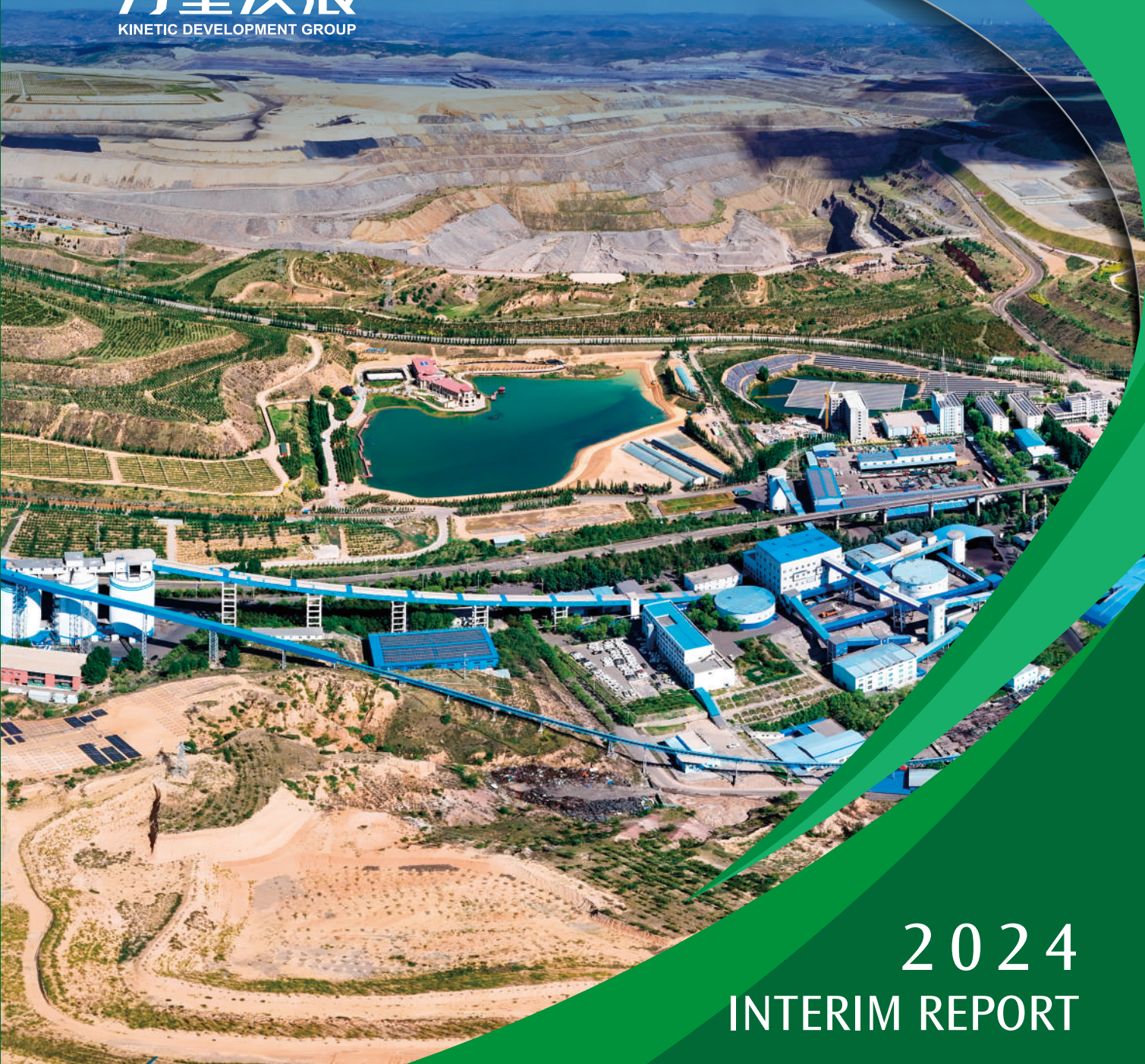




力量发展
KINETIC DEVELOPMENT GROUP



2024 INTERIM REPORT

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



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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 (*Chairlady*)
Mr. Chen Liangnuan
Ms. Zhang Lin

REMUNERATION COMMITTEE

Ms. Xue Hui (*Chairlady*)
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

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111, 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

Chairman's Statement

On behalf of the board of directors (the “**Board**”) of Kinetic Development Group Limited (the “**Company**”), I am pleased to present the interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024.

The first half of 2024 was affected by adverse factors such as intensified geopolitical tensions and high inflation, which increased the downward pressure on the global economy. With the precise macro-economic adjustment and control implemented by the Chinese government, China's overall economic and social situation has remained stable while the economy showed strong resilience. According to the National Bureau of Statistics of China, the gross domestic product (“**GDP**”) of the People's Republic of China (the “**PRC**”) reached approximately RMB61.7 trillion in the first half of 2024, representing a year-on-year increase of 5.0% at constant prices.

In the domestic coal market, supply slightly exceeded demand in general for the first half of 2024. The national output of raw coal has continued to maintain a high level in recent years. Coal stockpiles across different segments remained high, and high volumes of imported coal were supplementing the supply. On the other hand, demand for coal from the downstream power generation industry was hampered by the slow overall domestic economic growth during the first half of the year. As such, domestic coal prices experienced a decline despite staying at a relatively high level in the first half of 2024.

As a leading integrated coal enterprise in China, the Group's business activities cover coal production, washing, loading, transportation and trading. During the first half of 2024, the Group stringently controlled the quality of its coal products while implementing precise and efficient sales strategies based on market conditions, thereby achieving high-quality and high-speed development. For the six months ended 30 June 2024, the Group's revenue reached approximately RMB2,532.4 million, representing a significant increase of 69.7% year-on-year. The Group's consolidated net profit amounted to approximately RMB1,085.2 million, representing a significant increase of 90.7% year-on-year. Such increase was mainly attributable to the resumption of normal production levels at the Group's Dafanpu Coal Mine. In the corresponding period last year, it experienced production disruptions caused by adverse underground mining conditions.

In the first half of 2024, the Group continued to promote the safe, efficient and green mine construction at Dafanpu Coal Mine. In terms of safety, the Group regularly organised hands-on training and safe production month activities to improve the skills and safety awareness of employees. In terms of production, the Group improved the digital level of its coal mines in an all-round manner by adopting dynamic management, upgrading equipment and system and strengthening equipment control. In terms of operation management, the Group continued to implement refined management for cost reduction and efficiency enhancement. For the six months ended 30 June 2024, the Group's gross profit margin was 61.4%, while the net profit margin was 42.9%, remaining at a relatively high level in the industry.

Furthermore, the Group's Yong'an Coal Mine and Weiyi Coal Mine, located in the Ningxia Hui Autonomous Region, are currently under construction. Upon commencement of production, they are expected to effectively expand the Group's coal production capacity, diversify coal types and become one of the main growth points for future performance.

In addition, the Group attaches great importance to environmental protection and sustainable and diversified development. Its Dafanpu Coal Mine continues to maintain the honour of being a national-level green mine. Moreover, the Group continued to orchestrate the development of its mine reclamation areas and commenced auxiliary businesses in the agricultural and livestock industry. The Group commenced the businesses of production, operation and sale of cigar and tobacco in Cambodia through an acquisition in October 2023, which further enhanced the Group's performance on top of its principal coal business.



Chairman's Statement

Looking forward to the second half of 2024, the global economic environment will remain complex and challenging with an uncertain outlook. The Chinese government will continue to prioritise stability, implement precise macro-control measures, and stimulate domestic demand. As such, the domestic economy is expected to maintain a stable and positive momentum. As for the coal industry, domestic coal supply is expected to moderately exceed demand in the second half of 2024, thus limiting the room for a general increase in coal prices. In the medium- to long-term, thermal power will continue to dominate the future power generation sector, and high-quality coal enterprises will have a stable development outlook.

The Group will capture market opportunities and actively identify and explore quality projects by fully leveraging on its advantages in terms of high standard and premium products, strong profitability and capital strength. Moreover, the Group will seek to achieve steady growth and development, striving for outstanding returns for the society and our shareholders.

Finally, 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

Hong Kong, 19 August 2024

Management Discussion and Analysis

MARKET REVIEW

During the first half of 2024, global economic growth encountered enormous challenges due to increasingly complicated international relations and rising global trade tensions. In the face of the complex and grim external environment, the Chinese government adhered to its development approach of making progress while maintaining stability, thereby preserving stable national economic growth overall while achieving new progress in high-quality development. According to the National Bureau of Statistics of China, China's GDP for the first half of 2024 reached approximately RMB61.7 trillion, representing a year-on-year increase of 5.0% at constant prices; the industrial enterprises above the designated size across the country achieved a business revenue of approximately RMB64.9 trillion, representing a year-on-year increase of 2.9% on a comparable basis; and the industrial enterprises above the designated size across the country achieved a total profit of approximately RMB3,511.03 billion, representing a year-on-year increase of 3.5% on a comparable basis.

