consolidated financial statements on pages 113 to 182 were approved and authorised for issue by the Board of Directors on 26 March 2024 and are signed on its behalf by:

Wang Zengguang
DIRECTOR

Qiao Erwei
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company								
	Share capital	Capital reserve	FVTOCI reserve	Statutory surplus reserve fund	Retained profits	Special reserve	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000 (Note ii)	RMB'000	RMB'000 (Note iii)	RMB'000	RMB'000	RMB'000
At 1 January 2022	100,000	129,960	(938)	22,479	170,371	36,882	458,754	96,395	555,149
Profit for the year	–	–	–	–	138,229	–	138,229	55,852	194,081
Other comprehensive income for the year	–	–	327	–	–	–	327	–	327
Total comprehensive income for the year	–	–	327	–	138,229	–	138,556	55,852	194,408
Dividends recognised as distribution *(Note 12)*	–	–	–	–	(15,300)	–	(15,300)	(14,700)	(30,000)
Transfer	–	–	–	2,314	2,110	(4,424)	–	–	–
At 31 December 2022 and 1 January 2023	100,000	129,960	(611)	24,793	295,410	32,458	582,010	137,547	719,557
Profit for the year	–	–	–	–	54,925	–	54,925	27,396	82,321
Other comprehensive income (expense) for the year	–	–	201	–	–	–	201	(135)	66
Total comprehensive income for the year	–	–	201	–	54,925	–	55,126	27,261	82,387
Conversion of equity accounts	235,000	3,533	769	(25,015)	(214,287)	–	–	–	–
Acquisition of non-controlling interests	–	2,143	–	–	–	–	2,143	(22,143)	(20,000)
Capital injection from a shareholder *(Note 34)*	381,730	(135,636)	–	–	(30,923)	–	215,171	–	215,171
Issue of shares	238,910	21,977	–	–	–	–	260,887	–	260,887
Transaction costs attributable to issue of shares	–	(30,562)	–	–	–	–	(30,562)	–	(30,562)
Dividends recognised as distribution *(Note 12)*	–	–	–	–	(63,000)	–	(63,000)	(37,000)	(100,000)
Transfer	–	–	(769)	644	(3,788)	3,913	–	–	–
At 31 December 2023	955,640	(8,585)	(410)	422	38,337	36,371	1,021,775	105,665	1,127,440

Notes:

(i) The balance mainly comprises (i) reserves arose from corporate reorganisation of the Company (the "**Reorganisation**") prior to the listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") and the share premium, net with transaction costs, arising from the issue of H shares for the Listing in year 2023 and (ii) the difference between the carrying amount of consideration paid and 10% of the net assets value of Henan Jinrui Energy Co., Ltd.* 河南金瑞能源有限公司 ("**Jinrui Energy**") when acquiring the non-controlling interest of Jinrui Energy from Henan Hongkong (Jiyuan) Coking Group Co., Ltd.* 豫港(濟源)焦化集團有限公司 ("**Yugang Coking**") in year 2023.

(ii) Pursuant to the relevant laws in the People's Republic of China (the "**PRC**"), each of the entities established in the PRC is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of the group entities) to the reserve fund. The reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the entity.

(iii) The Group is required to make appropriations based on its revenue in accordance with CaiQi [2006] No. 478 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.

* *For identification purpose only*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**98,889**	233,548
Adjustments for:		
Interest income on bank deposits	**(3,384)**	(1,803)
Interest income on bills receivables at FVTOCI	**(1,813)**	(1,922)
Loss on retirement or disposal of property, plant and equipment	**73**	2
Depreciation of property, plant and equipment	**49,763**	43,325
Depreciation of right-of-use assets	**2,856**	2,669
Amortisation of intangible assets	**5,902**	16,293
Share of result of a joint venture	**(3,148)**	–
Finance costs	**6,064**	8,022
Release of assets-related government subsidies	**(1,586)**	(1,586)
Net foreign exchange loss	**104**	–
Operating cash flows before movements in working capital	**153,720**	298,548
(Increase) decrease in inventories	**(51,785)**	1,739
Decrease in bills receivables at FVTOCI	**18,110**	37,852
Decrease in trade and other receivables	**13,183**	24,452
Decrease (increase) in amounts due from related parties	**8,969**	(32,380)
(Decrease) increase in trade and other payables	**(24,385)**	21,833
Increase in amount due to a shareholder	**1,977**	–
Increase in amount due to a related party	**1,063**	–
Increase in contract liabilities	**13,408**	4,922
Cash generated from operations	**134,260**	356,966
Income tax paid	**(29,801)**	(38,168)
NET CASH FROM OPERATING ACTIVITIES	**104,459**	318,798

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
INVESTING ACTIVITIES		
Interest on bank balances received	**3,384**	1,803
Purchase of property, plant and equipment	**(148,404)**	(118,365)
Refundable deposit returned to constructors	**(1,600)**	(49)
Refundable deposit received from constructors	**350**	1,801
Proceeds from disposal of property, plant and equipment	**–**	21
Payment for acquisition of business in prior year	**–**	(425)
Repayment from (loan to) a related party	**30,000**	(30,000)
Placement of restricted bank balances	**(52,003)**	(61,360)
Placement of time deposit	**–**	(30,000)
Withdrawal from time deposit	**30,000**	–
Withdrawal from restricted bank balances	**67,211**	69,230
NET CASH USED IN INVESTING ACTIVITIES	**(71,062)**	(167,344)
FINANCING ACTIVITIES		
Interest paid	**(11,412)**	(8,378)
Bank borrowings raised	**166,615**	199,837
Repayment of bank borrowings	**(73,000)**	(85,690)
Repayment of lease liabilities	**(24)**	(16)
Repayment of borrowings to a shareholder	**–**	(214,817)
Dividends paid to the shareholder	**(63,000)**	(15,300)
Dividends paid to non-controlling shareholders of subsidiaries	**(37,000)**	(14,700)
Acquisition of non-controlling interests	**(20,000)**	–
Capital injection from a shareholder to a subsidiary	**5,000**	–
Issue of new shares	**260,887**	–
Transaction costs attributable to issue of shares	**(23,119)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**204,947**	(139,064)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**238,344**	12,390
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**62,470**	50,080
Effect of foreign exchange rate changes	**(104)**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY		
Bank balances and cash	**300,710**	62,470

1. GENERAL INFORMATION

Henan Jinyuan Hydrogenated Chemicals Co., Ltd.* 河南金源氫化化工股份有限公司 (the "**Company**") was established in the PRC on 13 February 2003 as a limited liability company under the Company Law of the PRC. Its parent is Henan Jinma Energy Co., Ltd* 河南金馬能源股份有限公司 ("**Jinma Energy**") (incorporated in the PRC).

The principal activities of the Company and its subsidiaries (Note 18) (the "**Group**") are mainly engaged in the production and sales of hydrogenated benzene-based chemicals, mainly coal gas, liquefied natural gas ("**LNG**"), trading of LNG, refined oil and hydrogen and provision of other services, including provision of steam ("**Other Services**").

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 established a place of business in Hong Kong at 17th Floor, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong. It was registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance (Cap. 622) on 21 August 2023.

With a series of equity transfer arrangements, the Company was owned by Jinma Energy and Shanghai Jinma Energy Sources Co., Ltd.* 上海金馬能源有限公司 ("**Shanghai Jinma**") since June 2023. 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. Pursuant to the Reorganisation, the Group acquired the equity interests in Jiyuan Jinning Energy Co., Ltd.* 濟源市金寧能源實業有限公司 ("**Jinning Energy**"), Jinrui Energy and Henan Jinma Qingneng Co., Ltd.* 河南金馬氫能有限公司 ("**Jinma Qingneng**") from Jinma Energy, by issuing 273,410,000 new shares at RMB1 per share. Pursuant to a prospectus issued by the Company dated 12 December 2023 in relation to its global offering of the Company's shares, the Company issued 238,910,000 H shares, which were listed on the Stock Exchange on 20 December 2023.

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 INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the years ended 31 December 2022 and 2023, the Group has consistently applied the accounting policies which conform with the IFRSs, International Accounting Standards ("**IASs**"), amendments and the related interpretations issued by the International Accounting Standards Board ("**IASB**"), which are effective for the financial year beginning on 1 January 2023.

