



**力量发展**

KINETIC DEVELOPMENT GROUP

**KINETIC DEVELOPMENT GROUP LIMITED**  
**力量發展集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1277

**INTERIM REPORT**  
**2023**



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ju Wenzhong (*Chairman*)

Mr. Li Bo (*Chief Executive Officer*)

Mr. Ji Kunpeng

### Non-executive Director

Ms. Zhang Lin

### Independent Non-executive Directors

Ms. Liu Peilian

Mr. Chen Liangnuan

Ms. Xue Hui

## AUDIT COMMITTEE

Ms. Liu Peilian (*Chairman*)

Mr. Chen Liangnuan

Ms. Zhang Lin

## REMUNERATION COMMITTEE

Ms. Xue Hui (*Chairman*)

Ms. Liu Peilian

Ms. Zhang Lin

## NOMINATION COMMITTEE

Mr. Ju Wenzhong (*Chairman*)

Mr. Chen Liangnuan

Ms. Xue Hui

## AUTHORISED REPRESENTATIVES

Mr. Ju Wenzhong

Ms. Cheng Lucy

## COMPANY SECRETARY

Ms. Cheng Lucy

## REGISTERED OFFICE

Windward 3

Regatta Office Park, P.O. Box 1350

Grand Cayman KY1-1108, Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Dafanpu Coal Mine

Majiata Village, Xuejiawan Town

Zhunge'er Banner, Ordos City

Inner Mongolia, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor

80 Gloucester Road

Wan Chai

Hong Kong

## AUDITOR

KPMG

*Certified Public Accountants*

*Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance*

8th Floor

Prince's Building

10 Chater Road

Central

Hong Kong

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-16, 17th Floor

Hopewell Centre, 183 Queen's Road East

Wanchai, Hong Kong

## PRINCIPAL BANKER

China Minsheng Banking Corp., Ltd.

## STOCK CODE

1277

## WEBSITE OF THE COMPANY

[www.kineticme.com](http://www.kineticme.com)



# Chairman's Statement

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Kinetic Development Group Limited (the “**Company**”), I am pleased to report the interim results of the Company, together with its subsidiaries (the “**Group**”), for the six months ended 30 June 2023.

In the first half of 2023, due to the complicated international political and economic situation, the recovery of global economy was sluggish. The Chinese government upheld the principle of seeking progress while maintaining stability, focused on the prior task of high-quality development, implemented macro-economic policies in a scientific and precise manner, and strived to expand domestic demand. The national economy was stable and improved, highlighting its resilience. According to the National Bureau of Statistics of China (“**NBSC**”), China's gross domestic product (“**GDP**”) in the first half of 2023 was approximately RMB59.3 trillion, representing a year-on-year increase of 5.5%.

In the first half of 2023, supply and demand in the domestic coal market both increased, but overall, supply exceeded demand moderately. In the first half of the year, the downstream coal was in great demand as the gradual recovery of the domestic economy and arrival of high-temperature weather. On the other hand, the domestic coal policy focused on ensuring supply and price stability. The coal import policy was gradually liberalized, supply grew significantly, and inventories climbed to the historical high. In the first half of the year, the price of coal in the domestic market declined but remained at a relatively high level.

As a leading integrated coal enterprise in China, the Group is engaged activities covering production, washing, loading, transportation and trading. In the first half of 2023, the Group's sales volume and price of coal product both declined as compared to the corresponding period subject to the downward tendency of market coal prices and the decrease of production volume due to the unfavourable underground mining conditions of the Group's Dafanpu Coal Mine. For the six months ended 30 June 2023, the Group's revenue reached approximately RMB1,492.2 million, representing a decrease of 50.4% year-on-year. The Company's consolidated net profit was approximately RMB569.1 million, representing a decrease of 58.2% year-on-year. In face of the challenges brought by internal and external unfavorable factors, the Group implemented sales strategies in a scientific and precise manner according to the market situation and production conditions, to minimize the adverse impacts arising from the downward tendency of the coal market price and the obstruction of production. Under the unfavorable underground mining conditions, the Group has also taken timely measures. The production and operation of Dafanpu Coal Mine have gradually resumed normal in May 2023, and it is expected that the results in the second half of the year will live up to expectations.

During the reporting period, the Group continued to promote the safe, efficient and green mine construction in Dafanpu Coal Mine. In terms of coal production, the Group improved the digital level of coal mines in an all-round manner by adopting dynamic management, upgrading equipment system and strengthening equipment control. In the first half of the year, the smart coal mining working faces of Dafanpu Coal Mine successfully passed the acceptance inspection. In terms of operation management, the Group continued to implement refined management



## Chairman's Statement

for cost reduction and efficiency enhancement. During the reporting period, the Group's gross profit margin was 54.7%, while the net profit margin was 38.1%, a relatively high level in the industry. At the same time, the Group exerted persistent efforts on the implementation of safety measures, organizing regular hands-on training and production safety month activities to improve our employees' skill and safety awareness. In addition, capitalizing on its high-quality self-produced coals "Kinetic 2", the Group continued to reinforce and strengthen its brand's downstream influence.

In 2022, the Group successfully completed the acquisition of Ningxia Kinetic Mining Co., Ltd. (寧夏力量礦業有限公司) (formerly known as Ningxia Sunshine Mining Co., Ltd. (寧夏陽光礦業有限公司)) and became the sole operator of Yong'an Mine and Weiyi Mine in Ningxia. Currently, the two mines are under construction. Upon commencement of production, the Group's coal production capacity will be effectively expanded and the variety of coal products will be extended. Thus, profit growth will be driven.

The Group made remarkable progress in the construction of green mines and the development of ecological agriculture and animal husbandry. The Group's Dafanpu Coal Mine continues to maintain the honor of national green mine. At the same time, the Group orchestrated the development of its mine reclamation areas and commenced auxiliary businesses in the agriculture and livestock industry, which further enhanced the Group's performance on top of its principal coal business.

Looking forward to the second half of 2023, inflation is expected to persist, and the recovery of global economy will be hindered with the continued interest rate hikes and the growing uncertainties, while the development of the PRC economy will be confronted with severe challenges. As for the coal industry, the coal supply is expected to increase consistently though at a limited rate in the second half of the year. The demand side will remain its resilience with the gradual recovery of the economy and summer peak consumption of electricity. The overall supply and demand are expected to move back into balance, and the coal industry's operating results in the second half of the year will improve compared with the first half.

In the future, the Group will continue to manage with refinement and sustain stable development on the premise of maintaining stability. Responding to market changes reasonably, the Group will leverage on its core competitiveness and capture market opportunities to actively promote the acquisition of quality projects, thereby achieving remarkable returns for the society and shareholders.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners, management members and employees for their continued dedication and unwavering support.

**Ju Wenzhong**

*Chairman and Executive Director*

25 August 2023



# Management Discussion and Analysis

## MARKET REVIEW

In the first half of 2023, global inflationary pressure remained high, coupled with the continuous interest rate hike, resulting in the insufficient growth momentum of the global economy, and a slowdown in the growth of the global trade. In face of the complex and grim international environment, the PRC government paid effort on promoting high quality development, the market demand experienced a progressive recovery, while the demand and supply for the production continued to increase, and the overall stability was maintained in employment and prices, which paved the way for a generally stable and favourable economy. According to the data from the NBSC, China's GDP for the first half of 2023 amounted to approximately RMB59.3 trillion, representing an increase of 5.5% year-on-year; sizable nationwide industrial enterprises achieved a business revenue of approximately RMB62.6 trillion, representing a year-on-year decrease of 0.4%; sizable nationwide industrial enterprises achieved a total profit of approximately RMB3,388.46 billion, representing a year-on-year decrease of 16.8%.


During the first half of 2023, both supply and demand experienced significant growth, but overall, supply exceeded demand moderately. On the supply side, with the effects from numerous factors such as the continuous effects of policies for ensuring the supply of coal, and the zero-tariff policy for imported coal, there was a stable growth in the domestic production of coal in the first half of the year, while there was a high-level growth in the quantity of imported coal. According to the data from the NBSC, the raw coal output of China's sizable nationwide industrial enterprises amounted to approximately 2.3 billion tonnes in the first half of 2023, with a year-on-year increase of 4.4%. China imported approximately 220 million tonnes of coal during the same period, with a year-on-year increase of 93.0%. During the same period, the demand side showed a buoyant and upward trend in general and the demand for power generated by the downstream coal fired power plant remains high. According to that data from the NBSC, the power generation maintains a growth in the first half of the year, the nationwide power generation amounted to approximately 4.2 trillion kWh, representing a year-on-year increase of 3.8%. Among which, the power generated by hydro-power recorded a year-on-year decrease of 22.9%, thus power generated by thermal power complements the shortfall from hydro-power, and recorded a year-on-year increase of 7.5%.

The average coal prices experienced a general decrease in the first half of 2023, but was still at a relatively high level. Affected by the decrease in coal price, the general operating results of the industry recorded a year-on-year decrease. According to the data from the NBSC, in the first half of 2023, the principal business income of large-scale enterprises from the coal mining and coal washing industries in China amounted to approximately RMB1,769.52 billion, representing a year-on-year decrease of 12.6%, while the total profit amounted to approximately RMB412.76 billion, representing a year-on-year decrease of 23.3%.

In conclusion, during the first half of 2023, under the influence of the slowdown in domestic and overseas economic growth, the further release of the coal production capacity, and the comprehensive opening for the imported coal, the demand and supply pattern for domestic coal was easing in a progressive manner. There was a frustration and adjustment in the coal price, exerting pressure to the general results of coal enterprises.