In the first half of 2024, supply in the domestic coal market moderately exceeded demand. On the one hand, despite a year-on-year decline, the domestic production of raw coal remained at a high level in general. At the same time, there was a significant growth in the quantity of imported coal, thereby effectively securing coal supply for the domestic market. According to the National Bureau of Statistics of China, the raw coal output of China's industrial enterprises above the designated size across the country amounted to approximately 2.27 billion tonnes for the first half of 2024, with a year-on-year decrease of 1.7% on a comparable basis. China imported approximately 250 million tonnes of coal during the same period, with a year-on-year increase of 12.5% on a comparable basis. On the other hand, as coal stockpiles of downstream power plants remained high, the growth in demand for coal from thermal power generation was limited. According to the National Bureau of Statistics of China, the power generation of China's industrial enterprises above the designated size across the country in the first half of 2024 amounted to approximately 4.4 trillion kWh, representing a year-on-year increase of 5.2% on a comparable basis. In particular, thermal power generation grew by 1.7% year-on-year.

During the first half of 2024, domestic coal prices as a whole showed a trend of "narrow fluctuation", with the average coal price experiencing an overall decline despite remaining at a historical high. Affected by the decrease in coal prices, the operating results of the industry in general recorded a year-on-year decrease. According to the National Bureau of Statistics of China, in the first half of 2024, the principal business income of enterprises above the designated size from the coal mining and coal washing industries across the country amounted to approximately RMB1,558.62 billion, representing a year-on-year decrease of 12.6% on a comparable basis, while the total profit amounted to approximately RMB316.86 billion, representing a year-on-year decrease of 24.8% on a comparable basis.

In conclusion, in the first half of 2024, as the domestic coal market was pursuing stable production to secure supply, the supply was inclined towards abundance, leading to a drop in the average coal price, and the overall performance of coal enterprises experienced a certain degree of retracement.

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.

In the first half of 2024, under the influence of several factors, the average coal market price experienced a downward pressure. After carefully analysing market trends, the Group used a competitive bidding sale method and made sales based on the best offers from customers. It has stepped up deliveries while prices were high by capturing the highest prevailing market prices from time to time so as to maximise its sales efficiency. In the first half of 2024, the average selling price per tonne of the Group's 5,000 kcal low-sulfur environmentally friendly thermal coal amounted to approximately RMB770.4, representing a year-on-year decrease of approximately 11.0%, higher than the prevailing market price, with receivables collection ratio reaching 100%.

In the first half of 2024, the Group continued to make full use of the advantages of its own low-sulphur, high-ash-fusion-temperature and high-quality thermal coal products "Kinetic 2" and put more effort into the development of end customers. It effectively extended the influence of "Kinetic 2" among downstream customers through diversified purchase and sale models, such as Free on Board, Delivered Ex Quay and Free on Trains, thereby successfully achieving the sales volume and revenue targets for the first half of 2024. For the six months ended 30 June 2024, the Group recorded a total revenue of approximately RMB2,532.4 million, representing a significant increase of 69.7% as compared to the corresponding period last year. The sales volume of the Group's 5,000 kcal coal products increased by approximately 73.9% as compared to last year, mainly attributable to the fact that in the first half of 2024, the Group's Dafanpu Coal Mine no longer experienced production disruptions as in the corresponding period last year caused by temporary adverse underground mining conditions. With the improvement in extraction efficiency, the Group's production volume of coal increased significantly year-on-year and returned to the expected normal level during the six months ended 30 June 2024.

In the first half of 2024, 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, while continuing to enhance intelligent construction, reduce costs and increase efficiency, which effectively mitigated the effect of the decline in sales price on gross profit margin. For the six months ended 30 June 2024, the Group achieved a gross profit margin of approximately 61.4%, which was at an industry-leading level.

Based on the above business strategies, the Group has maintained a high-quality development, bringing relatively considerable profit returns to shareholders. For the six months ended 30 June 2024, the Group's consolidated net profit amounted to approximately RMB1,085.2 million, representing a year-on-year increase of 90.7%. The Group's EBITDA amounted to approximately RMB1,533.9 million, representing a year-on-year increase of 110.6%.

The Group has always put safe production as top priority. Its Dafanpu Coal Mine in Inner Mongolia has been rated as a "National Class 1 Safe Production Standardised Coal Mine" by the National Mine Safety Administration and has maintained the highest honour of "Class A Coal Mine" granted by the Energy Bureau of Zhunge'er Banner for several consecutive years. It has also been given the honourable title of "Coal Industry Premium Safe and Efficient Mine" by the China National Coal Association every year since 2014.

The Group upholds the principles of green and sustainable development. In the first half of 2024, the Dafanpu Coal Mine continued to maintain the national green mine honour, while Inner Mongolia Zhunge'er Kinetic Coal Limited (“**Kinetic Coal**”) was named an Advanced Enterprise in the Construction of Green Mines in Zhunge'er Banner for the Year 2023, fully reflecting the comprehensive strengths of the Group in sustainable development of the coal industry.

In recent years, the Group has launched diversified ancillary businesses on the basis of the steady operation of its principal business of coal in order to seek greater profit returns for shareholders. It has successfully established an ecological industrial chain integrating agricultural product planting and livestock breeding in its mine reclamation area. 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) (“**Liangyun Animal Husbandry**”), a wholly-owned subsidiary of the Group, was built in 2022, and 650 French original breeding pigs have been introduced from France. In the first phase, a breeding area, including a breeding farm and two fattening farms, is planned to be built. Lijata Fattening Farm (李家塔育肥場) was put into production in August 2023. Huajian Village Qianhao Breeding Farm (鐮尖村前壕擴繁場) was completed and put into operation in May 2024. Wulan Bulang Fattening Farm (烏蘭不浪育肥場) is expected to be completed and put into operation at the end of 2026. The first phase of the project is expected to reach full capacity by mid-2026, with 7,200 breeding pigs in stock and 170,000 pigs of various types marketed in 2027. In addition, the Group commenced the business of production, operation and sale of cigar and tobacco in Cambodia by acquiring 73% equity interests in Star Idea Enterprises Limited (“**Star Idea**”) in October 2023. It is expected to become a new profit driver for the Group.

The Group is diversifying its business by fully utilising surplus funds in order to maximise returns for shareholders. As of 30 June 2024, there are several transactions in progress, and the Group is rigorously monitoring the progress and proactively pushing forward the transactions with feasible initiatives to conclude them.

FUTURE OUTLOOK

Looking forward to the second half of 2024, global economic growth will continue to be disrupted by escalating geopolitical conflicts and sluggish international trade. In the World Economic Outlook issued by the International Monetary Fund in July 2024, global economic growth in 2024 is projected to remain at 3.2%. The world's economic recovery will be slow but steady. In the second half of 2024, the PRC government will adhere to its overarching approach of making progress while maintaining stability, step up macro-economic adjustment and control, and thoroughly exploit the potential of domestic demand. It is expected that China's economy will continue to enjoy steady and favourable development.

With regard to the coal market, it is anticipated that the domestic coal supply will continue to moderately exceed demand in the second half of 2024. Regulatory safety inspections will remain strict, which will in turn slightly curtail domestic coal production. Nevertheless, the advantageous prices of imported coal will persist while the volume of imports will stay high. Furthermore, as coal stockpiles at downstream ports and power plants may continue to stand at a high level throughout the year, there will be abundant supply of coal. Demand for coal is expected to be relatively weak, mainly due to the sluggish economic recovery in general. In the medium- to long-term, thermal power will maintain its dominant position, as shown in the significant year-on-year increase in the number of new thermal power generating units during the period of the 14th Five-Year Plan. In addition, demand for electricity still has potential for further growth. Leading coal enterprises are expected to achieve promising results in the long run.

Looking forward to the second half of 2024, the Group will continue to implement the mine development concept that stresses safety, efficiency and environmental protection, further implement the refined operation strategy, make full use of the advantages of its own low-sulphur, high-quality thermal coal brand products “Kinetic 2”, and conform to the market situation, in order to flexibly adjust its sales pace and strategy, and to improve its operating efficiency effectively. In addition, Yong’an Coal Mine and Weiyi Coal Mine, which are operated by the Group and located in Ningxia Hui Autonomous Region, are currently under construction. Yong’an Coal Mine is expected to be put into operation in the second half of 2024 and reach full capacity in 2027, while Weiyi Coal Mine is expected to be put into operation in the second half of 2025 and reach full capacity in 2027. The Group will be able to tap into the coking coal business, and further increase the production capacity of coking coal by 2.1 million tons per year, thus breaking through the limitations arising from operating a single coal mine with a single coal type, and the coal mine project in Ningxia is expected to be one of the main driving forces of the growth in results in the future.

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, it will further diversify its ancillary businesses, improve its overall operation efficiency, and reward its shareholders with outstanding results.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased from approximately RMB1,492.2 million for the six months ended 30 June 2023 to approximately RMB2,532.4 million for the six months ended 30 June 2024, representing an increase of 69.7% as compared with the corresponding period last year.