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRSs in issue but not yet Effective

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 Agreements[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.

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

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

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

3.1 Basis of preparation of consolidated financial statements

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. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Prior to the completion of the Reorganisation in 2023, Jinning Energy, Jinrui Energy and Jinma Qingneng are under the common control of Jinma Energy, the Group is regarded as a continuing entity and merger accounting has been applied for the preparation of the consolidated financial statements.

The consolidated financial statements has been prepared under the principles of common control combination as if the Company had been the holding company of Jinrui Energy, Jinning Energy and Jinma Qingneng throughout both years. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for both years include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the reporting period, or since their respective dates of establishment.

The consolidated statement of financial position of the Group as at 31 December 2022 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at that date taking into account the respective dates of establishment, where applicable.

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.

3. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Basis of consolidation (continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the consolidated businesses in which the common control combination occurs as if they had been consolidated from the date when the consolidated businesses first came under the control of the controlling party.

The net assets of the consolidated businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the consolidated businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

3. BASIS OF PREPARATION AND PRESENTATION 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 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 combination, 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. 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).

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in the joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

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. Details about the Group's accounting policies relating to contracts with customers is provided in Note 5.

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 Leases 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.

3. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

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 liability;
- any lease payments made at or before the commencement date, less any lease incentives received; 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 statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability 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.

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 statement of financial position.

3. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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 AND PRESENTATION 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 statement 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 current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. 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 AND PRESENTATION 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the 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 the 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 the 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 recognized in profit or loss, except when they relate to items that are recognized 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.

3. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

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 statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings and structures and machinery and 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 AND PRESENTATION 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 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.

3. BASIS OF PREPARATION AND PRESENTATION 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)

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.

(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

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 cash 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.

3. BASIS OF PREPARATION AND PRESENTATION 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 (continued)

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**").

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.

3. BASIS OF PREPARATION AND PRESENTATION 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 (continued)

(i) Significant increase in credit risk (continued)

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.

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.

3. BASIS OF PREPARATION AND PRESENTATION 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 (continued)

(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 AND PRESENTATION 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 (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 AND PRESENTATION 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 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 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/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. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, 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 the 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 2023, the Group's bills receivables at FVTOCI amounting to RMB68,721,000 (2022: RMB84,930,000) 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 41.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2023				
Segments*	**Refined chemicals**	**Energy products**	**Trading#**	**Other Services**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Types of goods or service					
Sales of goods					
Hydrogenated benzene-based chemicals	1,502,282	–	–	–	1,502,282
Coal gas	–	476,947	–	–	476,947
LNG	–	308,868	78,630	–	387,498
Refined oil	–	–	157,767	–	157,767
Hydrogen	–	–	1,003	–	1,003
Others	–	–	–	146	146
	1,502,282	785,815	237,400	146	2,525,643
Providing services					
Energy supply	–	–	178	10,788	10,966
Total	1,502,282	785,815	237,578	10,934	2,536,609

Included in trading segment represented intra-group retail sales of LNG, refined oil and hydrogen amounting to approximately RMB442,000 through gas stations operated by the Group. The Group recognised revenue from retails sales of LNG, refined oil and hydrogen to external customers amounting to approximately RMB197,201,000 through gas stations.

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Disaggregation of revenue from contracts with customers (continued)

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

	For the year ended 31 December 2023		
	Segment revenue	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000
Refined chemicals	1,502,282	–	1,502,282
Energy products	785,815	(133,625)	652,190
Trading	237,578	(72,696)	164,882
Other Services	10,934	(60)	10,874
Revenue from contracts with customers	2,536,609	(206,381)	2,330,228

	For the year ended 31 December 2022				
Segments*	Refined chemicals	Energy products	Trading#	Other Services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods or service					
Sales of goods					
Hydrogenated benzene-based chemicals	1,313,836	–	–	–	1,313,836
Coal gas	–	414,457	–	–	414,457
LNG	–	424,872	106,958	–	531,830
Refined oil	–	–	108,694	–	108,694
Others	–	–	–	634	634
	1,313,836	839,329	215,652	634	2,369,451
Providing services					
Energy supply	–	–	65	11,532	11,597
Total	1,313,836	839,329	215,717	12,166	2,381,048

Included in trading segment represented intra-group retail sales of LNG, refined oil amounting to approximately RMB119,000 through gas stations operated by the Group. The Group recognised revenue from retails sales of LNG, refined oil to external customers amounting to approximately RMB161,158,000 through gas stations.

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Disaggregation of revenue from contracts with customers (continued)

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

	For the year ended 31 December 2022		
	Segment revenue	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000
Refined chemicals	1,313,836	–	1,313,836
Energy products	839,329	(91,914)	747,415
Trading	215,717	(34,536)	181,181
Other Services	12,166	(65)	12,101
Revenue from contracts with customers	2,381,048	(126,515)	2,254,533

Performance obligations for contracts with customers and revenue recognition policies

The Group is mainly engaged the production and sales of hydrogenated benzene-based chemicals, coal gas, LNG, trading of refined oil and hydrogen and provision of Other Services, for which revenue is recognised at point in time.

For sales of hydrogenated benzene-based chemicals and energy products, revenue is recognised when control of the products has transferred, being when the products have been delivered to the location specified in the sales contract. Following the delivery, the customer has 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.

For trading of products to retail customers, revenue is recognised when control of the goods has been transferred, being at the point the customer purchases the goods at the gas station. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For providing steam, which is the major services provided in Other Services segment, revenue is recognised when control of the goods has been transferred, being when the steam have been transmitted through the boundary of port specified in the sales contract.

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. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

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

The Group's operating segments under IFRS 8 "Operating Segments" are (i) sales of hydrogenated benzene based chemicals ("**Refined chemicals**"), (ii) sales of energy products, mainly coal gas and LNG ("**Energy products**"), (iii) trading of refined oil, LNG and hydrogen through gas stations ("**Trading**"), and (iv) provision of Other Services.

Segment revenues and results

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

For the year ended 31 December 2023

	Refined chemicals	Energy products	Trading	Other Services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE					
External sales	1,502,282	652,190	164,882	10,874	2,330,228
Inter-segment sales	–	133,625	72,696	60	206,381
	1,502,282	785,815	237,578	10,934	2,536,609
Segment profit	42,029	87,196	10,764	9,335	149,324
Other income					8,553
Other gains and losses					(4,397)
Selling and distribution expenses					(18,420)
Administrative expenses					(31,315)
Listing expenses					(1,415)
Finance costs					(6,064)
Share of result of a joint venture					3,148
Unallocated expenses					(525)
Profit before tax					98,889

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 December 2022

	Refined chemicals	Energy products	Trading	Other Services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE					
External sales	1,313,836	747,415	181,181	12,101	2,254,533
Inter-segment sales	–	91,914	34,536	65	126,515
	1,313,836	839,329	215,717	12,166	2,381,048
Segment profit	62,573	201,651	14,475	10,626	289,325
Other income					6,354
Other gains and losses					(5,535)
Selling and distribution expenses					(15,366)
Administrative expenses					(31,562)
Finance costs					(8,022)
Unallocated expenses					(1,646)
Profit before tax					233,548

The accounting policies of the operating segments are the same as the Group's accounting policies described as above and in Note 3. Segment results represent the gross profit from each segment without allocation of other income, other gains and losses, selling and distribution expenses, administrative expenses, finance costs and share of result of a joint venture. Sales related taxes are classified as unallocated expenses.

Inter-segment sales are charged at prevailing market rates.

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to or reviewed by the chief operating decision maker.

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

	Refined chemicals	Energy products	Trading	Other Services	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2023						
Amounts included in measure of segment results:						
Depreciation and amortisation	**21,778**	**27,448**	**5,529**	**123**	**3,643**	**58,521**

	Refined chemicals	Energy products	Trading	Other Services	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2022						
Amounts included in measure of segment results:						
Depreciation and amortisation	16,090	37,273	5,373	87	3,464	62,287

Entity-wide disclosures

Geographical information

During the years ended 31 December 2023 and 2022, all of the Group's revenue from external customers, from continuing operations, were generated from the PRC whereas all non-current assets are located in the PRC.