## BUSINESS REVIEW

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



## Management Discussion and Analysis

During the first half of 2023, under the influence of several factors, the coal market selling price experienced a downward frustration. Meanwhile, the coal mining works of Dafanpu Coal Mine of the Group in the first half of the year faced faults, fracture zones, increase in pressure in roof plate and a slow progression of mining, which resulted in a significant decrease in the production volume of coal, and in turn resulted in a significant decrease in the sales volume of the coal of the Group. During the first half of the year, the average selling price per tonne of the Group's 5,000 kcal low-sulfur environmentally friendly thermal coal amounted to approximately RMB866, representing a year-on-year decrease of approximately 6.3%; the sales volume of the 5,000 kcal coal of the Group recorded a year-on-year decrease of approximately 48.1% as compared to the corresponding period last year. For the six months ended 30 June 2023, the Group recorded a total revenue of approximately RMB1,492.2 million, representing a year-on-year decrease of 50.4% as compared to the corresponding period last year. In face of the numerous difficulties from the external markets and our own extraction conditions, on one hand the Group prudently considered and judged the market trend, and by complementing the market demand and the actual production of Dafanpu Coal Mine, the Group timely deployed different sales strategy for different stages, and grasped the opportunity to make delivery when the coal price was at a relatively high level, which realized a scenario that the selling price was slightly higher than the prevailing market price, and maximized sales profits. On the other hand, the Group adopted effective measures in a proactive manner in the mining aspect, which successfully overcame the barriers on mining process caused by the underground conditions of mines. The production, delivery and sales of coal recovered to its normal level progressively in May 2023. It is expected that growth momentum will return in the second half of the year.

During the reporting period, the Group continued to implement refined management, formulated and improved various systems in various operational aspects, and strived to control various management fees and costs, which effectively mitigated the effect of the decline of sales price on gross profit margin. For the six months ended 30 June 2023, the Group achieved a gross profit margin of approximately 54.7%, which was of an industry-leading level.

Based on the above business strategies, the Group has maintained a steady development under the grim internal and external challenges during the first half of the year, bringing a relatively considerable profit returns to shareholders. For the six months ended 30 June 2023, the Group's consolidated net profit amounted to approximately RMB569.1 million, representing a year-on-year decrease of 58.2%. The Group's EBITDA amounted to approximately RMB728.5 million, representing a year-on-year decrease of 63.7%.

The Group has always put safe production in top priority. The Group's Dafanpu Coal Mine in Inner Mongolia has maintained the honour of "Class A Coal Mine" for eight consecutive years, and has been rated as "Coal Industry Premium Safe and Efficient Mine" by the China National Coal Association since 2014. During the reporting period, Dafanpu Coal Mine successfully passed the acceptance of "National Class 1 Safe Production Standardized Mine" and "Intelligent Mining Process".

The Group also attaches great importance to green and sustainable development. During the first half of 2023, the Dafanpu Coal Mine continued to maintain the national green mine honor, which fully reflected the comprehensive strengths of the Group on sustainable development of the coal industry. In recent years, the Group has successfully established an ecological industrial chain integrating agricultural product planting and livestock breeding in the mine reclamation area. On the basis of the steady operation of the principal business of coal, the Company will carry out the ancillary business of agriculture and animal husbandry to seek more profit returns for shareholders.

## FUTURE OUTLOOK

Looking forward to the second half of 2023, with the effects of monetary tightening policy, it is anticipated that the global economic growth will experience a further slowdown. The World Economic Outlook Report released by the International Monetary Fund in April 2023 predicted that the global economic growth for 2023 will decline to 2.8%. It is anticipated that the PRC government will continue to stick to the steady macro policy, and will focus on expanding the domestic demand, maintaining its support on real economy. It is expected that China's economy will continue to recover and with a favourable development.

In terms of the coal market, it is anticipated that the domestic supply will continue to be prosperous, however its growth rate will experience a slowdown. The demand continues to be at a high level, it is expected that demand and supply will return to an equilibrium state. It is expected that the average coal price will record a slight decrease trend, but the degree will be limited. As the summer peak season has passed, while there is an imminent need for coal storage for winter times, the coal price will remain resilient in the second half of the year, it is expected that the results for the coal enterprises may improve in the second half of the year.

Looking forward to the second half of 2023, the Group will continue to implement the mine development concept of both safety, efficiency and environmental protection, further implement the refined operation strategy, making full use of the advantages from its own low-sulphur, high-quality thermal coal brand products "Kinetic 2", and conforming to the market situation, in order to flexibly adjust the sales pace and strategy, and to improve the Group's operating efficiency effectively. In addition, Weiyi Coal Mine and Yongan Coal Mine, which are operated by the Group and located in Ningxia, are currently under construction and are expected to be put into operation successively in the first half of 2025 and reach full capacity by 2027. The Group is able to tap into coking coal business, and further increase the production capacity of coking coal by 2.1 million tons per year, thus break through the limitations from operating a single coal mine with a single coal type, and coal mine projects in Ningxia is expected to be one of the main driving forces of the growth in results in the future.

In terms of other businesses, the Guangtaichang Original Breeding Pig Farm of Inner Mongolia Liangyun Animal Husbandry Development Co., Ltd. (內蒙古量蘊牧業發展有限公司) has been built in 2022, and 650 French original breeding pigs have been introduced from France. In the first phase, a breeding area is planned to be built, including a breeding farm and two fattening farms, of which the fattening farm in Lijiata (李家塔) and the breeding farm in Huajian (鐮尖) are expected to put into operation in the second half of the year. The fattening farm in Wulan Bulang (烏蘭不浪) is expected to be completed and put into operation at the start of 2025. The first phase of the project is expected to reach full capacity by the end of 2025, with 7,200 breeding pigs in stock and 170,000 pigs of various types marketed annually.

Looking forward, the Group will continue to uphold the principle of high-quality development. On the basis of the steady development of the principal coal business, the Company will expand a diversity of ancillary businesses, improve the overall operation efficiency, and to reward its shareholders with outstanding results.



### FINANCIAL REVIEW

#### Revenue

Revenue of the Group decreased from approximately RMB3,010.0 million for the six months ended 30 June 2022 to approximately RMB1,492.2 million for the six months ended 30 June 2023, representing a decrease of approximately 50.4% as compared with the corresponding period last year.

The decrease in the Group's revenue was mainly due to the influence of several factors. The coal market selling price experienced a downward frustration, the average selling price of the Group's 5,000 kcal coal products decreased by approximately 6.3% for the six months ended 30 June 2023 as compared with the same period last year. Meanwhile, the coal mining works of Dafanpu Coal Mine of the Group in the first half of the year faced faults, fracture zones, increase in pressure in roof plate and a slow progression of mining, which resulted in a significant decrease in the sales volume of the coal of the Group. The sales volume of the Group's 5,000 kcal coal products decreased by approximately 48.1% as compared to the corresponding period last year.

#### Cost of sales

For the six months ended 30 June 2023, the Group incurred cost of sales of approximately RMB675.3 million as compared to the Group's cost of sales of approximately RMB914.6 million for the six months ended 30 June 2022. The cost of sales of the Group mainly comprised transportation costs, salaries of coal mine workers, costs of supplementary materials, fuel and electricity, depreciation, amortisation and surcharges of mining operations. The decrease in the Group's cost of sales was mainly attributable to the decrease in the sales volume of the coal of the Group.

#### Gross profit and gross profit margin

For the six months ended 30 June 2023, the Group recorded a gross profit of approximately RMB816.9 million and a gross profit margin of approximately 54.7% as compared to the gross profit of approximately RMB2,095.3 million and the gross profit margin of approximately 69.6% for the six months ended 30 June 2022.

The decrease in Group's gross profit margin for the six months ended 30 June 2023 was mainly attributable to the decrease in the average selling price of the Group's coal products and the increase in fixed cost per tonne of the coal products as compared to the corresponding period last year.

#### Other incomes and losses, net

The net amount of other incomes and losses of the Group changed from net incomes of RMB9.2 million for the six months ended 30 June 2022 to net losses of RMB15.5 million for the six months ended 30 June 2023. This was mainly attributable to the increase of RMB9.4 million in government grants, decrease of RMB3.7 million in write-down of inventories, increase of RMB63.0 million in donation combined with the gains on disposal of non-current assets of RMB8.0 million for the six months ended 30 June 2023 while losses of RMB11.0 million recognized for the same period last year.

For the six months ended 30 June 2023 and 2022, the Group's net amount of other incomes and losses mainly comprised government grants, net gains or losses on disposal of non-current assets, interest income, donation and write-down of inventories.

### Selling expenses

The Group's selling expenses decreased from approximately RMB12.3 million for the six months ended 30 June 2022 to approximately RMB7.2 million for the six months ended 30 June 2023, representing a decrease of 41.2% as compared with the corresponding period last year. The decrease in the Group's selling expenses was mainly attributable to the decrease in marketing related expenses. The Group's selling expenses mainly comprised salaries of sales staff and marketing related expenses.

### Administrative expenses

The Group's administrative expenses increased from approximately RMB123.1 million for the six months ended 30 June 2022 to approximately RMB140.3 million for the six months ended 30 June 2023, representing an increase of 14.0% as compared with the corresponding period last year. The increase in the Group's administrative expenses was mainly attributable to the increase in staff cost during the reporting period. The Group's administrative expenses mainly comprised salaries and related personnel expenses of the administrative, finance and human resources departments, consultancy fees and other incidental administrative expenses.

### Finance costs

The Group's finance costs increased from approximately RMB10.9 million for the six months ended 30 June 2022 to approximately RMB37.5 million for the six months ended 30 June 2023, representing an increase of 242.8% as compared with the corresponding period last year. The increase in the Group's finance costs was mainly attributable to the increase in both average balance of interest-bearing liabilities and interest rate during the period.