The increase in the Group’s revenue was mainly due to the resumption of normal production levels at the Group’s Dafanpu Coal Mine. In the corresponding period last year, the coal mining operations had been impacted by faults, fracture zones, increased roof plate pressure, and a slower pace of mining, resulting in a significant decrease in the Group’s overall coal sales volume.

Despite the lower average selling price of the Group’s 5,000 kcal coal products for the six months ended 30 June 2024 compared to the same period last year, the resumption of normal production levels at the Dafanpu Coal Mine was the primary driver behind the increase in the Group’s revenue.

Cost of Sales

For the six months ended 30 June 2024, the Group incurred cost of sales of approximately RMB977.7 million as compared to the Group’s cost of sales of approximately RMB675.3 million for the six months ended 30 June 2023. 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 increase in the Group’s cost of sales was mainly attributable to the increase in the sales volume of the coal of the Group.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2024, the Group recorded a gross profit of approximately RMB1,554.7 million and a gross profit margin of 61.4% as compared to the gross profit of approximately RMB816.9 million and the gross profit margin of 54.7% for the six months ended 30 June 2023.

The increase in Group's gross profit margin for the six months ended 30 June 2024 was mainly attributable to the resumption of normal production levels at the Group's Dafanpu Coal Mine allowing for better absorption of fixed costs and improved economies of scale 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 losses of approximately RMB15.5 million for the six months ended 30 June 2023 to net incomes of approximately RMB58.8 million for the six months ended 30 June 2024. This was mainly attributable to the increase in government grants, the increase in interest income and the decrease in donation for the six months ended 30 June 2024.

For the six months ended 30 June 2024 and 2023, 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 realised loss from the disposal of financial assets.

Selling Expenses

The Group's selling expenses increased from approximately RMB7.2 million for the six months ended 30 June 2023 to approximately RMB20.7 million for the six months ended 30 June 2024, representing an increase of 185.6% as compared with the corresponding period last year. The increase in the Group's selling expenses was mainly attributable to the increase 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 RMB140.3 million for the six months ended 30 June 2023 to approximately RMB174.4 million for the six months ended 30 June 2024, representing an increase of 24.3% 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 RMB37.5 million for the six months ended 30 June 2023 to approximately RMB43.9 million for the six months ended 30 June 2024, representing an increase of 17.0% as compared with the corresponding period last year. The increase in the Group's finance costs was mainly attributable to the increase in the average balance of interest-bearing liabilities and the increase in the unwinding of discount expenses 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	
	2024	2023
	RMB'000	RMB'000
Current tax – Mainland China	318,132	71,978
Deferred income tax		
Reversal and origination of temporary differences	(1,223)	(7,692)
Total tax expense for the period	316,909	64,286

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries, namely Blue Gems Worldwide Limited, Power Wisdom Strategic Limited, Star Idea Enterprises Limited and Porus Power Limited, were not subject to any income tax in the Cayman Islands and the British Virgin Islands, respectively.
- (b) Except for Kinetic Coal, corporate income tax was provided at a rate of 25% on the taxable income of the subsidiaries operating in Mainland China, as adjusted for income and expense items which were not assessable or deductible for income tax purposes. Kinetic Coal was recognised as qualified enterprise subject to the “Western Development Strategy” on 28 December 2023, hence it enjoys a preferential income tax rate of 15% from 2023 to 2030.
- (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, the Company, 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 Group provided for and paid the withholding taxes subject to a tax rate of 5% for the six months ended 30 June 2024.

Profit for the Period

As a result of the foregoing, the Group recorded a consolidated profit after tax of the Company of approximately RMB1,085.2 million for the six months ended 30 June 2024, which increased substantially from the consolidated profit after tax of the Company of approximately RMB569.1 million for the six months ended 30 June 2023, representing an increase of 90.7% as compared with the corresponding period last year. Net profit margin increased from 38.1% for the six months ended 30 June 2023 to 42.9% for the six months ended 30 June 2024.

Interim Dividends

The Board resolved to declare an interim dividend for the six months ended 30 June 2024 of HKD0.04 per share (six months ended 30 June 2023: HKD0.03 per share), payable to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 5 September 2024. It is expected that the interim dividend will be paid in cash on or before Thursday, 14 November 2024. The total amount of the interim dividends will be HKD337,200,000 (six months ended 30 June 2023: HKD252,900,000). The declared interim dividends have not been recognised as a liability as at 30 June 2024.

Closure of Register of Members for Interim Dividends

The register of members of the Company will be closed from Tuesday, 3 September 2024 to Thursday, 5 September 2024 (both days inclusive), during which period no transfer of shares will be registered for the purpose of determining shareholders' entitlement to the interim dividend. To qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 2 September 2024.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

For the six months ended 30 June 2024, the Group's cash at bank and on hand 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 other borrowing and cash generated from operating activities. The Group's gearing ratio was 5.6% as at 30 June 2024 as compared to the Group's gearing ratio of 7.1% as at 31 December 2023. This ratio is calculated as net debt divided by capital plus net debt. Net debt is calculated as total borrowings less cash at bank and on hand. Capital is equivalent to the total equity.

As at 30 June 2024, the Group's cash at bank and on hand, amounting to approximately RMB345.4 million, were denominated in Renminbi (91.32%), Hong Kong dollars (7.42%) and United States Dollar (1.26%).

As at 30 June 2024, the Group had net current liabilities of approximately RMB463.6 million and has undertaken several acquisitions with prepayments made amounting to approximately RMB2,211.9 million as disclosed in Note 13 to the unaudited interim financial report. The Directors estimated that the remaining amounts to be made in relation to the aforementioned acquisitions and other additional capital expenditure will be approximately RMB1,167.8 million; and may undertake other necessary additional amount to complete the acquisitions. 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. 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 2024 and 31 December 2023, the Group's secured bank loans and other borrowing were as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Current	598,260	1,033,000
Non-current	214,250	269,800
	812,510	1,302,800

As at 30 June 2024, the Group's other borrowing amounting to approximately RMB193.19 million was guaranteed by Seedland, Chongqing Seedland Real Estate Development Co., Ltd. and Mr. Zhang Liang, Johnson.

As at 30 June 2024, the Group's bank loans amounting to approximately RMB464.25 million was secured by the mining right of Dafanpu Coal Mine held by Kinetic Coal or guaranteed by Kinetic Coal (As at 31 December 2023, the Group's bank loans amounting to approximately RMB552.80 million was secured by the mining right of Dafanpu Coal Mine held by Kinetic Coal or guaranteed by Kinetic Coal and/or Mr. Ju Wenzhong, a director of the Company).

As at 30 June 2024, the Group's bank loans amounting to approximately RMB155.07 million was secured by the mining right of Yong'an Coal Mine held by Ningxia Kinetic Mining Co., Ltd. ("**Ningxia Kinetic**") and guaranteed by Ningxia Kinetic.

Capital Expenditures and Commitments

The Group incurred capital expenditure of approximately RMB589.0 million for the six months ended 30 June 2024, which was mainly for the purpose of the acquisition, purchase of machinery and equipment and construction of the Yong'an Coal Mine, Weiyi Coal Mine and other projects. These capital expenditures were financed by a combination of interest-bearing bank loans and internal resources.

The Group's capital commitments as at 30 June 2024 amounted to approximately RMB1,167.8 million, which is mainly for the purpose of the acquisition, purchase of machinery and equipment and construction of the Yong'an Coal Mine, Weiyi Coal Mine and other projects. These capital expenditures will be financed by a combination of interest-bearing bank loans and internal resources.

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 2024, the Group estimated the aggregate future compensation payable for such purpose to be approximately RMB17.1 million and corresponding payments are still in negotiation.

Significant Acquisitions

Acquisition of Equity Interest in Changlin

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 would 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 is a connected and major transaction of the Group and subject to the independent shareholders' approval.