5. REVENUE AND SEGMENT INFORMATION (continued)

Entity-wide disclosures (continued)

Information about major customers

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

	Year ended	
	31/12/2023	31/12/2022
	RMB'000	RMB'000
China Pingmei Shenma Holding Group Co., Ltd* 中國平煤神馬控股集團有限公司 and its subsidiaries *(Note)*	**833,131**	925,640

Note: Revenue from sales of hydrogenated benzene-based chemicals.

6. OTHER INCOME

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Interest income on bank deposits	**3,384**	1,803
Interest income on bills receivables at FVTOCI	**1,813**	1,922
Release of assets-related government subsidies *(Note 35)*	**1,586**	1,586
Government grants	**669**	28
Rental income	**1,101**	917
Others	**–**	98
	8,553	6,354

7. OTHER GAINS AND LOSSES

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Net loss arising on bills receivables at FVTOCI	**(5,495)**	(6,517)
Loss on retirement or disposal of property, plant and equipment	**(73)**	(2)
Foreign exchange loss, net	**(104)**	–
Gain on disposal of scrap steel	**21**	100
Others	**1,254**	884
	(4,397)	(5,535)

8. FINANCE COSTS

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Interest expense on:		
– bank borrowings	**11,941**	8,601
– lease liabilities	**82**	8
	12,023	8,609
Less: amounts capitalised	**(5,959)**	(587)
	6,064	8,022
Capitalisation rate – per annum	**5.60%**	5.60%

9. PROFIT BEFORE TAX

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Profit before tax has been arrived at after charging:		
Staff costs		
Directors', chief executive's and supervisors' remuneration *(Note 13)*	**932**	1,725
Other staff costs	**26,157**	25,415
Other staff benefits	**5,155**	3,742
Total staff costs	**32,244**	30,882
Capitalised in inventories	**(20,408)**	(17,016)
	11,836	13,866
Depreciation of property, plant and equipment	**49,763**	43,325
Capitalised in inventories	**(44,891)**	(38,362)
	4,872	4,963
Depreciation of right-of-use assets	**2,856**	2,669
Amortisation of intangible assets included in cost of sales	**5,902**	16,293
Auditors' remuneration	**800**	100
Cost of inventories recognised as expenses	**2,180,904**	1,965,208

10. INCOME TAX EXPENSE

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
PRC Enterprise Income Tax ("**EIT**")		
– current tax	**16,337**	41,252
– under-provision in prior years	**493**	579
Deferred tax *(Note 21)*	**(262)**	(2,364)
	16,568	39,467

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 both years.

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

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Profit before tax	**98,889**	233,548
Tax charge at the applicable income tax rate of 25% (2022: 25%)	**24,722**	58,387
Tax effect of expenses not deductible for tax purposes	**184**	193
Tax effect of share of result of a joint venture	**(787)**	–
Tax effect of tax losses not recognised	**23**	–
Under-provision in prior years	**493**	579
Tax effect of income not taxable for tax purpose *(Note)*	**(7,990)**	(10,909)
Utilisation of tax losses previously not recognised	**–**	(8,565)
Income tax at concessionary rate	**(77)**	(218)
Income tax expense	**16,568**	39,467

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 year ended 31 December 2023, the Group had tax deduction under the scheme of RMB7,990,000 (2022: RMB10,909,000).

11. OTHER COMPREHENSIVE INCOME

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Other comprehensive income includes:		
Items that may be reclassified subsequently to profit or loss:		
Fair value change arising from bills receivables at FVTOCI	**10,985**	12,385
Reclassification to profit or loss during the year upon derecognition of bills receivables at FVTOCI	**(10,919)**	(12,058)
	66	327

Income tax effect relating to other comprehensive income

	Year ended 31/12/2023			Year ended 31/12/2022		
	Before-tax amount	**Tax charge**	**Net-of-income tax amount**	Before-tax amount	Tax charge	Net-of-income tax amount
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Item that may be reclassified subsequently to profit or loss:						
Fair value gain on:						
– bills receivables at FVTOCI	**88**	**(22)**	**66**	436	(109)	327

12. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB0.02 per share, in an aggregate amount of RMB19,113,000 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

The dividends declared by subsidiaries of the Company to the non-controlling shareholders amounted to RMB37,000,000 (2022: RMB14,700,000) during the year ended 31 December 2023. In addition, the dividends were declared and paid to the previous controlling shareholder before the Reorganisation, Jinma Energy, amounted to RMB63,000,000 (2022: RMB15,300,000) during the year ended 31 December 2023.

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors', Chief Executive's and Supervisors' emoluments

Following the completion of the Reorganisation, the executive directors, non-executive director, independent non-executive directors and supervisors of the Company were appointed on 28 July, 16 August and 22 October 2023. Details of the emoluments paid to the individuals who were appointed as the directors, chief executive and supervisors (including the emoluments prior to becoming the director or supervisor of the Company) are as follows:

	Fees	Salaries, allowance and benefits in kind	Performance related bonuses	Retirement benefit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2023					
Executive directors:					
Mr. Wang Zengguang	–	415	–	40	455
Mr. Qiao Erwei	–	247	–	24	271
Non-executive directors:					
Mr. Yiu Chiu Fai	–	–	–	–	–
Mr. Wang Kaibao	–	–	–	–	–
Mr. Wang Lijie	–	–	–	–	–
Independent non-executive directors#:					
Mr. Di Zhigang	10	–	–	–	10
Ms. Wong Yan Ki Angel	19	–	–	–	19
Ms. Leung Sin Yeng Winnie	15	–	–	–	15
Supervisors:					
Mr. Wong Tsz Leung	–	–	–	–	–
Mr. Wu Zhiqiang	–	–	–	–	–
Mr. Li Hebao	–	139	–	23	162
	44	801	–	87	932

Mr. Cheung Kwong Tat was appointed on 28 July 2023 and resigned on 22 October 2023 and no emoluments were paid to him. Mr. Wang Gaofeng was appointed as a supervisor on 28 July 2023 and resigned on 15 August 2023.

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors', Chief Executive's and Supervisors' emoluments (continued)

	Fees	Salaries, allowance and benefits in kind	Performance related bonuses	Retirement benefit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2022					
Executive directors:					
Mr. Wang Zengguang	–	427	434	32	893
Mr. Qiao Erwei	–	251	380	19	650
Non-executive directors:					
Mr. Yiu Chiu Fai	–	–	–	–	–
Mr. Wang Kaibao	–	–	–	–	–
Mr. Wang Lijie	–	–	–	–	–
Independent non-executive directors:					
Mr. Di Zhigang	–	–	–	–	–
Ms. Wong Yan Ki Angel	–	–	–	–	–
Ms. Leung Sin Yeng Winnie	–	–	–	–	–
Supervisors:					
Mr. Wong Tsz Leung	–	–	–	–	–
Mr. Wu Zhiqiang	–	–	–	–	–
Mr. Li Hebao	–	132	30	20	182
	–	810	844	71	1,725

Certain directors and supervisors who did not receive emoluments from the Group during both years, also held positions in the corporate shareholders of the Company and their subsidiaries ("**Shareholder's Entities**") and the emoluments were borne by the respective Shareholder's Entities for the services rendered for the Shareholder's Entities. In the opinion of the directors of the Company, it is not practicable to allocate their remunerations to the Group.

Mr. Wang Zengguang is the general manager of the Company and his emolument disclosed above include those for services in connection with the management of affairs of the Group rendered by him as the general manager.

The emoluments of executive directors shown above were mainly for their services in connection with the management of the affairs of the Company and the Group whereas those paid to non-executive directors and independent non-executive directors were for their services as directors of the Company.

The performance related bonuses were determined by the management of the Group by reference to the performance and market trend as relevant.

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

Five individuals with the highest emoluments

Of the five individuals with the highest emoluments in the Group, two (2022: one) were directors of the Company for the year ended 31 December 2023, whose emoluments is included in the disclosures above. The emoluments of the remaining individuals are as follows:

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Salaries, allowance and benefits in kind	**799**	1,082
Performance related bonuses	**–**	510
Retirement benefit	**87**	65
	886	1,657

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
Nil to Hong Kong Dollar ("**HK$**") 1,000,000	**3**	4

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office during both years. None of the directors waived any emoluments during both years.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following analysis:

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**54,925**	138,229
	'000	'000
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**612,015**	536,060

Note: The weighted average number of ordinary shares for the year ended 31 December 2022 included 335,000,000 shares issued during the equity conversion and the 201,060,000 shares issued to acquire the equity interests in Jinning Energy and Jinrui Energy under common control.