### Income tax expense

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax — Mainland China	71,978	596,715
Deferred income tax		
Reversal and origination of temporary differences	(7,692)	(23,991)
<b>Total tax expense for the period</b>	<b>64,286</b>	<b>572,724</b>

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Company and its subsidiary, Blue Gems Worldwide Limited and Porus Power Limited, are not subject to any income tax in the Cayman Islands and BVI, respectively.
- (b) Except for Inner Mongolia Zhunge'er Kinetic Coal Limited (“Kinetic Coal”), PRC corporate income tax (“CIT”) was provided at a rate of 25% on the taxable income of the companies comprising the Group within Mainland China, as adjusted for income and expense items which are not assessable or deductible for income tax purposes. Kinetic Coal was qualified as a “High and New Technology Enterprise” on 14 December 2022, hence it enjoys a preferential income tax rate of 15% from 2022 to 2024.

## Management Discussion and Analysis

- (c) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if certain criteria are met. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. In 2023, Kinetic Development Group Limited, Blue Gems Worldwide Limited and Kinetic (Asia) Limited obtained Hong Kong SAR certificate of resident status for the calendar year 2022 and the two succeeding calendar years, respectively. As a result, under the “Arrangement between the Mainland China and Hong Kong SAR for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income”, the Group is subject to a withholding tax rate of 5% from 2022 to 2024. The relevant tax authorities in Mainland China has refunded the Group with the difference of PRC withholding tax incurred for the year ended 31 December 2022 which was calculated at the rate of 10% and 5%, amounting to RMB74,558,000. The Group provided for and paid the withholding taxes subject to a tax rate of 5% for the six months ended 30 June 2023.

### **Profit for the period**

As a result of the foregoing, the Group recorded a consolidated net profit attributable to equity shareholders of the Company of approximately RMB570.2 million for the six months ended 30 June 2023, which decreased substantially from the consolidated net profit attributable to equity shareholders of the Company of approximately RMB1,365.3 million for the six months ended 30 June 2022, representing a decrease of 58.2% as compared with the corresponding period last year. Net profit margin decreased from 45.3% for the six months ended 30 June 2022 to 38.1% for the six months ended 30 June 2023.

### **Interim dividends**

The Board proposed an interim dividend of 3.0 HK cents per share, payable to the shareholders of the Company on or before 3 November 2023. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to receive the proposed interim dividend will be further announced. The total amount of the interim dividend to be distributed is estimated to be HKD252,900,000 (six months ended 30 June 2022: HKD505,800,000).

**Condensed Consolidated Statement of Cash Flows**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Net cash flows generated from operating activities	<b>36,848</b>	1,584,465
Net cash flows used in investing activities	<b>(394,566)</b>	(2,498,532)
Net cash flows generated/(used) in financing activities	<b>153,600</b>	(33,793)
Net decrease in cash and cash equivalents	<b>(204,118)</b>	(947,860)
Cash and cash equivalents at 1 January	<b>551,866</b>	2,387,239
Effect of foreign exchange rate changes	<b>267</b>	(686)
Cash and cash equivalents at 30 June	<b>348,015</b>	1,438,693

**Net Cash Generated from Operating Activities**

The Group's net cash generated from operating activities for the six months ended 30 June 2023 was RMB36.8 million, primarily due to profit before taxation of RMB633.4 million, adjusted for interest expenses on bank loans of RMB37.5 million, depreciation of RMB45.3 million, amortisation of RMB12.3 million, decrease in trade and other payable and contract liabilities of RMB204.1 million and income tax paid RMB473.3 million.

**Cash at Bank**

As at 30 June 2023, the Group's cash at bank was RMB348.0 million, as compared with RMB551.9 million at 31 December 2022, mainly attributable to a decreased in the cash at bank by RMB204.1 million and the exchange gain of RMB0.3 million.

## Management Discussion and Analysis

### OTHER FINANCIAL INFORMATION

#### Liquidity and Financial Resources

For the six months ended 30 June 2023, the Group's cash at bank was mainly used for the development of the Group's Dafanpu Coal Mine and other business projects and for the proposed acquisitions, to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of interest-bearing bank loans and cash generated from operating activities. The Group's gearing ratio was approximately 15.0% as at 30 June 2023 as compared to the Group's gearing ratio of approximately 5.0% as at 31 December 2022. This ratio is calculated as net debt divided by capital plus net debt. Net debt is calculated as total borrowings less cash at bank. Capital is equivalent to the total equity.

As at 30 June 2023, the Group's cash at bank, amounting to approximately RMB348.0 million, were denominated in Renminbi (97.5%) and Hong Kong dollars (2.5%).

As at 30 June 2023, the Group had net current liabilities of RMB943,206,000 and has undertaken several acquisitions as disclosed in Note 13 to the financial information extracted from unaudited interim financial report with estimated total consideration of over RMB3.0 billion, of which the remaining amounts for the acquisitions and other capital expenditure amounting to approximately RMB1.2 billion will be paid in the near future. In addition, the Group has also been contemplating to expand existing business through actively seeking potential mining project targets or diversifying its business by stepping into new business other than mining. The Group needs to seek financing from banks or other financial institutions in order to fund the acquisitions and future capital expenditure. In light of our current liquidity position and our projected cash inflows generated from operations, the Directors are of the opinion that the Group will carefully monitor its liquidity position and assuming that the Group is able to generate sufficient cash inflows from future operations and obtain borrowings from bank or other financial institutions when needed, the Group will be able to meet its liabilities as and when they fall due for at least the next twelve months.

As at 30 June 2023 and 31 December 2022, the Group's secured bank loans were as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
Current	1,267,370	300,000
Non-current	200,000	583,000
	<b>1,467,370</b>	883,000

As at 30 June 2023, the Group's bank loans amounting to RMB1,434.4 million (As at 31 December 2022: RMB850.0 million) was jointly guaranteed by Mr. Zhang Li and Mr. Zhang Liang, Johnson and/or secured by the Group's pledged deposits amounting to RMB800.0 million (As at 31 December 2022: RMB400.0 million) and/or the mining right of Dafanpu coal mine held by Kinetic Coal.

As at 30 June 2023, the Group's bank loans amounting to RMB33.0 million (As at 31 December 2022: RMB33.0 million) was guaranteed by Kinetic Coal and Mr. Ju Wenzhong, a director of the Company.

### Contingent Liabilities

The Group had no material contingent liability as at 30 June 2023.

### Capital Expenditures and Commitments

The Group incurred capital expenditure of approximately RMB354.8 million for the six months ended 30 June 2023, which was mainly used for the proposed acquisitions, and purchase of machinery and equipment of the Dafanpu Coal Mine.

The Group's capital commitments as at 30 June 2023 amounted to approximately RMB1,175.6 million which will be mainly used in the acquisition, construction and purchase of mining machinery and properties.

### Other Commitment

According to the Group's production plan in the coming few years, the underground extraction activities will go into corresponding agricultural land area currently occupied by various domestic households. As such, management of the Group have been liaising with those affected households for relocation requests and providing monetary compensation. As of 30 June 2023, the Group estimated the aggregate future compensation payable for such purpose to be approximately RMB21.4 million and corresponding payments are still in negotiation.

### Charge on Assets

As at 30 June 2023, the Group's bank loan amounting to RMB1,100.0 million was secured by the Group's pledged deposits amounting to RMB800.0 million.

As at 30 June 2023, the Group's bank loan amounting to RMB1,434.4 million was jointly guaranteed by Mr. Zhang Li and Mr. Zhang Liang, Johnson and/or secured by the Group's pledged deposits amounting to RMB800.0 million and/or the mining right of Dafanpu coal mine held by Kinetic Coal, RMB1,234.4 million of which will be due within one year.

### Significant Acquisitions

On 24 December 2021, the Group entered into an acquisition agreement with Guizhou Liliang Energy Co., Ltd. ("**Guizhou Liliang**"), an entity owned by Mr. Zhang Li (a substantial shareholder of the Company), to acquire its 75% equity interests in Liupanshui Changlin Real Estate Development Co., Ltd. ("**Changlin**") which is expected to own the mining rights of a coal mine in Guizhou upon completion of a restructuring, with a total consideration of RMB1,100,000,000. According to the acquisition agreement, the Group prepaid RMB550,000,000 in 2021 and RMB530,256,000 in 2022 to Guizhou Liliang, respectively. Prior to the completion of the acquisition, certain conditions shall be satisfied. If those conditions were not satisfied, the Group is entitled to require Guizhou Liliang to refund any payment (without interest) which the Group had actually made to it under the acquisition agreement. The recoverability of the prepayments are secured by 100% equity interests of Guizhou Liliang. This transaction, together with the completed acquisition of Wuhai Fuliang Real Estate Development Co., Ltd. ("**Wuhai Fuliang**") in 2022, is a connected and major transaction of the Group on an aggregate basis. The transaction with Guizhou Liliang is subject to the independent shareholders' approval.

## Management Discussion and Analysis

On 29 April and 12 July 2022, the Group entered into a property purchase agreement and a supplemental agreement with subsidiaries of Guangzhou Seedland Real Estate Development Co., Ltd. (“**Seedland**”), including Qingdao Shilu Ocean Big Data Investment Development Co., Ltd., Zunyi Field Real Estate Development Co., Ltd., Jingmen Shiqiang Real Estate Co., Ltd., Wuxi Shidi Real Estate Co., Ltd., Zhongshan Shidi Real Estate Co., Ltd. and Wuhan Pingan Zhongxin Real Estate Co., Ltd, all of which are controlled by Mr. Zhang Liang, Johnson (a substantial shareholder of the Company) to acquire certain properties with a total consideration of RMB809,480,000. The transaction is a connected transaction of the Group, which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 25 October 2022.