Acquisition of Properties from Seedland and the Ensuing Supplemental Agreements and Letter of Intent

On 29 April and 12 July 2022, the Group entered into a property purchase agreement and a supplemental agreement, respectively, with subsidiaries of Guangzhou Seedland Real Estate Development Co., Ltd ("**Seedland**"), including Qingdao Shilu Ocean Big Data Investment Development Co., Ltd. ("**Qingdao Shilu**"), Zunyi Field Real Estate Development Co., Ltd. ("**Zunyi Field**"), Jingmen Shiqiang Real Estate Co., Ltd. ("**Jingmen Shiqiang**"), Wuxi Shidi Real Estate Co., Ltd. ("**Wuxi Shidi**"), Zhongshan Shidi Real Estate Co., Ltd. ("**Zhongshan Shidi**") and Wuhan Pingan Zhongxin Real Estate Co., Ltd ("**Wuhan Pingan**") (collectively, the "**Sellers**"), all of which are controlled by Mr. Zhang Liang, Johnson to acquire certain properties with a total consideration of RMB809,480,000. As of 30 June 2024, the Group has already prepaid RMB803,000,000 to the Sellers. 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 1 December 2023, the Group entered into the second supplemental agreement ("**Second Supplemental Agreement**") with the Sellers and Taiyuan Hetai Shengrui Real Estate Co., Limited ("**Taiyuan Hetai**", a subsidiary of Wuxi Shidi), pursuant to which (i) the target properties located in Jingmen, Wuxi and Wuhan ("**Terminated Properties**") would no longer be sold to the Group, and (ii) the Group entered into a share transfer agreement with Wuxi Shidi to acquire 100% equity interests in Taiyuan Hetai ("**Target Shares**") with a consideration of RMB220,000,000, which shall be set off against and deducted from the prepayment for acquisition of properties from Seedland. In addition, given that the Target Shares are subject to a pledge provided as security in favour of Huarong Rongde Asset Management Co. Ltd ("**Huarong Rongde**") for a debt which was used for Ziteng project of Taiyuan Hetai ("**Debt**"), the Group would become one of the obligators to settle the Debt with Huarong Rongde at a cost of no more than RMB380,000,000 so that Huarong Rongde would discharge the pledge over the Target Shares. According to the Second Supplemental Agreement, the Group prepaid RMB40,000,000 to Huarong Rongde on behalf of Taiyuan Hetai in 2023.

On 7 February 2024, the Group entered into a supplemental agreement to the Second Supplemental Agreement with the Sellers and Taiyuan Hetai, pursuant to which (i) if the acquisition will not be completed before 30 September 2024, the Group shall be entitled to terminate the Second Supplemental Agreement; and (ii) if the actual amount of the Debt owed by Taiyuan Hetai upon the completion of the transfer of the Target Shares exceeds the amount of debt factored in the valuation of Taiyuan Hetai as at 30 November 2023, the Sellers shall compensate the Group for the excess amount (the **“Excess Debt Amount”**) by (a) reducing the equity consideration by the Excess Debt Amount on a dollar-to-dollar basis; and (b) providing additional properties with a total value not less than the Excess Debt Amount to the Group. 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 13 March 2024. Following the completion of registration of the transfer of shares of Taiyuan Hetai to the Purchaser on 3 June 2024, Taiyuan Hetai has become an indirect wholly-owned subsidiary of the Group. The total identifiable assets acquired were disclosed in Note 28 to the unaudited interim financial report.

On 6 June 2024, the Group entered into the third supplemental agreement (**“Third Supplemental Agreement”**) with Qingdao Shilu, Zunyi Field, Zhongshan Shidi, Wuhan Pingan and Guangzhou Hengyi Equipment Installation and Maintenance Co., Ltd (**“Guangzhou Hengyi”**), pursuant to Third Supplemental Agreement, among others, (i) Guangzhou Hengyi transferred 6 units of properties for commercial use located in No. 16 Huaxia Road, Tianhe District, Guangzhou, Guangdong Province with an aggregate building area of approximately 1,182.0 square meters to the Group for a total consideration of RMB45,000,000; (ii) the sales tax payable by Guangzhou Hengyi in connection with the transfer of the Properties, which amounts to RMB4,184,000, has been paid by the Group, and shall be deducted from the total consideration of RMB45,000,000 such that the net consideration payable by the Group for the acquisition of the properties shall become RMB40,816,000, which shall be set off against the equivalent amount in the prepayments for proposed acquisitions. The latest outstanding prepaid amount to Seedland following the set-off mentioned above stands at RMB542,184,000.

In addition, on 6 June 2024, the Group entered into a letter of intent with Mr. Zhang Liang, Johnson and Seedland Smart Service Group Limited (**“Seedland Smart Service”**), pursuant to which, (i) the Group formalised its intent to acquire the 100% equity interests of Seedlife Holding Limited (**“Seedlife”**) from Seedland Smart Service; (ii) Mr. Zhang Liang, Johnson and Seedland Smart Service (collectively, **“Seedlife Sellers”**) agreed to facilitate the Group to conduct due diligence on Seedlife; and (iii) the Group shall transfer HKD25,000,000 to Seedlife Sellers as a deposit for the proposed acquisition. As at 30 June 2024, the deposit amounting to HKD25,000,000 (equivalent to RMB22,817,000) had been paid to Mr. Zhang Liang, Johnson. If this transaction materializes, it would constitute a connected and discloseable transaction and subject to the independent shareholders’ approval.

Save for those disclosed above, during the six months ended 30 June 2024, the Group had no other significant investments in associates or joint ventures, and no other 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 29 to the unaudited interim financial report. Save as disclosed in this report, the Group had no other significant non-adjusting events subsequent to 30 June 2024.

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 2024, 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 2024, the Group had a total of 2,133 full-time employees in the Mainland China, Hong Kong and Cambodia. For the six months ended 30 June 2024, the total staff costs, including the directors' emoluments, amounted to approximately RMB244.2 million.

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, Hong Kong and Cambodia. 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 22 May 2023, the Company also adopted a new share option scheme and another new share award scheme (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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 – unaudited

	Notes	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
REVENUE	4	2,532,355	1,492,198
Cost of sales		(977,668)	(675,293)
Gross profit		1,554,687	816,905
Other incomes and losses, net	5	58,762	(15,545)
Net gains on fair value changes of financial assets	15	15,597	15,296
Selling expenses		(20,677)	(7,239)
Administrative expenses		(174,431)	(140,310)
PROFIT FROM OPERATIONS		1,433,938	669,107
Share of profits of associates		12,015	1,769
Finance costs	7	(43,877)	(37,515)
PROFIT BEFORE TAXATION	6	1,402,076	633,361
Income tax expense	8	(316,909)	(64,286)
PROFIT FOR THE PERIOD		1,085,167	569,075
Other comprehensive income for the period that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the PRC		(20,312)	1,758
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,064,855	570,833

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 – unaudited

	Notes	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Profit for the period attributable to:			
Equity shareholders of the Company		1,095,281	570,236
Non-controlling interests		(10,114)	(1,161)
		1,085,167	569,075
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		1,074,656	571,994
Non-controlling interests		(9,801)	(1,161)
		1,064,855	570,833
Basic and diluted earnings per share attributable to equity shareholders of the Company	9	RMB13.00 cents	RMB6.76 cents

Consolidated Statement of Financial Position

At 30 June 2024 – unaudited

	Notes	30 June 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,928,013	2,483,678
Right-of-use assets	11	109,478	88,049
Intangible assets	12	3,216,848	3,233,648
Interest in associates		91,848	79,833
Goodwill		250,673	250,673
Deferred tax assets		74,130	26,726
Prepayments for proposed acquisitions	13	2,211,882	2,449,881
Other non-current assets	14	336,792	168,239
Total non-current assets		9,219,664	8,780,727
CURRENT ASSETS			
Financial assets at fair value through profit or loss	15	269,035	220,592
Inventories	16	1,565,858	115,274
Trade and other receivables	17	164,536	194,053
Pledged and restricted deposits	18	158,614	727,784
Cash at bank and on hand	18	345,442	734,143
Current portion of other non-current assets	14	65,748	165,341
Total current assets		2,569,233	2,157,187
CURRENT LIABILITIES			
Trade and other payables	19	1,209,627	1,066,741
Contract liabilities		817,308	68,351
Bank loans and other borrowing	20	598,260	1,033,000
Lease liabilities	21	1,658	1,898
Income tax payable		378,088	402,086
Provisions		27,938	–
Total current liabilities		3,032,879	2,572,076
NET CURRENT LIABILITIES		(463,646)	(414,889)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,756,018	8,365,838

Consolidated Statement of Financial Position

At 30 June 2024 – unaudited

	Notes	30 June 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	20	214,250	269,800
Lease liabilities	21	6,814	6,989
Long-term liabilities	22	576,131	583,936
Deferred tax liabilities		54,310	41,841
Accrual for reclamation costs		44,176	43,073
Total non-current liabilities		895,681	945,639
Net assets		7,860,337	7,420,199
EQUITY			
Share capital	23	54,293	54,293
Reserves		7,763,496	7,313,557
Total equity attributable to equity shareholders of the Company		7,817,789	7,367,850
Non-controlling interests		42,548	52,349
Total equity		7,860,337	7,420,199

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 – unaudited

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Share award	Other reserves RMB'000	Statutory reserves RMB'000	Exchange reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
			reserves RMB'000							
At 1 January 2024	54,293	483,907	-	141,831	2,348,715	42,400	4,296,704	7,367,850	52,349	7,420,199
Profit for the period	-	-	-	-	-	-	1,095,281	1,095,281	(10,114)	1,085,167
Other comprehensive income	-	-	-	-	-	(20,625)	-	(20,625)	313	(20,312)
Total comprehensive income for the period	-	-	-	-	-	(20,625)	1,095,281	1,074,656	(9,801)	1,064,855
Dividends paid	-	-	-	-	-	-	(611,572)	(611,572)	-	(611,572)
Appropriation of maintenance and production funds	-	-	-	-	139,664	-	(139,664)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	(33,185)	-	33,185	-	-	-
Purchase of shares under 2022 Share Award Scheme	-	-	(13,145)	-	-	-	-	(13,145)	-	(13,145)
At 30 June 2024	54,293	483,907	(13,145)	141,831	2,455,194	21,775	4,673,934	7,817,789	42,548	7,860,337