No diluted earnings per share is presented as there was no dilutive potential ordinary share in issue for the both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2022	136,367	475,845	2,154	36,537	10,321	661,224
Additions	1,526	8,076	182	50	115,497	125,331
Disposals	–	(749)	–	–	–	(749)
At 31 December 2022	137,893	483,172	2,336	36,587	125,818	785,806
Additions#	234	112,820	–	184	247,723	360,961
Transfer	57,266	292,171	–	–	(349,437)	–
Disposals	(85)	–	(22)	–	–	(107)
At 31 December 2023	**195,308**	**888,163**	**2,314**	**36,771**	**24,104**	**1,146,660**
Depreciation						
At 1 January 2022	25,858	137,283	453	20,133	–	183,727
Provided for the year	7,262	33,091	444	2,528	–	43,325
Eliminated on disposals	–	(726)	–	–	–	(726)
At 31 December 2022	33,120	169,648	897	22,661	–	226,326
Provided for the year	7,667	39,203	428	2,465	–	49,763
Eliminated on disposals	(17)	–	(17)	–	–	(34)
At 31 December 2023	**40,770**	**208,851**	**1,308**	**25,126**	**–**	**276,055**
Carrying values						
At 31 December 2023	**154,538**	**679,312**	**1,006**	**11,645**	**24,104**	**870,605**
At 31 December 2022	104,773	313,524	1,439	13,926	125,818	559,480

Included RMB108,326,000 which represented fair value of the coke granules coal gas facilities acquired from Jinma Energy by issuing new shares, as detailed in note 34

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	19%
Office equipment	6%-19%

16. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	114,022	–	114,022
Depreciation charged during the year	(2,669)	–	(2,669)
As at 31 December 2022	111,353	–	111,353
Additions	**–**	**3,994**	**3,994**
Depreciation charged during the year	**(2,669)**	**(187)**	**(2,856)**
As at 31 December 2023	**108,684**	**3,807**	**112,491**

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%
Leased properties	10%-33%

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Expense relating to short-term leases *(Note)*	**161**	–
Total cash outflow for leases	**185**	24

Note: The short-term leases are mainly office premises and machinery. The Group has elected the recognition exemption on short-term leases and recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

The Group leases offices and plants for its operations. Lease contracts are entered into for fixed term of 3 years to 10 years during the year (2022: N/A). 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 three (2022: three) leasehold lands with carrying amount of RMB194,000 (2022: RMB214,000) in which the Group obtains the right of use under long-term lease contracts as at 31 December 2023.

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.

17. INTANGIBLE ASSETS

	Franchise right	Operating license	Total
	RMB'000 (Note i)	RMB'000 (Note ii)	RMB'000
Cost			
At 1 January 2022, 31 December 2022 and 2023	93,502	29,019	122,521
Amortisation			
At 1 January 2022	74,209	3,061	77,270
Charge for the year	14,842	1,451	16,293
At 31 December 2022	89,051	4,512	93,563
Charge for the year	4,451	1,451	5,902
At 31 December 2023	**93,502**	**5,963**	**99,465**
Carrying values			
At 31 December 2023	**–**	**23,056**	**23,056**
At 31 December 2022	4,451	24,507	28,958

Notes:

(i) Franchise right represents the concession agreement that Jinning Energy entered into with the local government whereby it was granted the exclusive right to transport coal gas to the industrial enterprises in the vicinity of Huancheng Road (環城路) and the residents of Du Village (杜村) in Chengliu town (承留鎮), Jiyuan city.

(ii) Operating license represents the license for sale of refined oil, which was acquired from business acquisition in prior year. The useful life of 20 years is estimated with reference to the expected useful life of property, plant and equipment and the lease term of the leasehold lands use right at initial recognition.

The total useful life of the franchise right on sales of coal gas is 6.3 years and that of the operating license of refined oil is 20 years. The above intangible assets are amortised on a straight-line basis over the useful life and have remaining useful lives listed as below:

	31/12/2023	31/12/2022
	years	years
Franchise right – sales of coal gas	**–**	0.3
Operating license of refined oil	**15.3**	16.3

18. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries are set out below.

Name of subsidiary*	Place and date of establishment/ incorporation/ operation	Class of shares held	Equity interest attributable to the Group		Issued/authorised share capital	Principal activities
			2023	2022		
Directly held:						
Jinning Energy	PRC 2 July 2017	Ordinary shares	**51%**	51%	RMB10,000,000	Distribution and sale of coal gas
Jinrui Energy	PRC 24 May 2016	Ordinary shares	**81%**	71%	RMB100,000,000	Manufacturing and sale of LNG
Jinma Qingneng	PRC 18 February 2021	Ordinary shares	**100%**	100%	2023: RMB15,000,000/ RMB200,000,000 (2022: Nil/ RMB200,000,000)	Provision of multimodal transportation, warehouse and distribution services for coal products
Indirectly held:						
河南金瑞燃氣有限公司 (Henan Jinrui Gas Co., Ltd.) ("**Jinrui Gas**")	PRC	Ordinary shares	**81%**	71%	RMB25,500,000	Sales and retail of LNG and refined oil
濟源市歐亞加油站有限公司 (Jiyuan Ouya Gas Station Co., Ltd.) ("**Ouya Gas Station**")	PRC	Ordinary shares	**81%**	71%	RMB500,000	Sales and retail of refined oil

* English name for identification only

All the subsidiaries of the Company are domestic limited liability companies. None of the subsidiaries had any debt securities outstanding at 31 December 2023 and 2022 or at any time during both years.

18. PARTICULARS OF SUBSIDIARIES (continued)

The table below shows details of non-wholly-owned subsidiaries of the Company:

Name of subsidiary	Proportion ownership interest held by non-controlling interests At 31 December		Profit allocated to non-controlling interests Year ended 31 December		Accumulated non-controlling interests At 31 December	
	2023	2022	**2023**	2022	**2023**	2022
	%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Jinning Energy	**49**	49	**17,730**	16,740	**61,427**	63,432
Jinrui Energy	**19**	29	**9,666**	39,112	**44,238**	74,115
			27,396	55,852	**105,665**	137,547

Summarised financial information in respect of each of the Company's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

18. PARTICULARS OF SUBSIDIARIES (continued)

Jinning Energy

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Current assets	52,686	60,231
Non-current assets	88,788	87,502
Current liabilities	15,940	17,167
Non-current liabilities	173	1,113
Net equity	125,361	129,453
Equity attributable to owners of the Company	63,934	66,021
Equity attributable to non-controlling interests	61,427	63,432

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Revenue	464,050	415,089
Expenses *(Note)*	427,868	380,927
Profit for the year	36,182	34,162
Profit attributable to		
– the owners of the Company	18,452	17,422
– the non-controlling interests	17,730	16,740
Profit for the year	36,182	34,162
Other comprehensive expense attributable to		
– the owners of the Company	139	–
– the non-controlling interests	135	–
Other comprehensive expense for the year	274	–
Total comprehensive income attributable to		
– the owners of the Company	18,313	17,422
– the non-controlling interests	17,595	16,740
Total comprehensive income for the year	35,908	34,162
Dividends declared and paid to non-controlling interests	19,600	14,700
Net cash from operating activities	43,039	44,262
Net cash used in investing activities	(2,793)	(36,097)
Net cash used in financing activities	(40,000)	(30,000)
Net cash inflow (outflow)	246	(21,835)

Note: The expenses include cost of sales, selling and distribution expenses, administrative expenses and finance costs.