On 30 May 2022, the Group entered into a property purchase framework agreement with Hainan Hangxiao Real Estate Development Co., Ltd. (“**Hainan Hangxiao**”), an entity controlled by Guangzhou R&F Properties Co., Ltd. of which Mr. Zhang Li (a substantial shareholder of the Company) is one of major shareholders, to acquire certain properties with a total consideration of RMB1,000,939,000. According to the property purchase framework agreement, the Group prepaid RMB564,625,000 to Hainan Hangxiao. The recoverability of the prepayment is secured by rights to 50% of sales proceeds from other properties in the same development project owned by Hainan Hangxiao according to a supplemental agreement signed in March 2023.

On 30 December 2022, the Group entered into an acquisition and subscription agreement with Mr. Zhang Li (a substantial shareholder of the Company) and Star Idea Enterprises Limited (“**Star Idea**”) to acquire 36,500 existing shares of Star Idea, representing approximately 73% of the equity interest in Star Idea with a consideration of USD62,757,010. The Group prepaid USD19,435,763 to Mr. Zhang Li. The Group also agreed to subscribe for an additional 16,667 newly issued shares of Star Idea with a consideration of USD28,656,169, for which the Group partially prepaid the consideration as settled with a loan to Star Idea of USD9,098,333 pursuant to a loan agreement dated 4 November 2022 (“**Loan Agreement**”). On 29 March 2023, due to the changes in macro-economy and regulatory condition and based on the status of the proposed acquisition then, the Group entered into a supplemental agreement with Mr. Zhang Li and Star Idea to terminate the subscription of additional 16,667 newly issued shares of Star Idea. As a result, with effect from 29 March 2023, the Loan Agreement has been reinstated, and the prepayment made by the Group to Star Idea in relation to the subscription agreement has been classified as a loan pursuant to the Loan Agreement and was recognised as other non-current assets. As of 30 June 2023, the total consideration was approximately USD62,757,010 and the consideration has been paid in cumulative amounts of USD33,178,763 (equivalent to RMB232,105,000). The acquisition is a connected transaction of the Group, which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 28 July 2023.

For more details of the above acquisitions, please refer to Note 13 to the financial information extracted from unaudited interim financial report.

All above transactions have not yet been completed as at the date of this report. During the six months ended 30 June 2023, the Group had no significant investments in associates or joint ventures, and no material acquisitions or disposals of subsidiaries. The Group’s ability to fund the above-mentioned acquisitions and capital expenditures heavily relies on its future operating cash inflows and its ability to finance through bank loans which may be affected by the government macro-control policy and volatility in coal market price. The Group will carefully monitor its liquidity position.

### Events after the Reporting Period

The details of the events after the reporting period are disclosed in Note 27 to the unaudited interim financial report. Save as disclosed in this report, the Group had no significant non-adjusting events subsequent to 30 June 2023.

### Financial Instruments

Save as the subscription of trust wealth management investments as disclosed at Note 15 to the unaudited interim financial report, the Group did not have any hedging contracts or financial derivatives for the six months ended 30 June 2023.

### Operating Segment Information

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker (“**CODM**”) of the Group that are used to assess the performance and allocate resources. The Group manages its businesses by business lines, in a manner consistent with the way in which the information is reported internally to the Group’s CODM. The reportable segments of the Group are coal mining segment and other segment (mainly including planting and properties operations) that are in line with the business plans and information provided to the CODM of the Group.

The revenue generated from other reportable segment is insignificant to the Group. As such, the results of other segment is not measured separately.

Moreover, as the Group’s revenue from the external customers and the majority of the Group’s assets were located in the PRC, no geographical information was presented.

The details of the operating segments are disclosed in Note 3 to the unaudited interim financial report.

### Financial Risk Management

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

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s bank deposits and short-term debt obligations with a floating interest rate. As at 30 June 2023, the Group did not hold short-term debt obligations with a floating interest rate and are not exposed to significant interest rate risk.

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

The Company and its subsidiaries are not exposed to significant foreign currency risk since their transactions and balances are principally denominated in their respective functional currencies.

#### (c) **Liquidity risk**

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

### Human Resources and Emolument Policy

As at 30 June 2023, the Group had a total of 1,468 full-time employees in the Mainland China and Hong Kong, China. For the six months ended 30 June 2023, the total staff costs, including the directors’ emoluments, amounted to RMB196.0 million.



## Management Discussion and Analysis

The Group's emolument policies are formulated based on the performance and experience of employees and in line with the salary trends in the Mainland China and Hong Kong, China. Other employee benefits include performance-related bonuses, insurance and medical coverage and share options. The share option scheme adopted by the Company on 6 March 2012 expired on 5 March 2022. On 29 November 2022, the Company adopted a new share award scheme, which is funded by existing shares of the Company, providing employees with the opportunity to acquire equity interests in the Company. On 28 April 2023, the Company adopted the 2023 Share Option Scheme and the 2023 Share Award Scheme, pursuant to which only grant of awards involving new shares may be made. Appropriate training programs are also provided to employees by the Group in order to ensure continuous training and development of employees.

### Remuneration Policy of Directors and Senior Management

Directors and senior management receive compensation in the form of salaries and discretionary bonuses related to the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Group or executing their functions in relation to the Group's operations. The Group's remuneration committee regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

### Exploration, Development and Mining Production Activities

For the six months ended 30 June 2023, the Group incurred capital expenditures of approximately RMB119.1 million for the development and mining production activities of the Group's coal mines. The capital expenditures were mainly used in the construction and purchase of machinery and equipment of the Group's coal mines.

The breakdown of the Group's expenses in relation to its mining production activities for the six months ended 30 June 2023 is summarised as follows:

	<b>For the six months ended 30 June 2023 RMB'000</b>
<b>Cost items</b>	
Mining costs	<b>193,614</b>
Processing costs	<b>45,347</b>
Government surcharges	<b>96,979</b>
Transportation and storage costs	<b>333,146</b>
Cost of sales	<b>669,086</b>
Finance costs	<b>35,654</b>
Total	<b>704,740</b>

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 – unaudited

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
<b>REVENUE</b>	4	<b>1,492,198</b>	3,009,958
Cost of sales		<b>(675,293)</b>	(914,623)
<b>Gross profit</b>		<b>816,905</b>	2,095,335
Other incomes and losses, net	5	<b>(15,545)</b>	9,212
Gains/(losses) on fair value changes of financial assets	15	<b>15,296</b>	(33,751)
Selling expenses		<b>(7,239)</b>	(12,319)
Administrative expenses		<b>(140,310)</b>	(123,057)
<b>PROFIT FROM OPERATIONS</b>		<b>669,107</b>	1,935,420
Share of profits of associates		<b>1,769</b>	10,401
Finance costs	7	<b>(37,515)</b>	(10,945)
<b>PROFIT BEFORE TAXATION</b>	6	<b>633,361</b>	1,934,876
Income tax expense	8	<b>(64,286)</b>	(572,724)
<b>PROFIT FOR THE PERIOD</b>		<b>569,075</b>	1,362,152
<b>Other comprehensive income for the period that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of operations outside Mainland China		<b>1,758</b>	(9,304)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>570,833</b>	1,352,848

The notes on pages 24 to 48 form part of this interim financial report.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 — unaudited

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
<b>Profit for the period attributable to:</b>			
Equity shareholders of the Company		<b>570,236</b>	1,365,349
Non-controlling interests		<b>(1,161)</b>	(3,197)
		<b>569,075</b>	1,362,152
<b>Total comprehensive income for the period attributable to:</b>			
Equity shareholders of the Company		<b>571,994</b>	1,356,045
Non-controlling interests		<b>(1,161)</b>	(3,197)
		<b>570,833</b>	1,352,848
Basic and diluted earnings per share attributable to equity shareholders of the Company (RMB cents)	9	<b>6.76</b>	16.20

The notes on pages 24 to 48 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 23.

# Consolidated Statement of Financial Position

At 30 June 2023 – unaudited

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,809,418	1,716,365
Right-of-use assets	11	42,454	116,873
Intangible assets	12	3,201,954	3,210,599
Interest in associates		105,854	104,085
Deferred tax assets		40,182	42,581
Prepayments for proposed acquisitions	13	2,685,986	2,546,892
Other non-current assets	14	298,831	143,037
<b>Total non-current assets</b>		<b>8,184,679</b>	7,880,432
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	15	206,195	190,899
Inventories	16	112,088	110,213
Trade and other receivables	17	156,277	220,718
Pledged and restricted deposits	18	920,540	475,903
Cash at bank	18	348,015	551,866
Current portion of other non-current assets	14	65,419	62,610
<b>Total current assets</b>		<b>1,808,534</b>	1,612,209
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	986,989	518,906
Contract liabilities		114,380	196,283
Bank loans	20	1,267,370	300,000
Lease liabilities	21	—	15,898
Income tax payable		383,001	784,328
<b>Total current liabilities</b>		<b>2,751,740</b>	1,815,415
<b>NET CURRENT LIABILITIES</b>		<b>(943,206)</b>	(203,206)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,241,473</b>	7,677,226

The notes on pages 24 to 48 form part of this interim financial report.