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 – unaudited

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Statutory reserves	Exchange reserves	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2023	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
Total comprehensive income for the period	-	-	-	-	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	-	-	-
At 30 June 2023	54,293	483,907	141,831	2,052,137	686	3,624,717	6,357,571	(13,165)	6,344,406

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024 – unaudited

	Notes	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Net cash generated from operating activities		1,045,257	36,848
INVESTING ACTIVITIES			
Interest received		22,072	1,940
Proceeds from disposal of items of property, plant and equipment		505	–
Redemption of financial assets at fair value through profit or loss		11,654	–
Payments for property, plant and equipment and other non-current assets		(285,820)	(123,418)
Loan granted to related parties		(2,624)	(69,345)
Prepayments for the proposed acquisitions	13	–	(203,743)
Refundable security deposits paid in relation to property projects	13(b)	(22,817)	–
Acquisition of subsidiaries, net of cash acquired	28	(53,914)	–
Increase in pledged deposits		(13,866)	–
Purchase of financial assets at fair value through profit or loss	15(ii)	(50,004)	–
Others		918	–
Net cash used in investing activities		(393,896)	(394,566)
FINANCING ACTIVITIES			
New bank loans		200,070	734,370
Repayments of bank loans		(883,550)	(150,000)
Dividends paid		(918,575)	–
Interest paid		(24,728)	(30,770)
Purchase of shares under share award scheme		(13,145)	–
Lease rentals paid		(416)	–
Increase in pledged deposits		–	(400,000)
Decrease in pledged deposits		600,000	–
Net cash (used in)/generated from financing activities		(1,040,344)	153,600
NET DECREASE IN CASH AND CASH EQUIVALENTS		(388,983)	(204,118)
Cash and cash equivalents at 1 January		734,143	551,866
Effect of foreign exchange rates changes		282	267
Cash and cash equivalents at 30 June		(345,442)	348,015

Notes to the Unaudited Interim Financial Report

1. CORPORATE AND GROUP INFORMATION

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, 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

The unaudited 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**"), and in 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 19 August 2024.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, namely Hong Kong Financial Reporting Standards ("**HKFRSs**"), except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 2.2.

The preparation of the unaudited 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. The unaudited interim financial report is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

The unaudited interim financial report contains condensed consolidated interim 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 2023 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 2023 that is included in the unaudited 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 25 March 2024. 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. The unaudited interim financial report has not been audited, but has been reviewed by the Company's audit committee ("**Audit Committee**").

2.1 BASIS OF PREPARATION (Cont'd)

As at 30 June 2024, the Group had net current liabilities of RMB463,646,000 and has undertaken several acquisitions with prepayments made amounting to RMB2,211,882,000 as disclosed in Note 13. The Directors estimated that the remaining amounts to be made in relation to the aforementioned acquisitions and other additional capital expenditure will be RMB1,167,787,000; and may undertake other necessary additional amount to complete the acquisitions. 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'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 and on hand 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 and other necessary additional amount 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 is proactively monitoring the progress of the acquisitions and additional cash flow needs and will take feasible initiatives to conclude the transactions. The Group will also carefully monitor its liquidity position. 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

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

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements* (“2020 and 2022 amendments”, or collectively the “HKAS 1 amendments”)

The HKAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

2.2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

Amendments to HKFRS 16, Leases: Lease liability in a sale and leaseback

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application.

The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any interim period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in this interim financial report.

3. 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. As at 30 June 2024, the Group had entered into agreements with counterparties to acquire certain properties and further extended its business to other business lines other than coaling mining. The reportable segments of the Group are coal mining segment, real estate segment and other segment (mainly including tobacco operations) that are in line with the business plans and information provided to the CODM of the Group.

The revenue generated from real estate segment and other segment was not of significance to the Group during the six months ended 30 June 2024. As such, the results of real estate segment and other segment were not reported separately.

During the six months ended 30 June 2024, the Group has completed acquisition of subsidiaries for operations in real estate segment. 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 2024 is the total amount of related assets and liabilities of reportable segments.

3. OPERATING SEGMENT INFORMATION (Cont'd)

Information regarding the Group's reportable segments for the six months ended 30 June 2024 and reconciliations of reportable segment assets and liabilities are set out below.

(i) Segment assets and liabilities

	At 30 June 2024			Total RMB'000
	Coal mining segment RMB'000	Real estate segment RMB'000	Other segment RMB'000	
Reportable segment assets	7,905,864	2,635,067	904,801	11,445,732
Reportable segment liabilities	2,012,635	1,032,160	282,892	3,327,687

	At 31 December 2023			Total RMB'000
	Coal mining segment RMB'000	Real estate segment RMB'000	Other segment RMB'000	
Reportable segment assets	8,347,866	1,537,989	804,741	10,690,596
Reportable segment liabilities	2,704,203	–	200,705	2,904,908

Along with the business development, certain corporate assets are reallocated to segment assets and the comparative figures has been adjusted accordingly.

(ii) Reconciliations of reportable segment assets and liabilities

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Assets			
Reportable segment assets		11,445,732	10,690,596
Financial assets at fair value through profit or loss	15	269,035	220,592
Deferred tax assets		74,130	26,726
Consolidated total assets		11,788,897	10,937,914

3. OPERATING SEGMENT INFORMATION (Cont'd)

(ii) Reconciliations of reportable segment assets and liabilities (Cont'd)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Liabilities			
Reportable segment liabilities		3,327,687	2,904,908
Income tax payable		378,088	402,086
Taxes payable other than income tax	19	168,475	168,880
Deferred tax liabilities		54,310	41,841
Consolidated total liabilities		3,928,560	3,517,715

(iii) Geographic information

The Group's operating results are mostly derived from its business activities in the PRC and the Group's operating results from other regions are not of significance to be presented separately.

Information about the Group's non-current assets (excluding deferred tax assets) is presented below based on the geographical location of the assets.

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
The PRC	8,566,785	8,165,143
Others	578,749	588,858
		9,145,534

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	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers		
Sale of coal products	2,508,114	1,489,107
Others	24,241	3,091
	2,532,355	1,492,198

5. OTHER INCOMES AND LOSSES, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Government grants	48,008	28,672
Interest income	28,267	7,830
Gains on disposal of non-current assets	79	8,043
Donation	(6,790)	(63,008)
Penalty	(5,599)	(1,734)
Realised loss from the disposal of financial assets	(4,587)	–
Others	(616)	4,652
	58,762	(15,545)

6. PROFIT BEFORE TAXATION

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

	Notes	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Cost of sales:			
– Transportation and storage costs		575,264	333,146
– Cost of inventories sold		402,404	342,147
		977,668	675,293
Staff costs:			
– Salaries, wages, bonuses and benefits		233,049	188,562
– Contribution to defined contribution plans		11,162	7,458
		244,211	196,020
Depreciation of property, plant and equipment	10	67,161	45,264
Amortisation of intangible assets	12	17,560	8,855
Amortisation of right-of-use assets	11	3,218	3,467

Cost of inventories sold for the six months ended 30 June 2024 included RMB186,875,000 (six months ended 30 June 2023: RMB138,938,000) relating to staff costs, depreciation and amortisation. These amounts were also included in the respective amounts disclosed separately above for each of these types of expenses.

7. FINANCE COSTS

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest expenses	26,468	31,084
Unwinding of discount	17,409	6,431
	43,877	37,515

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	
	2024	2023
	RMB'000	RMB'000
Current tax – Mainland China	318,132	71,978
Deferred income tax		
Reversal and origination of temporary differences	(1,223)	(7,692)
Total tax expense for the period	316,909	64,286

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries, namely Blue Gems Worldwide Limited, Porus Power Limited, Star Idea Enterprises Limited and Power Wisdom Strategic Limited, were not subject to any income tax in the Cayman Islands and the British Virgin Islands, respectively.
- (b) Except for Inner Mongolia Zhunge'er Kinetic Coal Limited ("**Kinetic Coal**"), corporate income tax was provided at a rate of 25% on the taxable income of the subsidiaries operating in Mainland China, as adjusted for income and expense items which were not assessable or deductible for income tax purposes. Kinetic Coal was recognised as qualified enterprise subject to the "Western Development Strategy" on 28 December 2023, hence it enjoys a preferential income tax rate of 15% from 2023 to 2030.
- (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 subject to 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 Group provided for and paid the withholding taxes subject to a tax rate of 5% for the six months ended 30 June 2024.

9. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2024 is based on the profit for the period attributable to equity shareholders of the Company of RMB1,095,281,000 and the weighted average number of ordinary shares of 8,425,887,000 in issue during the period.

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 weighted average number of ordinary shares of 8,430,000,000 in issue during the period.