18. PARTICULARS OF SUBSIDIARIES (continued)

Jinrui Energy

	31/12/2023 RMB'000	31/12/2022 RMB'000
Current assets	**55,104**	82,415
Non-current assets	**287,476**	302,377
Current liabilities	**87,871**	88,015
Non-current liabilities	**21,550**	41,209
Net equity	**233,159**	255,568
Equity attributable to owners of the Company	**188,921**	181,453
Equity attributable to non-controlling interests	**44,238**	74,115

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Revenue	**489,150**	652,124
Expenses *(Note)*	**451,559**	515,671
Profit and total comprehensive income for the year	**37,591**	136,453
Profit and total comprehensive income attributable to		
– the owners of the Company	**27,925**	97,341
– the non-controlling interests	**9,666**	39,112
Profit and total comprehensive income for the year	**37,591**	136,453
Dividends declared and paid to non-controlling interests	**17,400**	–
Net cash from operating activities	**59,926**	189,841
Net cash used in investing activities	**(9,179)**	(40,163)
Net cash used in financing activities	**(72,342)**	(150,471)
Net cash outflow	**(21,595)**	(793)

Note: The expenses include cost of sales, selling and distribution expenses, administrative expenses and finance costs.

19. GOODWILL

	Jinning Energy	Gas Stations	Total
	RMB'000	RMB'000	RMB'000
Cost			
At 1 January 2022,			
31 December 2022 and 2023	8,001	4,835	12,836
Impairment			
At 1 January 2022,			
31 December 2022 and 2023 *(Note)*	–	2,167	2,167
Carrying values			
At 31 December 2022 and 2023	8,001	2,668	10,669

Note: The impairment of goodwill related to Unit B (as defined below) amounting to RMB2,167,000 was recognised before 1 January 2022.

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

	Number of CGUs	
	31/12/2023	31/12/2022
	RMB'000	RMB'000
Subsidiary engaged in distribution and sales of coal gas	**1**	1
Gas stations engaged in retail of refined oil	**3**	3
	4	4

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

	Number of CGUs	
	31/12/2023	31/12/2022
	RMB'000	RMB'000
Sales of coal gas – Jinning Energy (Unit A)	**8,001**	8,001
Retail of refined oil – Ouya Gas Station (Unit B)	**253**	253
Retail of refined oil – Liandong Gas Station (Unit C)	**648**	648
Retail of refined oil – Jidong Gas Station (Unit D)	**1,767**	1,767
	10,669	10,669

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 B, Unit C and Unit D based on the the purchase price allocation exercise. Unit C and Unit D are included in Jinrui Gas.

19. GOODWILL (continued)

The recoverable amount of Unit A has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate listed as follows:

	31/12/2023	31/12/2022
Discount rate	**28.5%**	28.5%

Cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate for the years ended 31 December 2023 and 2022. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to Unit A.

The management of the Group determines that there is no impairment of Unit A during the year (2022: Nil) and believes that any reasonably possible changes in any of these assumptions would not cause the carrying amount of Unit A to exceed its recoverable amount. Also management of the Group determines that there is no further impairment on Unit B and no impairment on other units during the year after impairment assessment. As at 31 December 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.

20. INTEREST IN A JOINT VENTURE

	31/12/2023
	RMB'000
Cost of unlisted investment in a joint venture	**87,763**
Share of post-acquisition results	**3,148**
	90,911

Details of the Group's joint venture at the end of the reporting period are set out below:

Name of joint venture*	**Place of registration and operations**	**Fully paid registered capital**	**Proportion of ownership interest/voting rights attributable to the Group**		**Principal activities**
			2023	2022 (Note)	
Henan Jinjiang Refinery Co., Ltd. ("**Jinjiang Refinery**") 河南金江煉化有限公司	PRC	RMB100,000,000	**49%**	0%	Manufacture and sale of hydrogen

* English name for identification only

Note: Jinma Qingneng acquired 49% equity interest in Jinjiang Refinery on 31 July 2023 from Jinma Energy with nil consideration. Following the completion of the Reorganisation in August 2023, Jinjiang Refinery was accounted for as a joint venture of the Group under equity method.

20. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in the consolidated financial statements.

	31/12/2023
	RMB'000
Current assets	93,689
Non-current assets	106,063
Current liabilities	11,697
Non-current liabilities	2,523
The above amounts of assets and liabilities include the followings:	
Cash and cash equivalents	61,034

	Periods from acquisition date to 31/12/2023
	RMB'000
Revenue	111,692
Profit and total comprehensive income for the year	6,425
The above profit for the period includes the following:	
Depreciation	7,429
Interest income	180
Income tax expense	810

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in consolidated financial statements.

	31/12/2023
	RMB'000
Net assets	185,532
Proportion of the Group's ownership interest in the joint venture	49%
Carrying amount of the Group's interest in the joint venture	90,911

21. DEFERRED TAX ASSETS/LIABILITIES

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

	Accelerated tax depreciation	Fair value change of bills receivables at FVTOCI	Fair value adjustments upon acquisition of business	Deferred revenue	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	–	238	(3,749)	4,421	–	910
(Charge) credit to profit or loss	(944)	28	3,676	(396)	–	2,364
Charge to the other comprehensive income	–	(109)	–	–	–	(109)
At 31 December 2022	(944)	157	(73)	4,025	–	3,165
(Charge) credit to profit or loss	**(764)**	**42**	**956**	**(397)**	**425**	**262**
Charge to the other comprehensive income	**–**	**(22)**	**–**	**–**	**–**	**(22)**
At 31 December 2023	**(1,708)**	**177**	**883**	**3,628**	**425**	**3,405**

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

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Deferred tax assets	**3,887**	4,796
Deferred tax liabilities	**(482)**	(1,631)
	3,405	3,165

As at 31 December 2023, the Group had unused tax losses of RMB1,792,000 (2022: Nil) available to offset against future profits. Deferred tax asset of RMB425,000 (2022: Nil) has been recognised in respect of tax losses of RMB1,700,000. All tax losses will expire within 5 years (2022: N/A) from the year of origination. No deferred tax asset has been recognised in respect of the rest losses due to the unpredictability of future profit streams.

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

22. INVENTORIES

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Raw materials	65,884	37,128
Finished goods	51,600	28,571
	117,484	65,699

23. TRADE AND OTHER RECEIVABLES

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Trade receivables – contract with customers	8,731	13,757
Other receivables	290	199
Prepayments to suppliers	11,151	6,435
Prepaid other taxes and charges	11,862	10,744
	32,034	31,135

As at 1 January 2022, the carrying amount of trade receivables net of allowance for ECL from contracts with customers amounted to RMB11,915,000.

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 the reporting period:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Within 90 days	8,708	13,463
91 – 180 days	23	–
181 – 365 days	–	204
More than 1 year	–	90
	8,731	13,757

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 41.

24. AMOUNTS DUE FROM RELATED PARTIES

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Trade nature		
Xinyang Steel Jingang Energy Co., Ltd.* 信陽鋼鐵金港能源有限公司("**Xinyang Jingang**") *(Note i)*	23,411	32,372
Jiyuan Fangsheng Chemicals Co., Ltd.* ("**Fangsheng Chemicals**")濟源市方升化學有限公司*(Note ii)*	–	8
	23,411	32,380
Non-trade nature		
Xinyang Jingang *(Note iii)*	–	30,000
	–	30,000
Total	23,411	62,380

* English name for identification only

Notes:

(i) The entity is controlled by Jinma Energy. The balance at 1 January 2022 amounted to nil.

(ii) The entity is significant influenced by a key management personnel of the Company 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 at 1 January 2022 amounted to nil.

(iii) The balance as at 1 January 2022 is amounted to nil. The amount was unsecured and bearing an annual interest of 5% and was repaid before 31 December 2023.

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 the reporting period.

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Within 90 days	–	31,592
91 – 180 days	–	788
181 – 365 days	21,039	–
Over 365 days	2,372	–
	23,411	32,380

The normal credit term to the customers is within 60 days and extended credit terms are granted to related parties. None of the balance is past due as at 31 December 2023 and 2022.

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 41.

25. BILLS RECEIVABLES AT FVTOCI

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Bills receivables	68,721	84,930

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 31 December 2023 and 2022, all the bills are with a maturity period of less than one year.

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

Details of impairment assessment are set out in Note 41.

26. 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 1.25% (2022: from 0.20% to 1.65%) per annum as at 31 December 2023. As at 31 December 2023, no time deposits are included in the bank balances (2022: RMB30,000,000).

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 41.