## Consolidated Statement of Financial Position

At 30 June 2023 — unaudited

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Bank loans	20	200,000	583,000
Lease liabilities	21	4,724	79,542
Long-term payables	22	643,200	638,992
Deferred tax liabilities		42,774	52,865
Accrual for reclamation costs		6,369	6,037
<b>Total non-current liabilities</b>		<b>897,067</b>	1,360,436
<b>Net assets</b>			
		<b>6,344,406</b>	6,316,790
<b>EQUITY</b>			
Share capital		54,293	54,293
Reserves		6,303,278	6,274,501
Total equity attributable to equity shareholders of the Company		6,357,571	6,328,794
Non-controlling interests		(13,165)	(12,004)
<b>Total equity</b>		<b>6,344,406</b>	6,316,790

The notes on pages 24 to 48 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 — unaudited

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Statutory reserves	Exchange reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2023</b>	54,293	483,907	141,831	2,001,270	(1,072)	3,648,565	6,328,794	(12,004)	6,316,790
Profit for the period	—	—	—	—	—	570,236	570,236	(1,161)	569,075
Other comprehensive income	—	—	—	—	1,758	—	1,758	—	1,758
<b>Total comprehensive income for the period</b>	—	—	—	—	1,758	570,236	571,994	(1,161)	570,833
Dividends declared	—	—	—	—	—	(543,217)	(543,217)	—	(543,217)
Appropriation of maintenance and production funds	—	—	—	69,968	—	(69,968)	—	—	—
Utilisation of maintenance and production funds	—	—	—	(19,101)	—	19,101	—	—	—
<b>At 30 June 2023</b>	54,293	483,907	141,831	2,052,137	686	3,624,717	6,357,571	(13,165)	6,344,406

The notes on pages 24 to 48 form part of this interim financial report.

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 — unaudited

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Statutory reserves	Exchange reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2022</b>	54,293	483,907	141,831	1,334,753	11,267	2,549,777	4,575,828	(3,786)	4,572,042
Profit for the period	—	—	—	—	—	1,365,349	1,365,349	(3,197)	1,362,152
Other comprehensive income	—	—	—	—	(9,304)	—	(9,304)	—	(9,304)
<b>Total comprehensive income for the period</b>	—	—	—	—	(9,304)	1,365,349	1,356,045	(3,197)	1,352,848
Dividends paid	—	—	—	—	—	(468,008)	(468,008)	—	(468,008)
Appropriation of maintenance and production funds	—	—	—	125,202	—	(125,202)	—	—	—
Utilisation of maintenance and production funds	—	—	—	(14,542)	—	14,542	—	—	—
<b>At 30 June 2022</b>	54,293	483,907	141,831	1,445,413	1,963	3,336,458	5,463,865	(6,983)	5,456,882

The notes on pages 24 to 48 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023 – unaudited

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
<b>Net cash generated from operating activities</b>		<b>36,848</b>	1,584,465
<b>INVESTING ACTIVITIES</b>			
Dividends received from an associate		—	17,154
Interest received		<b>1,940</b>	9,789
Payments for property, plant and equipment and other non-current assets		<b>(123,418)</b>	(46,869)
Loan granted to related parties		<b>(69,345)</b>	—
Receipt of the repayment of loan to a related party		—	50,000
Redemption of financial assets at fair value through profit or loss		—	27,700
Prepayments for the proposed acquisitions	13	<b>(203,743)</b>	(1,064,298)
Acquisition of a subsidiary, net of cash acquired		—	(1,492,008)
Refundable security deposits paid in relation to potential mining projects targets		—	(1,490,000)
Refund of security deposits in relation to potential mining projects targets		—	1,490,000
<b>Net cash used in investing activities</b>		<b>(394,566)</b>	(2,498,532)
<b>FINANCING ACTIVITIES</b>			
New bank loans		<b>734,370</b>	1,231,574
Repayments of bank loans		<b>(150,000)</b>	(288,370)
Dividends paid		—	(468,008)
Interest paid		<b>(30,770)</b>	(5,482)
Increase in pledged deposits		<b>(400,000)</b>	(600,000)
Decrease in pledged deposits		—	96,493
<b>Net cash generated / (used) in financing activities</b>		<b>153,600</b>	(33,793)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(204,118)</b>	(947,860)
Cash and cash equivalents at 1 January		<b>551,866</b>	2,387,239
Effect of foreign exchange rates changes		<b>267</b>	(686)
<b>Cash and cash equivalents at 30 June</b>		<b>348,015</b>	1,438,693

The notes on pages 24 to 48 form part of this interim financial report.





# Notes to the unaudited interim financial report

## 1. CORPORATE AND GROUP INFORMATION

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

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

### 2.1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 25 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 2.2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Group’s annual financial statements for that financial year but is derived from those financial statements. The auditor has reported on those financial statements on 30 March 2023. The auditor’s opinion was not modified but included a reference to a matter to which the auditor drew attention for material uncertainty related to going concern.

## 2.1 BASIS OF PREPARATION (Cont'd)

As at 30 June 2023, the Group had net current liabilities of RMB943,206,000 and has undertaken several acquisitions as disclosed in Note 13 with estimated total consideration of over RMB3 billion, of which the remaining amounts for the acquisitions and other capital expenditure amounting to approximately RMB1.2 billion will be paid in the near future. In addition, the Group has also been contemplating to expand existing business through actively seeking potential mining project targets or diversifying its business by stepping into new business other than mining. The Group needs to seek financing from banks or other financial institutions in order to fund the acquisitions and future capital expenditure.

The Group's ability to fund the above-mentioned acquisitions and capital expenditures heavily relies on its future operating cash inflows and its ability to finance through bank loans, which may be affected by the government macro-control policy and volatility in coal market price.

The Directors assessed the Group's ability to continue as a going concern, taking into account (i) the Group's current cash at bank balances; (ii) the expected operating cash flows of the Group for at least the next twelve months from the end of the current reporting period; and (iii) the Group's capital expenditure forecast for at least the next twelve months from the end of the current reporting period, with the potential gap to be satisfied by external borrowings. The Directors are of the opinion that the Group will carefully monitor its liquidity position and assuming that the Group is able to generate sufficient cash inflows from future operations and obtain borrowings from bank or other financial institutions when needed, the Group will be able to meet its liabilities as and when they fall due for at least the next twelve months. Accordingly, it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis. The condensed consolidated interim financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

## 2.2 CHANGES IN ACCOUNTING POLICIES

### ***New and amended HKFRSs***

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

- **HKFRS 17, *Insurance contracts***

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts.

- **Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates***

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates.

## 2.2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

### ***New and amended HKFRSs (Cont'd)***

- ***Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction***

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

- ***Amendments to HKAS 12, Income taxes: International tax reform – Pillar Two model rules***

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“**OECD**”) (income tax arising from such tax laws is hereafter referred to as “**Pillar Two income taxes**”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application.

None of the new and amended HKFRSs have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. OPERATING SEGMENT INFORMATION

Management has determined operating segments with reference to the reports reviewed by the CODM of the Group that are used to assess the performance and allocate resources. The Group manages its businesses by business lines, in a manner consistent with the way in which the information is reported internally to the Group’s CODM. The reportable segments of the Group are coal mining segment and other segment (mainly including planting and properties operations) that are in line with the business plans and information provided to the CODM of the Group.

### 3. OPERATING SEGMENT INFORMATION (Cont'd)

The revenue generated from other segment is insignificant to the Group. As such, the results of other segment is not measured separately.

The information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation for the six months ended 30 June 2023 is the total amount of related assets and liabilities of reportable segments.

Information regarding the Group's reportable segments for the six months ended 30 June 2023 and reconciliations of reportable segment assets and liabilities are set out below.

#### (i) Segment assets and liabilities

	At 30 June 2023		
	Coal mining segment RMB'000	Other segment RMB'000	Total RMB'000
Reportable segment assets	7,483,456	1,964,570	9,448,026
Reportable segment liabilities	3,037,416	50,002	3,087,418

	At 31 December 2022		
	Coal mining segment RMB'000	Other segment RMB'000	Total RMB'000
Reportable segment assets	7,405,766	1,694,987	9,100,753
Reportable segment liabilities	1,937,232	138,649	2,075,881

## 3. OPERATING SEGMENT INFORMATION (Cont'd)

## (ii) Reconciliations of reportable segment assets and liabilities

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
<b>Assets</b>			
Reportable segment assets		9,448,026	9,100,753
Loans granted to related parties	14	298,810	158,408
Financial assets at fair value through profit or loss	15	206,195	190,899
Deferred tax assets		40,182	42,581
Consolidated total assets		9,993,213	9,492,641

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
<b>Liabilities</b>			
Reportable segment liabilities		3,087,418	2,075,881
Income tax payable		383,001	784,328
Taxes payable other than income tax	19	135,614	262,777
Deferred tax liabilities		42,774	52,865
Consolidated total liabilities		3,648,807	3,175,851

## (iii) Geographic information

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

#### 4. REVENUE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Revenue from contracts with customers</b>		
Sale of coal products	1,489,107	3,007,788
Others	3,091	2,170
	<b>1,492,198</b>	<b>3,009,958</b>

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Government grants	28,672	19,319
Interest income	7,830	6,699
Gains/(losses) on disposal of non-current assets	8,043	(10,966)
Donation	(63,008)	—
Write-down of inventories	—	(3,697)
Others	2,918	(2,143)
	<b>(15,545)</b>	<b>9,212</b>

## 6. PROFIT BEFORE TAXATION

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Cost of sales		
— Transportation and storage costs	<b>333,146</b>	502,173
— Cost of inventories sold	<b>342,147</b>	412,450
	<b>675,293</b>	914,623
Staff costs:		
Salaries, wages, bonuses and benefits	<b>188,562</b>	172,407
Contribution to defined contribution plans	<b>7,458</b>	5,217
	<b>196,020</b>	177,624
Depreciation	<b>45,264</b>	46,522
Amortisation of intangible assets	<b>8,855</b>	15,588
Amortisation of right-of-use assets	<b>3,467</b>	392
Write-down of inventories	<b>—</b>	3,697

Cost of inventories sold for the six months ended 30 June 2023 included RMB138,938,000 (six months ended 30 June 2022: RMB136,308,000) relating to staff costs, depreciation and amortisation, which amounts are also included in the respective amounts disclosed separately above for each of these types of expenses.