There were no dilutive potential ordinary shares during the six months ended 30 June 2024 and 2023, and therefore, diluted earnings per share is the same as the basic earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

	Note	Carrying amount RMB'000
At 1 January 2024		2,483,678
Acquisition of subsidiaries	28	31
Additions		510,235
Disposals		(426)
Depreciation		(67,161)
Exchange adjustments		1,656
At 30 June 2024		2,928,013

The Group is in the process of applying for the title of certificates of certain properties with a carrying value of RMB509,668,000 as at 30 June 2024 (31 December 2023: RMB528,599,000). 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 2024	88,049
Additions	24,360
Amortisation	(3,218)
Exchange adjustments	287
At 30 June 2024	109,478

12. INTANGIBLE ASSETS

	Carrying amount RMB'000
At 1 January 2024	3,233,648
Additions	442
Amortisation	(17,560)
Exchange adjustments	318
At 30 June 2024	3,216,848

13. PREPAYMENTS FOR PROPOSED ACQUISITIONS

	Notes	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Related parties	26(b)		
– Acquisition of Guizhou Liliang Energy Co., Ltd. (“ Guizhou Liliang ”)	(a)	1,080,256	1,080,256
– Acquisition of properties from Guangzhou Seedland Real Estate Development Co., Ltd. (“ Seedland ”)	(b)	542,184	803,000
– Acquisition of Seedlife Holding Limited (“ Seedlife ”)	(b)	22,817	–
– Acquisition of properties from Hainan Hangxiao Real Estate Development Co., Ltd. (“ Hainan Hangxiao ”)	(c)	564,625	564,625
		2,209,882	2,447,881
Independent third parties		2,000	2,000
		2,211,882	2,449,881

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 Liupanshui Changlin Real Estate Development Co., Ltd. which would 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 is secured by 100% equity interests of Guizhou Liliang. This transaction is a connected and major transaction and subject to the shareholders' approval.
- (b) On 29 April and 12 July 2022, the Group entered into a property purchase agreement and revised supplementary agreement, respectively, with subsidiaries of Seedland, including Qingdao Shilu Ocean Big Data Investment Development Co., Ltd. (“**Qingdao Shilu**”), Zunyi Field Real Estate Development Co., Ltd. (“**Zunyi Field**”), Jingmen Shiqiang Real Estate Co., Ltd., Wuxi Shidi Real Estate Co., Ltd. (“**Wuxi Shidi**”), Zhongshan Shidi Real Estate Co., Ltd. (“**Zhongshan Shidi**”) and Wuhan Pingan Zhongxin Real Estate Co., Ltd. (“**Wuhan Pingan**”) (collectively, the “**Sellers**”), 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, in 2022, the Group prepaid RMB670,000,000 to Guangzhou Chaiju Architectural Design Consulting Co., Ltd. (“**Guangzhou Chaiju**”) and RMB26,000,000 Zhuhai Hengqin Tianshi Enterprise Management Consulting Co., Ltd. (“**Zhuhai Hengqin**”); and in 2023 the Group further prepaid RMB107,000,000 to 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)

(b) (Cont'd)

On 1 December 2023, the Group entered into the second supplemental agreement ("**Second Supplemental Agreement**") with the Sellers and Taiyuan Hetai Shengrui Real Estate Co., Limited. ("**Taiyuan Hetai**", a subsidiary of Wuxi Shidi), pursuant to which (i) the target properties located in Jingmen, Wuxi and Wuhan ("**Terminated Properties**") would no longer be sold to the Group, and (ii) the Group entered into a share transfer agreement with Wuxi Shidi to acquire 100% equity interests in Taiyuan Hetai ("**Target Shares**") with a consideration of RMB220,000,000, which shall be set off against and deducted from the prepayment for acquisition of properties from Seedland. In addition, given that the Target Shares are subject to a pledge provided as security in favour of Huarong Rongde Asset Management Co. Ltd ("**Huarong Rongde**") for a debt which was used for Ziteng project of Taiyuan Hetai ("**Debt**"), the Group would become one of the obligators to settle the Debt with Huarong Rongde at a cost of no more than RMB380,000,000 so that Huarong Rongde would discharge the pledge over the Target Shares. According to the Second Supplemental Agreement, the Group prepaid RMB40,000,000 to Huarong Rongde on behalf of Taiyuan Hetai in 2023.

On 7 February 2024, the Group entered into a supplemental agreement to the Second Supplemental Agreement with the Sellers and Taiyuan Hetai, pursuant to which (i) if the acquisition will not be completed before 30 September 2024, the Group shall be entitled to terminate the Second Supplemental Agreement; and (ii) if the actual amount of the Debt owed by Taiyuan Hetai upon the completion of the transfer of the Target Shares exceeds the amount of debt factored in the valuation of Taiyuan Hetai as at 30 November 2023, the Sellers shall compensate the Group for the excess amount (the "**Excess Debt Amount**") by (a) reducing the equity consideration by the Excess Debt Amount on a dollar-to-dollar basis; and (b) providing additional properties with a total value not less than the Excess Debt Amount to the Group. 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 13 March 2024. The acquisition of Taiyuan Hetai contemplated under the Second Supplemental Agreement was completed on 3 June 2024, and Taiyuan Hetai had become a wholly-owned subsidiary of the Group.

On 6 June 2024, the Group entered into the third supplemental agreement ("**Third Supplemental Agreement**") with Qingdao Shilu, Zunyi Field, Zhongshan Shidi, Wuhan Pingan and Guangzhou Hengyi Equipment Installation and Maintenance Co., Ltd. ("**Guangzhou Hengyi**"), pursuant to which, (i) Guangzhou Hengyi transferred the 6 units of commercial properties ("**Target Properties**") to the Group for a total consideration of RMB45,000,000; (ii) the sales tax payable by Guangzhou Hengyi in connection with the transfer of the Target Properties, which amounts to RMB4,184,000, has been paid by the Group, and shall be deducted from the total consideration of RMB45,000,000 such that the net consideration payable by the Group for the acquisition of the Targets Properties shall become RMB40,816,000 (the "**Net Consideration**"). The Net Consideration shall be set off against and deducted from the prepayment for acquisition of properties from Seedland; (iii) the 11 units of commercial properties ("**2024 Terminated Properties**") with an allocated consideration of RMB40,890,000, would be no longer transferred to the Group; and (iv) the rights and obligations between the Sellers and the Group in respect of the 2024 Terminated Properties are terminated with effect from the date of the Third Supplemental Agreement. The latest outstanding prepaid amount to Seedland following the set-off mentioned by above stands at RMB542,184,000.

In addition, on 6 June 2024, the Group entered into a letter of intent with Mr. Zhang Liang, Johnson and Seedland Smart Service Group Limited ("**Seedland Smart Service**"), pursuant to which, (i) the Group formalised its intent to acquire the 100% equity interests of Seedlife from Seedland Smart Service; (ii) Mr. Zhang Liang, Johnson and Seedland Smart Service (collectively, "**Seedlife Sellers**") agreed to facilitate the Group to conduct due diligence on Seedlife; and (iii) the Group shall transfer HKD25,000,000 to Seedlife Sellers as a deposit for the proposed acquisition. As at 30 June 2024, the deposit amounting to HKD25,000,000 (equivalent to RMB22,817,000) had been paid to Mr. Zhang Liang, Johnson. If this transaction materializes, it would constitute a connected and discloseable transaction and subject to the independent shareholders' approval.

(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.

13. PREPAYMENTS FOR PROPOSED ACQUISITIONS (Cont'd)

Notes: (Cont'd)

(c) (Cont'd)

On 17 February 2023, Mr. Zhang Liang, Johnson and King Lok Holdings Limited, an entity then 100% owned by Mr. Zhang Liang, Johnson and currently 100% held by The Zhang Family Overseas Limited, a discretionary trust with Mr. Zhang Liang, Johnson as the settlor for the benefit of himself and his family members, 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, 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 concluded that even if these transactions were not completed as scheduled, the counterparties would be financially capable to repay the outstanding amounts to the Company.

14. OTHER NON-CURRENT ASSETS

	Notes	30 June 2024 RMB'000	31 December 2023 RMB'000
Loans granted to related parties	26(b)	239,601	231,956
Prepayment for application of license of enlarged coal production capacity		47,371	–
Prepayments of equipment		48,268	55,639
Long-term deferred expense		6,749	6,932
Input VAT to be deducted		15,874	8,223
Others		44,677	30,830
Total		402,540	333,580
Less:			
Current portion of other non-current assets			
– Related parties	26	65,748	165,341
Other non-current assets		336,792	168,239

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June 2024 RMB'000	31 December 2023 RMB'000
Trust wealth management investments	(i)	220,064	220,177
Trading securities	(ii)	48,971	415
		269,035	220,592

Notes:

- (i) 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 2024, the fair value of the investment was RMB144,957,000 (31 December 2023: RMB135,130,000 resulting in a gain of RMB9,828,000 (2023: RMB19,552,000) 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 2024, the fair value of the trust wealth management investment was in the range between RMB150,000,000 and RMB181,000,000.
- 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. On 21 March 2024, the Group partially redeemed investment with a fair value of RMB16,106,000 and recorded on investment loss amounting to RMB4,457,000. As at 30 June 2024, the fair value of the investment was RMB75,107,000 (31 December 2023: RMB85,049,000), resulting in a gain of RMB6,165,000 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 2024, the fair value of the trust wealth management investment was in the range between RMB64,800,000 and RMB78,770,000.
- (ii) The trading securities held by the Group were equity securities listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Group acquired the trading securities amounting to RMB49,216,000 during the six months ended 30 June 2024. The fair value of the trading securities was RMB48,971,000 as at 30 June 2024 (31 December 2023: RMB415,000), resulting in a loss of RMB396,000 on fair value changes, due to price movement in the equity securities.