27. BORROWINGS

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Bank borrowings	258,762	165,147
Secured	166,762	105,147
Unsecured	92,000	60,000
	258,762	165,147
Fixed-rate borrowings	50,000	30,000
Floating-rate borrowings	208,762	135,147
	258,762	165,147
Carrying amount repayable: (based on scheduled payment terms)		
Within one year	142,000	87,000
More than one year, but not more than two years	60,000	68,147
More than two years, but not more than five years	56,762	10,000
	258,762	165,147
Less: Amount due for settlement within 12 months shown under current liabilities	(142,000)	(87,000)
Amount due for settlement after 12 months shown under non-current liabilities	116,762	78,147

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

	31/12/2023	31/12/2022
Effective interest rate per annum:		
– Fixed-rate borrowings	3.85%	5.30%
– Floating-rate borrowings	3.61%-5.60%	3.99%-5.60%

28. TRADE AND OTHER PAYABLES

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Trade payables	37,320	10,601
Bills payables	10,000	57,000
	47,320	67,601
Salaries and wages payables	2,089	6,586
Other tax payables	7,379	5,138
Consideration payable for purchase of property, plant and equipment	130,568	58,075
Accruals	1,356	2,053
Interest payable	760	231
Share issue costs payable	7,443	–
Refundable deposit from suppliers	1,651	2,901
Other payables	444	1,595
	151,690	76,579
	199,010	144,180

The normal credit term to the Group 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 the reporting period:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Within 90 days	36,705	36,959
91 – 180 days	10,167	30,306
181 – 365 days	398	1
Over 1 year	50	335
	47,320	67,601

At 31 December 2023, the Group's bills payables were issued by banks with maturities within 6 months and were unsecured (2022: secured by the Group's restricted bank balances and bills receivables at FVTOCI).

29. AMOUNT DUE TO A SHAREHOLDER

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Trade nature		
Jinma Energy	1,977	–

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

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

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Within 90 days	1,977	–

30. AMOUNT DUE TO A RELATED PARTY

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Trade nature		
Jinjiang Refinery	1,063	–

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 the reporting period:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Within 90 days	1,063	–

31. CONTRACT LIABILITIES

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Sales of goods	28,834	15,426

As at 1 January 2022, contract liabilities amounted to RMB10,504,000.

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 of RMB15,426,000 (2022: RMB10,504,000) recognised in the current year with performance obligation satisfied includes whole contract liability balance at the beginning of the year.

32. LEASE LIABILITIES

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Within one year	652	23
Within a period of more than one year but not more than two years	620	22
Within a period of more than two years but not more than five years	1,353	60
Within a period of more than five years	1,581	49
	4,206	154
Less: Amount due for settlement within 12 months shown under current liabilities	(652)	(23)
Amount due for settlement after 12 months shown under non-current liabilities	3,554	131

The weighted average incremental borrowing rates applied to lease liabilities range from 4.50% to 5.96% (2022: from 4.50% to 5.96%) per annum.

33. 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 or construction in progress as incurred for the year ended 31 December 2023 under such arrangement are RMB2,722,000 (2022: RMB2,039,000).

34. SHARE CAPITAL/PAID-IN CAPITAL

The paid-in capital of RMB100,000,000 at 31 December 2022 represented the paid in capital of the Company prior to the conversion of joint stock company on 28 July 2023.

	Number of shares	Share capital
Ordinary shares of RMB1 each	’000	RMB’000
Authorised and issued and fully paid		
At beginning of year 2023	N/A	N/A
Conversion of equity accounts *(Note i)*	335,000	335,000
Issued for the Reorganisation *(Note ii)*	381,730	381,730
Total domestic shares	716,730	716,730
Issue of H shares *(Note iii)*	238,910	238,910
At end of year 2023	955,640	955,640

Notes:

(i) 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.

(ii) On 16 August 2023, the Company acquired the coke granules coal gas facilities from Jinma Energy by issuing 108,320,000 new shares at RMB1 per share to Jinma Energy. On 12 August 2023 and 16 August 2023, the Company issued 201,060,000 and 72,350,000 new shares at RMB1 per share respectively to acquire from Jinma Energy the equity interests in Jinrui Energy and Jinning Energy, and Jinma Qingneng.

(iii) The Company issued 238,910,000 H shares, which were listed on the Stock Exchange on 20 December 2023. The gross proceeds and the related transaction costs of the H shares issued upon the Listing amounted to RMB260,887,000 and RMB30,562,000 respectively.

35. DEFERRED REVENUE

	31/12/2023	31/12/2022
	RMB’000	RMB’000
Assets-related government subsidies	14,513	16,099

Incentives received in prior years for certain plants and equipment acquired by the Group 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 year ended 31 December 2023, subsidy income of approximately RMB1,586,000 (2022: RMB1,586,000) was released to profit or loss.

36. CAPITAL COMMITMENTS

	31/12/2023	31/12/2022
	RMB’000	RMB’000
Capital expenditure contracted for but not provided in the Group’s consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	829	36,068

37. PLEDGE OF ASSETS

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

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Property, plant and equipment *(Note)*	**130,129**	141,888
Right-of-use assets	**50,612**	51,742
Restricted bank balances	**–**	15,208
Bills receivables at FVTOCI	**–**	27,000
	180,741	235,838

Note: As at 31 December 2023, carrying amounts of property, plant and equipment of approximately RMB306,163,000 (2022: RMB113,247,000) was pledged to banks as securities but no hypothecation has been established.

38. TRANSFER OF FINANCIAL ASSETS

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

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Endorsed bills for settlement of payables	**45,105**	162,406
Discounted bills for raising cash	**193,917**	277,421
Outstanding endorsed and discounted bills receivables	**239,022**	439,827

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

39. 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 year:

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Sales of products and services to:		
Jinma Energy	**16,455**	17,617
Bohigh Chemicals *(Note i)*	**28,282**	30,644
Jinma Zhongdong *(Note ii)*	**472**	523
Xinyang Jingang	**19,443**	30,331
Jinjiang Refinery	**109,138**	120,103
Fangsheng Chemicals	**–**	7
Purchase of raw materials and services from:		
Jinma Energy	**317,096**	387,553
Bohigh Chemicals	**–**	600
Jinma Zhongdong	**382,854**	337,958
Jinjiang Refinery	**9,589**	8,749

Notes:

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

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

* English name for identification only

39. RELATED PARTIES' TRANSACTIONS (continued)

(b) Compensation of key management personnel

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

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Salaries and allowance	**1,255**	1,077
Performance related bonuses	**–**	1,164
Retirement benefit	**134**	91
	1,389	2,332

Key management represents the directors of the Company disclosed in Note 13 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.

40. 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 from prior year.

The capital structure of the Group consists of net debt (which includes borrowings and lease liabilities, net of cash and cash equivalents) and equity attributable to owners of the Company (comprising share 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.

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Financial assets		
Bills receivables at FVTOCI	68,721	84,930
Financial assets at amortised cost		
– Bank balances and cash	300,710	92,470
– Restricted bank balances	–	15,208
– Trade and other receivables*	9,021	13,956
– Amounts due from related parties	23,411	62,380

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

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Financial liabilities		
Amortised cost		
– Borrowings	258,762	165,147
– Trade and other payables*	207,604	132,456
– Amount due to a shareholder	1,977	–
– Amount due to a related party	1,063	–

* Excluded salaries and wages payables, other tax payables, and included payables for purchase of property, plant and equipment in non-current liabilities.

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, amount due to a shareholder/related parties, bills receivables at FVTOCI, restricted bank balances, bank balances and cash, trade and other payables, borrowings and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Company manage and monitor 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 cash 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 will consider hedging significant interest rate risk should the need arise.

41. 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 the 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 RMB783,000 (2022: RMB507,000) for the year ended 31 December 2023. This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings as at 31 December 2023 and 2022.

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

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

Foreign currency risk

The Company have foreign currency bank balances which expose the Group to foreign currency risk. The carrying amounts of the Group's monetary assets denominated in foreign currencies, which are mainly bank balances, at the end of the reporting period are as follows:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Assets		
Bank balances and cash – HK$	252,078	–

Sensitivity analysis

The following table details the Group's sensitivity to 5% appreciation of HK$ against RMB which represents the management's assessment of the possible change in foreign exchange rate. The sensitivity analysis of the Group includes the outstanding foreign currencies denominated monetary items and adjusts for 5% appreciation of foreign exchange rates at the end of the reporting period.