## 7. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Interest expenses	<b>31,084</b>	6,658
Unwinding of discount	<b>6,431</b>	4,287
	<b>37,515</b>	10,945

## 8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax — Mainland China	71,978	596,715
Deferred income tax		
Reversal and origination of temporary differences	(7,692)	(23,991)
Total tax expense for the period	64,286	572,724

- (a) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary, Blue Gems Worldwide Limited and Porus Power Limited, are not subject to any income tax in the Cayman Islands and BVI, respectively.
- (b) Except for Kinetic Coal, PRC CIT was provided at a rate of 25% on the taxable income of the companies comprising the Group within Mainland China, as adjusted for income and expense items which are not assessable or deductible for income tax purposes. Kinetic Coal was qualified as a “High and New Technology Enterprise” on 14 December 2022, hence it enjoys a preferential income tax rate of 15% from 2022 to 2024.
- (c) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if certain criteria are met. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. In 2023, Kinetic Development Group Limited, Blue Gems Worldwide Limited and Kinetic (Asia) Limited obtained Hong Kong SAR certificate of resident status for the calendar year 2022 and the two succeeding calendar years, respectively. As a result, under the “Arrangement between the Mainland China and Hong Kong SAR for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income”, the Group is subject to a withholding tax rate of 5% from 2022 to 2024. The relevant tax authorities in Mainland China has refunded the Group with the difference of PRC withholding tax incurred for the year ended 31 December 2022 which was calculated at the rate of 10% and 5%, amounting to RMB74,558,000. The Group provided for and paid the withholding taxes subject to a tax rate of 5% for the six months ended 30 June 2023.



## 9. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on the profit for the period attributable to equity shareholders of the Company of RMB570,236,000 and the 8,430,000,000 shares in issue during the period.

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

There were no dilutive potential ordinary shares during the six months ended 30 June 2023 and 2022, and therefore, diluted earnings per share is the same as the basic earnings per share.

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Carrying amount RMB'000</b>
At 1 January 2023	<b>1,716,365</b>
Additions	<b>138,332</b>
Disposals	<b>(15)</b>
Depreciation	<b>(45,264)</b>
At 30 June 2023	<b>1,809,418</b>

The Group is in the process of applying for the title of certificates of certain properties with a carrying value of RMB279,260,000 (31 December 2022: RMB283,700,000) as at 30 June 2023. The Directors are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

## 11. RIGHT-OF-USE ASSETS

	Carrying amount RMB'000
At 1 January 2023	116,873
Additions	12,536
Disposals (note)	(83,488)
Amortisation	(3,467)
At 30 June 2023	42,454

note:

In 2022, the Group entered into land lease agreements (the “**Land Lease Agreements**”) with certain village committees of Togtoh County, Hohhot, Inner Mongolia Autonomous Region for planting. The corresponding Land Leases Agreements were early terminated on 1 March 2023 and the Group was not liable for or required to pay any compensation due to the early termination of the Land Lease Agreements.

## 12. INTANGIBLE ASSETS

	Carrying amount RMB'000
At 1 January 2023	3,210,599
Additions	210
Amortisation	(8,855)
At 30 June 2023	3,201,954

## 13. PREPAYMENTS FOR PROPOSED ACQUISITIONS

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Related parties	25(b)		
— Acquisition of Guizhou Liliang Energy Co., Ltd. (“ <b>Guizhou Liliang</b> ”)	(a)	<b>1,080,256</b>	1,080,256
— Acquisition of properties from Guangzhou Seedland Real Estate Development Co., Ltd. (“ <b>Seedland</b> ”)	(b)	<b>803,000</b>	696,000
— Acquisition of properties from Hainan Hangxiao Real Estate Development Co., Ltd. (“ <b>Hainan Hangxiao</b> ”)	(c)	<b>564,625</b>	564,625
— Acquisition of Star Idea Enterprises Limited (“ <b>Star Idea</b> ”)	(d)	<b>232,105</b>	200,011
		<b>2,679,986</b>	2,540,892
Third parties		<b>6,000</b>	6,000
		<b>2,685,986</b>	2,546,892

## Notes:

- (a) On 24 December 2021, the Group entered into an acquisition agreement with Guizhou Liliang, an entity owned by Mr. Zhang Li, to acquire its 75% equity interests in Changlin which is expected to own the mining rights of a coal mine in Guizhou upon completion of a restructuring, with a total consideration of RMB1,100,000,000. According to the acquisition agreement, the Group prepaid RMB550,000,000 in 2021 and RMB530,256,000 in 2022 to Guizhou Liliang, respectively. Prior to the completion of the acquisition, certain conditions shall be satisfied. If those conditions were not satisfied, the Group is entitled to require Guizhou Liliang to refund any payment (without interest) which the Group had actually made to it under the acquisition agreement. The recoverability of the prepayments are secured by 100% equity interests of Guizhou Liliang. This transaction, together with the completed acquisition of Wuhai Fuliang in 2022, is a connected and major transaction of the Group on an aggregate basis. The transaction with Guizhou Liliang is subject to the independent shareholders' approval.
- (b) On 29 April and 12 July 2022, the Group entered into a property purchase agreement and revised supplementary agreement with subsidiaries of Seedland, including Qingdao Shilu Ocean Big Data Investment Development Co., Ltd., Zunyi Field Real Estate Development Co., Ltd., Jingmen Shiqiang Real Estate Co., Ltd., Wuxi Shidi Real Estate Co., Ltd., Zhongshan Shidi Real Estate Co., Ltd. and Wuhan Pingan Zhongxin Real Estate Co., Ltd., all of which are controlled by Mr. Zhang Liang, Johnson, to acquire certain properties with a total consideration of RMB809,480,000. According to the agreements, the Group prepaid RMB670,000,000 to Guangzhou Chaiju Architectural Design Consulting Co., Ltd. (“**Guangzhou Chaiju**”) and RMB133,000,000 to Zhuhai Hengqin Tianshi Enterprise Management Consulting Co., Ltd. (“**Zhuhai Hengqin**”). The transaction is a connected transaction of the Group which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 25 October 2022.

### 13. PREPAYMENTS FOR PROPOSED ACQUISITIONS (Cont'd)

Notes: (Cont'd)

- (c) On 30 May 2022, the Group entered into a property purchase framework agreement with Hainan Hangxiao, an entity controlled by Guangzhou R&F Properties Co., Ltd. of which Mr. Zhang Li is one of major shareholders, to acquire certain properties with a total consideration of RMB1,000,939,000. According to the property purchase framework agreement, the Group prepaid RMB564,625,000 to Hainan Hangxiao. The recoverability of the prepayment is secured by rights to 50% of sales proceeds from other properties in the same development project owned by Hainan Hangxiao according to a supplemental agreement signed in March 2023.
- (d) On 30 December 2022, the Group entered into an acquisition and subscription agreement with Mr. Zhang Li and Star Idea to acquire 36,500 existing shares of Star Idea (the "**Acquisition in relation to Star Idea**"), representing approximately 73% of the equity interest in Star Idea with a consideration of USD62,757,010. The Group prepaid USD19,435,763 (equivalent to RMB135,362,000) to Mr. Zhang Li. The Group also agreed to subscribe for an additional 16,667 newly issued shares of Star Idea with a consideration of USD28,656,169, for which the Group partially prepaid the consideration as settled with a loan to Star Idea of USD9,098,333 pursuant to the Loan Agreement dated 4 November 2022.

On 29 March 2023, due to the changes in macro-economy and regulatory condition and based on the status of the proposed acquisition then, the Group entered into a supplemental agreement with Mr. Zhang Li and Star Idea to terminate the subscription of additional 16,667 newly issued shares of Star Idea. As a result, with effect from 29 March 2023, the Loan Agreement has been reinstated, and the prepayment made by the Group to Star Idea in relation to the subscription agreement has been classified as a loan pursuant to the Loan Agreement and was recognised as other non-current assets.

In 2023, the Group further prepaid USD13,743,000 (equivalent to RMB96,743,000). As of 30 June 2023, the total consideration was approximately USD62,757,010 and the consideration has been paid in cumulative amounts of USD33,178,763 (equivalent to RMB232,105,000). The acquisition is a connected transaction of the Group, which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 28 July 2023 and is expected to be completed in the second half of 2023.

On 17 February 2023, Mr. Zhang Liang, Johnson and King Lok Holdings Limited, an entity owned by Mr. Zhang Liang, Johnson, agreed to pledge 5,307,450,000 shares held by them in the Company and the interests derived therefrom as security for the performance of contractual obligations of Guizhou Liliang, Mr. Zhang Li and subsidiaries of Seedland under the relevant acquisitions and loan agreements. The share pledge arrangement serves as a security of the prepayments made for the acquisition of Guizhou Liliang, acquisition of properties from Seedland and acquisition of Star Idea, as well as loans granted to Guizhou Liliang (Note 25(b)).

The Directors have assessed the progress of the transactions and the ability of the related parties to fulfil the obligations under the agreements described above and even if these transactions not completed as schedule the counterparties are financially capable to repay the outstanding amounts to the Company.