16. INVENTORIES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Properties under development	1,315,825	–
Coal products	139,554	16,905
Tobacco materials and products	51,092	34,052
Raw materials, accessories and chemicals	37,581	44,868
Biological assets	21,806	19,429
Others	–	20
	1,565,858	115,274

17. TRADE AND OTHER RECEIVABLES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Trade debtors	17,783	6,738
Other receivables		
– Prepayments and deposits	74,657	107,593
– Deductible input VAT	65,933	33,663
– Amount due from a related party	–	40,000
– Others	6,163	6,059
	164,536	194,053

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:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Within 6 months	17,783	6,738

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

The allowances for trade and other receivables were 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 were recognised as at 30 June 2024 under HKFRS 9.

18. CASH AT BANK AND ON HAND AND PLEDGED AND RESTRICTED DEPOSITS

	30 June 2024 RMB'000	31 December 2023 RMB'000
Cash at bank and on hand	345,442	734,143
Restricted deposits	83,648	66,684
Pledged deposits	74,966	661,100
	504,056	1,461,927
Less:		
Restricted deposits	83,648	66,684
Pledged deposits for notes payable	74,966	61,100
Pledged deposits for bank loans	–	600,000
Cash and cash equivalents	345,442	734,143

As at 30 June 2024, the cash at bank and on hand balances of the Group denominated in Renminbi amounted to RMB301,517,000 (31 December 2023: RMB390,464,000).

As at 30 June 2024, the Group's bank balances of RMB74,966,000 (31 December 2023: RMB661,100,000) were deposited as guarantee fund for notes payable and bank loans.

As at 30 June 2024, the Group's bank balances of approximately RMB83,648,000 (31 December 2023: RMB66,684,000) were deposited with banks as a mine environment restoration guarantee fund pursuant to the related government regulations.

19. TRADE AND OTHER PAYABLES

	Notes	30 June 2024 RMB'000	31 December 2023 RMB'000
Taxes payable other than income tax		168,475	168,880
Dividends payable		–	307,004
Payables for materials and construction	(a)	573,984	309,315
Payables for an acquisition		68,054	67,799
Notes payable		88,774	58,736
Amounts due to other related parties	26(c)	14,402	13,077
Payables for debt settlement		80,526	–
Other payables and accruals	(b)	134,440	85,549
Current portion of long-term liabilities	22	80,972	56,381
		1,209,627	1,066,741

Notes:

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

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
Within 1 year	482,165	292,038
1 to 2 years	75,559	3,974
Over 2 years	16,260	13,303
	573,984	309,315

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

20. BANK LOANS AND OTHER BORROWING

	Notes	At 30 June 2024			At 31 December 2023		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loan – secured		–	–	–	3.50%	2024	400,000
Bank loan – secured	(a)	5.50%	2025	155,070	–	–	–
Long-term bank loan due within 1 year – secured		–	–	–	6.65%	2024	33,000
Long-term bank loan due within 1 year – secured		–	–	–	5.00%	2024	350,000
Long-term bank loan due within 1 year – secured	(b)	5.00%	2024	150,000	5.00%	2024	150,000
Long-term bank loan due within 1 year – secured	(c)	5.00%	2025	100,000	5.00%	2024	100,000
Long-term borrowing due within 1 year – secured	(d)	5.50%	2024	193,190	–	–	–
				598,260			1,033,000
Non-current							
Long-term bank loan – secured	(b)	5.00%	2025	150,000	5.00%	2025	150,000
Long-term bank loan – secured	(c)	–	–	–	5.00%	2025	100,000
Long-term bank loan – secured	(e)	5.50%	2025	29,250	5.50%	2025	19,800
Long-term bank loan – secured	(f)	5.50%	2026	35,000	–	–	–
				214,250			269,800
				812,510			1,302,800

20. BANK LOANS AND OTHER BORROWING (Cont'd)

Notes:

- (a) As at 30 June 2024, the Group's bank loans amounting to RMB155,070,000 was secured by the mining right of Yong'an Coal Mine held by Ningxia Kinetic Mining Co., Ltd. ("**Ningxia Kinetic**") and guaranteed by Ningxia Kinetic, which will be due in February 2025.
- (b) As at 30 June 2024, the Group's bank loans amounting to RMB300,000,000 was secured by the mining right of Dafanpu Coal Mine held by Kinetic Coal, of which bank loans amounting to RMB150,000,000 will be due in July 2024, and the rest of bank loans amounting to RMB150,000,000 will be due in July 2025.
- (c) As at 30 June 2024, the Group's bank loans amounting to RMB100,000,000 (31 December 2023: RMB200,000,000) was secured by the mining right of Dafanpu Coal Mine held by Kinetic Coal, which will be due in March 2025.
- (d) As at 30 June 2024, the Group entered into a loan agreement with Huarong Rongde amounting to RMB193,190,000 which was guaranteed by Seedland, Chongqing Seedland Real Estate Development Co., Ltd. ("**Chongqing Seedland**") and Mr. Zhang Liang, Johnson, which will be due in December 2024.
- (e) As at 30 June 2024, the Group's bank loans amounting to RMB29,250,000 (31 December 2023: RMB19,800,000) was guaranteed by Kinetic Coal, which will be due in December 2025.
- (f) As at 30 June 2024, the Group's bank loans amounting to RMB35,000,000 was guaranteed by Kinetic Coal, which will be due in February 2026.

21. LEASE LIABILITIES

The lease liabilities were repayable as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Within 1 year	1,658	1,898
After 1 year but within 2 years	1,088	1,408
After 2 years but within 5 years	729	724
Over 5 years	4,997	4,857
	8,472	8,887

22. LONG-TERM LIABILITIES

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
Present value of payables in relation to mining rights		626,162	610,906
Present value of compensation payable in relation to the demolition and relocation		30,231	29,411
Government subsidies		710	–
		657,103	640,317
Less: Current portion recorded in trade and other payables	19	80,972	56,381
		576,131	583,936

23. SHARE CAPITAL

	30 June 2024 RMB'000	31 December 2023 RMB'000
Issued and fully paid: 8,430,000,000 (31 December 2023: 8,430,000,000) ordinary shares of USD0.001 each	54,293	54,293

The authorised share capital of the Company is USD500,000,000 consisting of 500,000,000,000 shares of USD0.001 each.

24. INTERIM DIVIDENDS

The Board resolved to declare an interim dividend for the six months ended 30 June 2024 of HKD4.0 cents per share (six months ended 30 June 2023: HKD3.0 cents per share). The total amount of the interim dividends will be HKD337,200,000, equivalent of RMB307,756,000 (six months ended 30 June 2023: HKD252,900,000, equivalent of RMB233,169,000). The declared interim dividends have not been recognised as a liability as at 30 June 2024.

25. COMMITMENTS

(a) Capital commitments

Capital commitments as at 30 June 2024 not provided for in the unaudited interim financial report were as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Authorised and contracted for acquisition, construction and purchase of mining machinery and properties	1,167,787	1,162,943

(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 2024, the Group estimated the aggregate future compensation payable for such purpose to be RMB17,107,000 and corresponding payments are still in negotiation.

26. RELATED PARTY TRANSACTIONS AND BALANCES

During the six months ended 30 June 2024, transactions with the following parties were considered as related party transactions.

Name of related party	Relationship
Mr. Zhang Li	Substantial shareholder of the Company
Mr. Zhang Liang, Johnson	Party interested in 62.96% issued shares of the Company held through King Lok Holdings Limited (Note)
Mr. Ju Wenzhong	Chairman and Executive Director
Shenhua Zhunneng Xiaojia Shayan Coal Storage and Delivery Limited (“Xiaojia”) (神華準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. (“Guangzhou Tianli”) (廣州天力建築工程有限公司)*	Controlled by Mr. Zhang Li
Guangzhou Chaiju Architectural Design Consulting Co., Ltd. (“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
Chongqing Seedland (重慶實地房地產開發有限公司)*	Controlled by Mr. Zhang Liang, Johnson
Seedlife	Controlled by Mr. Zhang Liang, Johnson

* The English translation of the respective company name is for reference only. The official name of the respective company is in Chinese only.