	Year ended 31/12/2023	Year ended 31/12/2022
	RMB'000	RMB'000
Increase in post-tax profit	9,453	–

There would be an equal and opposite impact on the above post-tax results, should HK$ be weakened against RMB in the above sensitivity analysis.

In the directors' opinion, the sensitivity analysis above is unrepresentative for the foreign currency risk as the exposure at the end of reporting period does not reflect the exposure during the year.

41. FINANCIAL INSTRUMENTS (continued)

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 the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement 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 Group's management 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.

As at 31 December 2023, the Group has concentration of credit risk resulting from the Group's the five largest customers contributed to the Group's revenue during the year. The percentage of Trade-related Receivables attributable to these five largest customers amounted to 22% (2022: 21%).

As at 31 December 2023, the Group also has concentration of credit risk in respect of the five largest outstanding balances, i.e. approximately 98% (2022: 99%) of total Trade-related Receivables outstanding balances.

The Group had concentration of credit risk by geographical location as Trade-related Receivables, bills receivables at FVTOCI, restricted bank balances and cash comprise various debtors which are all located in the PRC as at 31 December 2023 and 2022.

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 during the years ended 31 December 2023 and 2022.

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 years ended 31 December 2023 and 2022.

Bank balances and cash and restricted bank balances

The Group's credit risk on bank balances and cash 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 cash and restricted bank balances was insignificant for the years ended 31 December 2023 and 2022.

41. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

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. During the years ended 31 December 2023 and 2022, ECL on bills receivables at FVTOCI was insignificant in the profit or loss.

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	Gross carrying amount 31/12/2023	Gross carrying amount 31/12/2022
				RMB'000	RMB'000
Bills receivables at FVTOCI					
Bills receivables	AAA – A	N/A	12m ECL	68,721	84,930
Financial assets at amortised cost					
Amounts due from related parties (non-trade nature)	N/A	Low risk	12m ECL	–	30,000
Trade-related Receivables	N/A	Low risk	Lifetime ECL (not credit-impaired)	32,142	45,843
		Watch list	Lifetime ECL (not credit-impaired)	–	294
				32,142	46,137
Bank balances and cash and restricted bank balances	AAA – AA+	N/A	12m ECL	300,710	107,678
Other receivables	N/A	Low risk	12m ECL	290	199

41. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Bills receivables at FVTOCI (continued)

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. There is no credit-impaired debtors as at 31 December 2023 (2022: Nil).

Gross carrying amount

	31/12/2023			31/12/2022		
Internal credit rating	**Average loss rate**	**Trade-related Receivables**	**ECL (not credit-impaired)**	Average loss rate	Trade-related Receivables	ECL (not credit-impaired)
		RMB'000	**RMB'000**		RMB'000	RMB'000
Low risk	**0.14%**	**32,142**	**– ***	0.10%	45,843	– *
Watch list	**1.04%**	**–**	**– ***	1.00%	294	– *
		32,142	**– ***		46,137	– *

* The amount of ECL loss is immaterial for the years ended 31 December 2023 and 2022.

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 relies on bank borrowings as a significant source of liquidity. As at 31 December 2023, the Group had unutilised bank facilities of approximately RMB258,238,000 (2022: RMB194,853,000).

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 the reporting period.

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Liquidity tables

		As at 31 December 2023					
	Interest rate	Carrying amounts	On demand or within 6 months	6 months to 1 year	1 year to to 5 years	>5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	3.61%~5.60%	258,762	121,585	28,544	122,359	–	272,488
Lease liabilities	4.50%~5.96%	4,206	655	6	2,252	2,325	5,238
Trade and other payables	N/A	207,604	189,542	–	18,062	–	207,604
Amount due to a shareholder	N/A	1,977	1,977	–	–	–	1,977
Amount due to a related party	N/A	1,063	1,063	–	–	–	1,063
		473,612	314,822	28,550	142,673	2,325	488,370

		As at 31 December 2022					
	Interest rate	Carrying amounts	On demand or within 6 months	6 months to 1 year	1 year to to 5 years	>5 years	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	3.99%~5.60%	165,147	92,391	–	80,500	–	172,891
Lease liabilities	4.50%~5.96%	154	18	6	97	81	202
Trade and other payables	N/A	132,456	132,456	–	–	–	132,456
		297,757	224,865	6	80,597	81	305,549

41. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

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.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2023	31/12/2022		
Bills receivables at FVTOCI	**Assets- RMB68,721,000**	Assets- RMB84,930,000	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 financial statements approximate their fair values.

42. 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 statement of cash flows as cash flows from financing activities.

	Bank borrowings	Borrowing from a shareholder	Dividend payable	Lease liabilities	Interest payables	Share issue costs payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	51,000	214,817	–	170	–	–	265,987
Financing cash flows *(Note)*	114,147	(214,817)	(30,000)	(24)	(8,370)	–	(139,064)
Dividend declared	–	–	30,000	–	–	–	30,000
Finance costs recognised	–	–	–	8	8,601	–	8,609
At 31 December 2022	165,147	–	–	154	231	–	165,532
Financing cash flows *(Note)*	93,615	–	(100,000)	(24)	(11,412)	(23,119)	(40,940)
Dividend declared	–	–	100,000	–	–	–	100,000
Share issue cost incurred	–	–	–	–	–	30,562	30,562
New leases entered	–	–	–	3,994	–	–	3,994
Finance costs recognised	–	–	–	82	11,941	–	12,023
At 31 December 2023	258,762	–	–	4,206	760	7,443	271,171

Note: The cash flows represent new bank borrowings raised, the repayment of bank borrowings, interest paid, repayments of lease liabilities, share issue costs and dividend paid in the consolidated statement of cash flows.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2023	31/12/2022
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	563,790	264,130
Right-of-use assets	60,561	58,359
Investments in subsidiaries	321,607	–
Deferred tax assets	935	1,292
Deposit for acquisition of property, plant and equipment	–	4,673
	946,893	328,454
CURRENT ASSETS		
Inventories	106,259	54,750
Trade and other receivables	26,198	24,401
Amount due from a subsidiary	6,000	–
Tax recoverable	6,364	642
Bills receivables at FVTOCI	38,389	81,680
Restricted bank balances	–	15,208
Cash and cash equivalents	268,554	41,137
	451,764	217,818
CURRENT LIABILITIES		
Borrowings	112,000	57,000
Trade and other payables	152,903	99,009
Amount due to a shareholder	997	–
Amounts due to related parties	525	–
Contract liabilities	18,699	6,681
Lease liabilities	497	–
	285,621	162,690
NET CURRENT ASSETS	166,143	55,128
TOTAL ASSETS LESS CURRENT LIABILITIES	1,113,036	383,582
CAPITAL AND RESERVES		
Share capital	955,640	100,000
Reserves	24,429	229,894
TOTAL EQUITY	980,069	329,894
NON-CURRENT LIABILITIES		
Borrowings	106,762	48,147
Payables for purchase of property, plant and equipment	18,062	–
Lease liabilities	3,191	–
Deferred revenue	4,952	5,541
	132,967	53,688
	1,113,036	383,582

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in the Company's reserves:

	Special reserve	Capital reserve	Statutory surplus reserve fund	Retained profits (accumulated) (losses)	FVTOCI reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	16,978	–	22,479	167,906	(938)	206,425
Profit for the year	–	–	–	23,142	–	23,142
Other comprehensive income for the year	–	–	–	–	327	327
Total comprehensive income for the year	–	–	–	23,142	327	23,469
Transfer	(2,217)	–	2,314	(97)	–	–
At 31 December 2022	**14,761**	**–**	**24,793**	**190,951**	**(611)**	**229,894**
Profit for the year	**–**	**–**	**–**	**5,492**	**–**	**5,492**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**341**	**341**
Total comprehensive income for the year	**–**	**–**	**–**	**5,492**	**341**	**5,833**
Conversion of equity accounts	**–**	**3,533**	**(25,015)**	**(214,287)**	**769**	**(235,000)**
Capital injection from a shareholder	**–**	**32,287**	**–**	**–**	**–**	**32,287**
Issue of shares	**–**	**21,977**	**–**	**–**	**–**	**21,977**
Transaction costs attributable to issue of shares	**–**	**(30,562)**	**–**	**–**	**–**	**(30,562)**
Transfer	**1,266**	**–**	**644**	**(1,141)**	**(769)**	**–**
At 31 December 2023	**16,027**	**27,235**	**422**	**(18,985)**	**(270)**	**24,429**