## 14. OTHER NON-CURRENT ASSETS

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Loans granted to related parties	25	298,810	158,408
Others		65,440	47,239
Total		364,250	205,647
Less:			
Current portion of other non-current assets — Related parties	25	65,419	62,610
Other non-current assets		298,831	143,037

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

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trust wealth management investments	206,195	190,899

On 25 December 2020, the Group entered into a subscription agreement with Northern International Trust Co., Ltd. (“Northern Trust”) to subscribe a trust wealth management investment amounting to RMB252,530,000 for a period of 1 year, which is redeemable on demand. As at 30 June 2023, the fair value of the investment was RMB125,353,000 (31 December 2022: RMB115,576,000), resulting in a gain of RMB9,777,000 on fair value changes, due to price movement in its investment in a corporate bond issued by Guangzhou R&F Properties Co., Ltd. (“Guangzhou R&F”) in 2018 with an annual interest rate of 6.58%. Subsequent to 30 June 2023, the fair value of the trust wealth management investment was in the range between RMB130,000,000 and RMB160,000,000.

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Cont'd)

On 28 December 2020, the Group entered into a subscription agreement with Beijing International Trust Co., Ltd. (“**Beijing Trust**”) to subscribe a trust wealth management investment amounting to RMB151,500,000 for a period of 10 years, which is redeemable on demand. As at 30 June 2023, the fair value of the investment was RMB80,842,000 (31 December 2022: RMB75,323,000), resulting in a gain of RMB5,519,000 on fair value changes, due to price movement in its investment in a corporate bond issued by Guangzhou R&F in 2020 with an annual interest rate of 6.30%. Subsequent to 30 June 2023, the fair value of the trust wealth management investment was in the range between RMB60,000,000 and RMB90,000,000.

## 16. INVENTORIES

	<b>30 June 2023</b>	31 December 2022
	<b>RMB'000</b>	RMB'000
Coal products	<b>64,615</b>	56,746
Raw materials, accessories and chemicals	<b>47,452</b>	49,849
Others	<b>21</b>	3,618
	<b>112,088</b>	110,213

## 17. TRADE AND OTHER RECEIVABLES

	<b>30 June 2023</b>	31 December 2022
	<b>RMB'000</b>	RMB'000
Trade debtors	<b>848</b>	5,227
Other receivables		
– Government subsidy receivables	–	65,220
– Prepayments and deposits	<b>87,337</b>	102,781
– Deductible input VAT	<b>43,162</b>	38,264
– Others	<b>24,930</b>	9,226
	<b>156,277</b>	220,718

## 17. TRADE AND OTHER RECEIVABLES (Cont'd)

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

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Within 6 months	<b>848</b>	5,227

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

The allowances for trade and other receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. As the Directors are of opinion that the amount of expected credit losses is minimal, no loss allowance for trade and other receivables recognised as at 30 June 2023 under HKFRS 9.

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

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Cash and bank balances	<b>348,015</b>	551,866
Pledged deposits	<b>800,000</b>	400,000
Restricted deposits	<b>120,540</b>	75,903
	<b>1,268,555</b>	1,027,769
Less:		
Pledged for bank loans	<b>800,000</b>	400,000
Restricted deposits	<b>120,540</b>	75,903
Cash and cash equivalents	<b>348,015</b>	551,866

As at 30 June 2023, the cash and bank balances of the Group denominated in RMB amounted to RMB339,443,000 (31 December 2022: RMB502,779,000).

## 18. CASH AT BANK AND PLEDGED AND RESTRICTED DEPOSITS (Cont'd)

As at 30 June 2023, the Group's bank balances of RMB800,000,000 (31 December 2022: RMB400,000,000) were deposited as guarantee fund for the Group to obtain bank loan of RMB1,100,000,000 (31 December 2022: RMB1,000,000,000).

As at 30 June 2023, the Group's bank balances of approximately RMB120,540,000 (31 December 2022: RMB75,903,000) were deposited with banks as a mine environment restoration guarantee fund pursuant to the related government regulations.

## 19. TRADE AND OTHER PAYABLES

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Dividends payable		543,217	—
Taxes payable other than income tax		135,614	262,777
Payables for material and construction	(a)	160,943	120,703
Other payables and accruals	(b)	142,824	133,905
Amounts due to related parties	25(c)	4,391	1,521
		<b>986,989</b>	518,906

Notes:

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

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

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	150,728	82,628
1 to 2 years	7,701	9,688
Over 2 years	2,514	28,387
	<b>160,943</b>	120,703

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



## 20. BANK LOANS

	Note	At 30 June 2023			At 31 December 2022		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>							
Bank loan — secured	(a)	3.50%	2024	400,000	—	—	—
Bank loan — secured	(b)	5.50%	2024	134,370	—	—	—
Current portion of long-term bank loans							
— secured	(c)	6.65%	2024	33,000	—	—	—
Current portion of long-term bank loan							
— secured	(d)	5.00%	2024	700,000	5.00%	2023	300,000
				1,267,370			300,000
<b>Non-current</b>							
Long-term bank loans — secured	(c)	—	—	—	6.65%	2024	33,000
Long-term bank loan — secured	(e)	5.00%	2025	200,000	5.00%	2024	550,000
				200,000			583,000
				1,467,370			883,000

## Notes:

- (a) As at 30 June 2023, the Group's bank loans amounting to RMB400,000,000 was secured by the Group's pledged deposits amounting to RMB400,000,000, which will be due in March 2024.
- (b) As at 30 June 2023, the Group's bank loans amounting to RMB134,370,000 was secured by the mining right of Dafanpu coal mine held by Kinetic Coal, which will be due in March 2024.
- (c) As at 30 June 2023, the Group's bank loans amounting to RMB33,000,000 (31 December 2022: RMB33,000,000) was guaranteed by Kinetic Coal and Mr. Ju Wenzhong, a director of the Company, which will be due within one year.
- (d) As at 30 June 2023, the Group's bank loan amounting to RMB700,000,000 (31 December 2022: RMB850,000,000) was jointly guaranteed by Mr. Zhang Li and Mr. Zhang Liang, Johnson and secured by the Group's pledged deposits amounting to RMB400,000,000 and the mining right of Dafanpu coal mine held by Kinetic Coal, which will be due in May 2024 (31 December 2022: RMB300,000,000 will be due within one year).
- (e) As at 30 June 2023, the Group's bank loans amounting to RMB200,000,000 was secured by the mining right of Dafanpu coal mine held by Kinetic Coal, which will be due in March 2025.

## 21. LEASE LIABILITIES

The lease liabilities were repayable as follows:

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Within 1 year	—	15,898
After 1 year but within 2 years	—	16,969
After 2 years but within 5 years	—	57,981
Over 5 years	<b>4,724</b>	4,592
	<b>4,724</b>	95,440

## 22. LONG-TERM PAYABLES

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Present value of payables in relation to mining rights	<b>669,953</b>	665,196
Present value of compensation payable in relation to the demolition and relocation	<b>28,635</b>	27,859
	<b>698,588</b>	693,055
Less: current portion recorded in trade and other payables	<b>55,388</b>	54,063
	<b>643,200</b>	638,992

## 23. DIVIDENDS

The Directors proposed an interim dividend of HKD3.0 cents per share (six months ended 30 June 2022: HKD6.0 cents per share), payable to shareholders of the Company on or before 3 November 2023. The dates for closure of register of members of the Company for ascertaining shareholders' entitlement to receive the proposed interim dividend will be further announced. The total amount of the interim dividend to be distributed is estimated to be approximately RMB233,169,000 (six months ended 30 June 2022: RMB432,555,000).

## 24. COMMITMENTS

### (a) Capital commitments

Capital commitments outstanding as at 30 June 2023 not provided for in the interim financial report were as follows:

	<b>30 June 2023</b>	31 December 2022
	<b>RMB'000</b>	RMB'000
Authorised and contracted for acquisition, construction and purchase of mining machinery and properties	<b>1,175,567</b>	1,480,506

### (b) Other commitment

According to the Group's production plan in the coming few years, the underground extraction activities will go into corresponding agricultural land area currently occupied by various domestic households. As such, management of the Group have been liaising with those affected households for relocation request and providing monetary compensation. As of 30 June 2023, the Group estimated the aggregate future compensation payable for such purpose to be approximately RMB21,427,000 and corresponding payments are still in negotiation.

## 25. RELATED PARTY TRANSACTIONS AND BALANCES

During the six months ended 30 June 2023, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Mr. Zhang Li	Shareholder of the Company
Mr. Zhang Liang, Johnson	Shareholder of the Company
Mr. Ju Wenzhong	Executive Director
Shenhua Zhunneng Xiaojia Shayan Coal Storage and Delivery Limited (“ <b>Xiaojia</b> ”) (神華准能肖家沙塢煤炭集運有限責任公司)*	An associate of the Group
Guangzhou Tianli Construction Co. Ltd. (“ <b>Guangzhou Tianli</b> ”) (廣州天力建築工程有限公司)*	Controlled by Mr. Zhang Li
Guangzhou Chaiju (廣州柴炬建築設計諮詢有限公司)*	Controlled by Mr. Zhang Liang, Johnson
Guizhou Liliang (貴州力量能源有限公司)*	Controlled by Mr. Zhang Li
Star Idea (星耀企業有限公司)	Controlled by Mr. Zhang Li
Hainan Hangxiao (海南航孝房地產開發有限公司)*	A subsidiary of Guangzhou R&F of which Mr. Zhang Li is one of major shareholders
Seedland (實地地產集團有限公司)* and its affiliates	Controlled by Mr. Zhang Liang, Johnson
Zhuhai Hengqin (珠海市橫琴天實企業管理諮詢有限公司)*	Controlled by Mr. Zhang Liang, Johnson

\* The English translation of the company names are for reference only. The official names of the company are in Chinese.

## 25. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

**(a) Transactions**

Xiaojia, an associate of the Group, provided loading service to the Group during the six months ended 30 June 2023. The transactions between the Group and Xiaojia were conducted in the ordinary and usual course of business. The pricing was determined with reference to the prevailing market prices. The outstanding balances with Xiaojia are disclosed in Note 25(c), and the service fee for the reporting period are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Loading service from Xiaojia	36,491	52,897
Purchase construction materials from Guangzhou Tianli	1,113	—
	<b>37,604</b>	52,897

**(b) Amounts due from related parties**

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Other non-current assets (including current portion)		
— loans granted to related parties (note)	298,810	158,408
Prepayment for the proposed acquisitions (Note 13)	2,679,986	2,540,892
	<b>2,978,796</b>	2,699,300

note:

On 22 June 2020, the Group entered into a loan agreement with Guizhou Liliang in the principal amount of RMB57,000,000, for a term of 2 years. The interest rate is 2% above the 1-year loan market quoted interest rate announced by the National Interbank Funding Center, and the interest shall be paid annually. On 23 December 2022, the Group entered into a supplementary agreement with Guizhou Liliang, pursuant to which, the due date of the loan was extended to 31 December 2023, with the interest rate raised to 2.5% above the 1-year loan market quoted interest rate announced by the National Interbank Funding Center. The principal amount of the loan together with all the outstanding interest payables thereon shall be fully repaid on the due date.

On 28 June 2022, the Group entered into a loan agreement with Guizhou Liliang in the principal amount of RMB200,000,000 for a term of 2 years. The interest rate is calculated by adding 1.5% on top of the 1-year loan prime rate ("LPR") in PRC. The principal amount of the loan together with the interest payables thereon shall be fully repaid on the due date, 27 June 2024. As at 30 June 2023, approximately RMB145,723,000 out of the principal amount has been drawn down.

## 25. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

**(b) Amounts due from related parties (Cont'd)**

On 4 November 2022, the Group entered into a loan agreement with Star Idea in the principal amount of RMB200,000,000 for a term of 2 years. The interest rate is calculated by adding 1.5% on top of the 1-year LPR in PRC. As at 30 June 2023, approximately RMB81,167,000 out of the principal amount has been drawn down.

As at 30 June 2023, the principal of loan receivable was RMB283,890,000 (including current portion, see Note 14) and the interest receivable was RMB14,920,000 recorded in other non-current assets (31 December 2022: RMB7,363,000 recorded in trade and other receivables). The interest income on these loans for the six months ended 30 June 2023 was RMB5,890,000 (six months ended 30 June 2022: RMB1,700,000).

**(c) Amounts due to related parties**

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Xiaojia	<b>4,391</b>	1,521
Guangzhou Tianli	<b>1,113</b>	—
	<b>5,504</b>	1,521

Amounts due to related parties are unsecured, interest-free and repayable on demand.

**(d) Key management personnel remuneration of the Group**

Remuneration for directors and key management personnel of the Group is as follows:

	<b>Six months ended 30 June</b>	
	<b>2023 RMB'000</b>	2022 RMB'000
Short-term employee benefits	<b>16,437</b>	14,975
Contribution to defined contribution retirement plan	<b>432</b>	302
	<b>16,869</b>	15,277

## 25. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

### (e) Financial guarantees

As at 30 June 2023, the Group's bank loan amounting to RMB700,000,000 was jointly guaranteed by Mr. Zhang Li and Mr. Zhang Liang, Johnson (31 December 2022: RMB850,000,000) and bank loans amounting to RMB33,000,000 was guaranteed by Mr. Ju Wenzhong (31 December 2022: RMB33,000,000) (more details are set out in Note 20).

## 26. FAIR VALUE MEASUREMENT

### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

	Fair value at 30 June 2023 RMB'000	Fair value measurements as at 30 June 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements Assets:				
Trust wealth management investments	206,195	—	—	206,195

## 26. FAIR VALUE MEASUREMENT (Cont'd)

**Fair value hierarchy (Cont'd)**

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Trust wealth management investments	190,899	—	—	190,899

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

During the six months ended 30 June 2023, there were gains amounting to RMB15,296,000 arising from the fair value changes of the trust wealth management investments given the price movement over their investments in corporate bonds.

The movement during the six months ended 30 June 2023 in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2023 RMB'000	At 30 June 2022 RMB'000
At 1 January	190,899	269,382
Redemption of financial assets at fair value through profit or loss	—	(27,734)
Changes in fair value recognised in profit or loss during the period	15,296	(33,751)
At 30 June	206,195	207,897

Except for the above mentioned, there are no other financial assets or liabilities measured at fair value at the end of the reporting period.



## 26. FAIR VALUE MEASUREMENT (Cont'd)

### Fair value hierarchy (Cont'd)

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2023. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and bank deposits, financial assets included in trade and other receivables, financial liabilities included in trade and other payables and current portion of interest-bearing bank loans approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the non-current portion of interest-bearing loans and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

## 27. EVENTS AFTER REPORTING PERIOD

- (a) After the end of the reporting period, the Directors proposed an interim dividend, further details are disclosed in Note 23.
- (b) On 28 July 2023, the Acquisition in relation to Star Idea was approved by the independent shareholders of the Company on the Company's extraordinary general meeting, details are disclosed in Note 13(d).

Save as above, the Group had no significant non-adjusting events subsequent to 30 June 2023.

### CORPORATE GOVERNANCE

#### **Corporate Governance Code**

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

The Board is of the view that the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the six months ended 30 June 2023.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions.

All the directors of the Company have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company’s code of conduct for the six months ended 30 June 2023.

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

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

#### **Audit Committee**

The audit committee of the Company comprises two independent non-executive directors, namely Ms. Liu Peilian and Mr. Chen Liangnuan and one non-executive director, Ms. Zhang Lin. Ms. Liu Peilian is the chairlady of the Audit Committee, who possesses the appropriate professional qualification on accounting or related financial management expertise. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal control system. The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2023.

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

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

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### Long position in the ordinary shares of the Company

Name of Directors	Capacity/Type of interest	Number of ordinary shares	Approximate percentage of shareholding (Note 1)
Mr. Ju Wenzhong	Beneficial interests	5,497,659	0.07%
Ms. Xue Hui	Beneficial interests	3,860,055	0.05%
Mr. Li Bo	Beneficial interests	1,529,886	0.02%

Note 1: The calculation is based on the total number of issued ordinary shares of 8,430,000,000 shares as at 30 June 2023.

Save as disclosed above, as at the Latest Practicable Date, there was no other Directors or the chief executive of the Company or any of their associates who had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## DISCLOSURE OF INTERESTS (Cont'd)

### Directors' and Chief Executive's Rights to Acquire Shares or Debentures

At no time during the six months ended 30 June 2023 was the Company, its subsidiaries, its associate, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors or chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares

So far as known to the Directors and chief executive of the Company, as at 30 June 2023, the persons or corporations (except the Directors or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

#### Long position in the ordinary shares of the Company

Name of substantial shareholders	Capacity/Type of interest	Number of ordinary shares	Approximate percentage of shareholding (Note 1)
Mr. Zhang Li	Beneficial interests	943,314,000	11.19%
	Interest of spouse (Note 2)	2,800,000	0.03%
Madam Liao Dong Fen	Beneficial interests	2,800,000	0.03%
	Interest of spouse (Note 3)	943,314,000	11.19%
Mr. Zhang Liang, Johnson	Interest in a controlled corporation (Note 4)	5,307,450,000	62.96%
King Lok Holdings Limited	Beneficial interests (Note 4)	5,307,450,000	62.96%

Note 1: The calculation is based on the total number of issued ordinary shares of the Company of 8,430,000,000 shares as at 30 June 2023.

Note 2: Mr. Zhang Li is the spouse of Madam Liao Dong Fen. Accordingly, under the SFO, Mr. Zhang Li is deemed to be interested in the 2,800,000 ordinary shares of the Company held by Madam Liao Dong Fen.

Note 3: Madam Liao Dong Fen is the spouse of Mr. Zhang Li. Accordingly, under the SFO, Madam Liao Dong Fen is deemed to be interested in the 943,314,000 ordinary shares of the Company held by Mr. Zhang Li.

Note 4: King Lok Holdings Limited is wholly-owned and controlled by Mr. Zhang Liang, Johnson and Mr. Zhang Liang, Johnson is therefore deemed to be interested in the ordinary shares of the Company held by King Lok Holdings Limited.



## Other Information

Save as disclosed above, as at 30 June 2023, the Directors and chief executive of the Company were not aware of any other person or corporation (except the Directors or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

### 2023 SHARE OPTION SCHEME AND 2023 SHARE AWARD SCHEME

The Company adopted the share option scheme (the “**2023 Share Option Scheme**”) and the share award scheme (the “**2023 Share Award Scheme**”) on 28 April 2023 (the “**Adoption Date**”).

The total number of Shares which may be issued in respect of all options and awards to be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other schemes of the Company shall not in aggregate exceed 843,000,000 Shares, representing 10% of the total number of issued Shares as at the Adoption Date.

The total number of Shares which may be issued in respect of all options and awards to be granted to the service providers under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other schemes of the Company shall not in aggregate exceed 84,300,000, representing 1% of the total number of issued Shares as at the Adoption Date.

As at 30 June 2023, the Company has not granted any share options or share awards under the 2023 Share Option Scheme and 2023 Share Award Scheme.

### DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2023, none of the Directors or their close associates (as defined in the Listing Rules) has any other interests in any business apart from the Group’s business which competes or is likely to compete, either directly or indirectly, with the business of the Group.