COMPANY NAME

河南金源氫化化工股份有限公司
Henan Jinyuan Hydrogenated Chemicals Co., Ltd.*

SHARE LISTING

Stock abbreviation: Jinyuan HChem
H Share: The Stock Exchange of Hong Kong Limited
Stock Code: 2502

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

West First Ring Road South
Jiyuan
Henan Province
PRC

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COMPANY WEBSITE

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BOARD OF DIRECTORS

Executive Directors

Mr. Wang Zengguang (General Manager)
Mr. Qiao Erwei (Deputy General Manager & Board Secretary)

Non-executive Directors

Mr. Yiu Chiu Fai (Chairman)
Mr. Wang Kaibao (Vice Chairman)
Mr. Wang Lijie

Independent Non-executive Directors

Ms. Wong Yan Ki Angel
Mr. Di Zhigang
Ms. Leung Sin Yeng Winnie

SUPERVISORS

Mr. Wong Tsz Leung (Chairman)
Mr. Wu Zhiqiang
Mr. Li Hebao

AUDIT COMMITTEE

Ms. Wong Yan Ki Angel (Chairman)
Mr. Wang Kaibao
Mr. Di Zhigang

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Di Zhigang (Chairman)
Mr. Yiu Chiu Fai
Ms. Leung Sin Yeng Winnie

NOMINATION COMMITTEE

Ms. Leung Sin Yeng Winnie (Chairman)
Mr. Wang Zengguang
Ms. Wong Yan Ki Angel

STRATEGY COMMITTEE

Mr. Wang Kaibao (Chairman)
Mr. Wang Zengguang
Mr. Wang Lijie

COMPANY SECRETARY

Ms. Lee Kwan Ying Adrienne

AUTHORIZED REPRESENTATIVES

Mr. Wang Zengguang
Ms. Lee Kwan Ying Adrienne

AUDITOR

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Registered Public Interest Entity Auditors
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Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

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Jiyuan, Henan Province
PRC

Bank of China Limited Jiyuan Branch
No. 98 Central Road, Xin Garden
Jiyuan, Henan Province
PRC

Shanghai Pudong Development Bank Zhengzhou Branch
Zijingshan Road Operations Department
1F, Pufa Square
No. 299 Jinshui Road, Jinshui District
Zhengzhou, Henan Province
PRC

China Citic Bank Zhengzhou Branch
No. 1 Shangwu Inner Ring Road
Zhengdong New Area
Zhengzhou, Henan Province
PRC

China Guangfa Bank Zhengzhou Shangdu Road Sub-branch
No. 31 Shangdu Road
Zhengzhou, Henan Province
PRC

Zhongyuan Bank Co., Ltd. Jiyuan Branch
No. 481 Huang He Central Road
Jiyuan, Henan Province
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Bank of China (Hong Kong) Limited Metroplaza Branch
Shop 260-265, Metroplaza
223 Hing Fong Road
Kwai Chung, New Territories
Hong Kong

In this report, unless the context otherwise requires, the following expressions have the following meanings.

GENERAL TERMS

"Board"	the board of Directors of our Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Taiwan, the Macau Special Administrative Region of the PRC and the Hong Kong Special Administrative Region of the PRC
"Code"	Corporate Governance Code as set out in Appendix C1 (formerly known as Appendix 14) to the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Henan Jinyuan Hydrogenated Chemicals Co., Ltd. * (河南金源氫化化工股份有限公司)
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	Director(s) of our Company
"Group" or "our Group"	our Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange
"HK" or "Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Listing Date"	20 December 2023, the date on which the H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC Company Law" or "Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on July 1, 1994, which was last amended and became effective on 26 October 2018, as amended, supplemented or otherwise modified from time to time
"LNG"	liquefied natural gas
"Reporting Period"	the year ended 31 December 2023

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, comprising Unlisted Shares and H Shares
"Shareholders(s)"	holders(s) of the Shares(s) of the Company
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the member of the Supervisory committee of our Company established pursuant to the PRC Company Law
"Supervisory Committee"	the Supervisory committee of our Company established pursuant to the PRC Company Law
"Unlisted Share(s)"	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are not listed on any stock exchange

TECHNICAL TERMS

"basic earnings per share"
$$\frac{\text{Profit attributable to owners of the Company}}{\text{Weighted average number of shares in issue during the year}}$$

"current ratio"
$$\frac{\text{Total current assets}}{\text{Total current liabilities}}$$

"dividend payout ratio"
$$\frac{\text{Dividend}}{\text{Profit attributable to owners of our Company}}$$

"gearing ratio"
$$\frac{\text{Total interest-bearing bank borrowings}}{\text{Total equity}}$$

"return on assets"
$$\frac{\text{Profit and total comprehensive income}}{\text{Average total assets}}$$

"return on equity"
$$\frac{\text{Profit attributable to owners of our Company}}{\text{Average equity attributable to owners of our Company}}$$

ABBREVIATED NAMES OF COMPANIES

"Bohigh Chemical"	河南博海化工有限公司(Henan Bohigh Chemical Co., Ltd.)
"Fangsheng Chemicals"	濟源市方升化學有限公司(Jiyuan Fangsheng Chemicals Co., Ltd.*)
"Golden Star"	金星化工(控股)有限公司(Golden Star Chemicals (Holdings) Limited)
"Jinjiang Refinery"	河南金江煉化有限責任公司(Henan Jinjiang Refinery Co., Ltd.*)
"Jinma Coking"	金馬焦化(英屬維爾京群島)有限公司(Jinma Coking (BVI) Limited)
"Jinma Energy"	河南金馬能源股份有限公司(Henan Jinma Energy Co., Ltd.*)
"Jinma Group"	Jinma Energy and its subsidaries but excluding our Group
"Jinma HK"	金馬能源(香港)有限公司(Jinma Energy (Hong Kong) Limited), formerly known as 金馬焦化(香港)有限公司(Jinma Coking (Hong Kong) Limited)
"Jinma Qingneng"	河南金馬氫能有限公司(Henan Jinma Qingneng Co., Ltd.*)
"Jinma Xingye"	濟源市金馬興業投資有限公司(Jiyuan Jinma Xingye Investment Co., Ltd.*)
"Jinma Zhongdong"	河南金馬中東能源有限公司(Henan Jinma Zhongdong Energy Co., Ltd.)
"Jinning Energy"	濟源市金寧能源實業有限公司(Jiyuan Jinning Energy Co., Ltd.*)
"Jinrui Energy"	河南金瑞能源有限公司(Henan Jinrui Energy Co., Ltd.*)
"Jinrui Gas"	河南金瑞燃氣有限公司(Henan Jinrui Gas Co., Ltd.*)
"Maanshan Steel"	馬鞍山鋼鐵股份有限公司(Maanshan Iron & Steel Company Limited)
"Shanghai Jinma"	上海金馬能源有限公司(Shanghai Jinma Energy Sources Co., Ltd.*)
"Shenzhen Jinma"	深圳市金馬能源有限公司(Shenzhen Jinma Energy Co., Ltd*)
"Xinyang Co."	安鋼集團信陽鋼鐵有限責任公司(Angang Group Xinyang Steel Co., Ltd.*)
"Xinyang Jingang"	信陽鋼鐵金港能源有限公司(Xinyang Steel Jingang Energy Co., Ltd.*)
"Yida Min'an"	河南一達民安市政服務有限公司 (Henan Yida Min'an Municipal Service Co., Ltd.*)
"Yugang Coking"	豫港(濟源)焦化集團有限公司(Henan Hongkong (Jiyuan) Coking Group Co., Ltd.)
"Yugang Coking Group"	Yugang Coking and its subsidiaries
"Yutong"	宇通商用車有限公司 (Yutong Commercial Vehicle Co., Ltd.*)
"Zenith Steel"	中天鋼鐵集團有限公司(Zenith Steel Group Co., Ltd.*)

In this report, if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese which are marked with "*" is for identification purpose only.

河南金源氫化化工股份有限公司

Henan Jinyuan Hydrogenated Chemicals Co., Ltd.*