Note: The entire issued share capital of King Lok Holdings Limited is held by The Zhang Family Overseas Limited, a discretionary trust with Mr. Zhang Liang, Johnson as the settlor for the benefit of himself and his family members.

26. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(a) Transactions

Xiaoja, an associate of the Group, provided loading service to the Group during the six months ended 30 June 2024. The transactions between the Group and Xiaoja 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 Xiaoja as disclosed in Note 26(c), and the service fee for the reporting period are as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Loading service from Xiaoja	59,889	36,491
Purchase construction materials from Guangzhou Tianli	–	1,113
	59,889	37,604

(b) Amounts due from related parties

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Other non-current assets (including current portion) – loans granted to related parties (Note 14)	239,601	231,956
Prepayment for the proposed acquisitions (Note 13)	2,209,882	2,447,881
Trade and other receivables – Amounts due from a related party	–	40,000
	2,449,483	2,719,837

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 (“NIFC”), 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 NIFC. On 9 February 2024, the Group entered into the secondary supplementary agreement with Guizhou Liliang, pursuant to which, the due date of the loan was extended to 31 December 2025, with the interest rate raised to 3.5% above the 1-year loan market quoted interest rate announced by the NIFC. The principal amount of the loan together with all the outstanding interest payables thereon shall be fully repaid on the due date.

26. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

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

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 (“**Loan Agreement**”). The interest rate is calculated by adding 1.5% on top of the 1-year loan prime rate (“**LPR**”) in PRC. On 2 July 2024, the Group and Guizhou Liliang entered into a supplemental agreement to the Loan Agreement (“**Supplemental Agreement**”), pursuant to which the parties agreed that the repayment date of the loan will be extended to 30 June 2025, with the interest rate to be raised to 2.5% above the 1-year loan prime rate (“**LPR**”) in the PRC in effect during the term of the loan. Other than the above, the other terms and conditions of the Loan Agreement continue to be in full force and effect. The principal amount of the loan together with all the outstanding interest payables thereon shall be fully repaid on the due date. As at 30 June 2024, approximately RMB145,723,000 out of the principal amount has been drawn down.

As at 30 June 2024, the principal of loan receivable was RMB239,601,000 (including current portion, as disclosed in Note 14) (31 December 2023: RMB231,956,000) and the interest receivable was RMB8,748,000 recorded in other non-current assets (31 December 2023: RMB7,045,000). The interest income on these loans for the six months ended 30 June 2024 was RMB5,021,000 (six months ended 30 June 2023: RMB5,890,000).

(c) Amounts due to related parties

	30 June 2024 RMB'000	31 December 2023 RMB'000
Xiaojia	3,402	2,077
Mr. Zhang Li (Note)	69,054	68,799
Mr. Zhang G.M.	10,000	10,000
	82,456	80,876

Note: The amount due to Mr. Zhang Li mainly consists of payables of RMB68,054,000 for the acquisition of Star Idea and the former shareholder's loan of RMB1,000,000 of Star Idea. On 30 December 2022 and 29 March 2023, the Company entered into equity transfer agreements with Mr. Zhang Li and Star Idea to acquire 73% equity interests of Star Idea. The total consideration of the acquisition in aggregate was USD62,757,010 (equivalent to RMB440,974,000). The acquisition of 73% equity interest in Star Idea had been completed on 9 October 2023.

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

26. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(d) Key management personnel remuneration of the Group

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Short-term employee benefits	13,619	16,437
Contribution to defined contribution retirement plan	457	432
	14,076	16,869

(e) Financial guarantees

As at 30 June 2024, the Group's loans totaling to RMB193,100,000 was guaranteed by Seedland, Chongqing Seedland, Mr. Zhang Liang, Johnson (31 December 2023: RMB350,000,000 was jointly guaranteed by Mr. Zhang Li and Mr. Zhang Liang, Johnson). More details are disclosed in Note 20(d) to the unaudited interim financial report.

27. 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

27. FAIR VALUE MEASUREMENT (Cont'd)

	Fair value at	Fair value measurements as at		
	30 June 2024	30 June 2024 categorised into		
	RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Trust wealth management investments	220,064	–	–	220,064
Trading securities	48,971	48,971	–	–

	Fair value at	Fair value measurements as at		
	31 December 2023	31 December 2023 categorised into		
	RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Trust wealth management investments	220,177	–	–	220,177
Trading securities	415	415	–	–

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 2024, 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 2024, there were net gains amounting to RMB15,597,000 mainly arising from the fair value changes of the trust wealth management investments and trading securities as a result of the market price movements.

27. FAIR VALUE MEASUREMENT (Cont'd)

The movement during the six months ended 30 June 2024 in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2024 RMB'000	At 30 June 2023 RMB'000
At 1 January	220,177	190,899
Redemption of financial assets at fair value through profit or loss	(16,106)	–
Changes in fair value recognised in profit or loss during the period	15,993	15,296
At 30 June	220,064	206,195

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

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 2024. 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 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 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.

28. ACQUISITION OF SUBSIDIARIES

Acquisition of Taiyuan Hetai

As disclosed in Note 13(b), on 1 December 2023, the Group entered into the Second Supplemental Agreement with Sellers and Taiyuan Hetai to acquire 100% equity interests of Taiyuan Hetai. The total consideration of the acquisition was RMB220,000,000. Upon the completion of the acquisition, the Group controls 100% equity interests of Taiyuan Hetai.

Taiyuan Hetai and its sole subsidiary Taiyuan Shirui Real Estate Co., Ltd. are companies incorporated in the PRC with limited liability. They are principally engaged in real estate development and sales.

28. ACQUISITION OF SUBSIDIARIES (Cont'd)

Acquisition of Taiyuan Hetai (Cont'd)

The identifiable assets of Taiyuan Hetai are mainly properties under development that the Group intends to acquire for sale. The acquisition was completed on 3 June 2024 (“**Acquisition Date**”) and recognised as an acquisition of assets, rather than a business combination.

The acquisition of Taiyuan Hetai contributed consolidated net loss of RMB3,143,000 to the Group for the period from the Acquisition Date to 30 June 2024.

The assets and liabilities arising from the acquisition of Taiyuan Hetai are as follows:

	Fair value at the Acquisition Date RMB'000
Property, plant and equipment	31
Deferred tax assets	33,509
Inventories	1,307,589
Trade and other receivables	15,439
Cash at bank and on hand	12,847
Trade and other payables	(423,580)
Contract liabilities	(506,608)
Bank loans and other borrowing	(193,190)
Provisions	(26,037)
Total identifiable net assets	220,000
Total consideration for the identifiable net assets acquired	220,000
Less: Cash at bank and on hand of acquiree	(12,847)
Prepayment for the proposed acquisition in previous year	(220,000)
Add: Prepayment in relation to the Debt	66,761
Net cash outflow arising from the acquisition of Taiyuan Hetai	53,914

29. EVENTS AFTER REPORTING PERIOD

After the end of the reporting period, the Board resolved to declare an interim dividend, further details are disclosed in Note 24.

Save as disclosed above, the Group had no significant non-adjusting events subsequent to 30 June 2024.



Other Information

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 part 2 of Appendix C1 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 2024.

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 C3 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 2024.

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 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 2024.

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

During the six months ended 30 June 2024, 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 2024, 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 ⁽¹⁾
Mr. Ju Wenzhong	Beneficial interests	7,397,659	0.09%
Mr. Li Bo	Beneficial interests	2,601,886	0.03%
Ms. Xue Hui	Beneficial interests	3,860,055	0.05%

Note:

- The calculation is based on the total number of issued ordinary shares of 8,430,000,000 shares as at 30 June 2024.

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.

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

At no time during the six months ended 30 June 2024 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.

DISCLOSURE OF INTERESTS (Cont'd)

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 2024, 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 ⁽¹⁾
Mr. Zhang Li	Beneficial interests	943,314,000	11.19%
	Interest of spouse ⁽²⁾	2,800,000	0.03%
Madam Liao Dong Fen	Beneficial Interests	2,800,000	0.03%
	Interest of spouse ⁽³⁾	943,314,000	11.19%
Mr. Zhang Liang, Johnson	Founder of a discretionary trust who can influence how the trustee exercises his discretion ⁽⁴⁾	5,307,450,000	62.96%
TMF (Cayman) Ltd.	Trustee ⁽⁴⁾	5,307,450,000	62.96%
The Zhang Family Overseas Limited	Interest in a controlled corporation ⁽⁴⁾	5,307,450,000	62.96%
King Lok Holdings Limited	Beneficial interests ⁽⁴⁾	5,307,450,000	62.96%

Notes:

- The calculation is based on the total number of issued ordinary shares of 8,430,000,000 shares as at 30 June 2024.
- 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.
- 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.
- The entire issued share capital of King Lok Holdings Limited, which directly holds 5,307,450,000 ordinary shares in the Company, is held by The Zhang Family Overseas Limited, a discretionary family trust with Mr. Zhang Liang, Johnson as settlor for the benefit of Mr. Zhang Liang, Johnson and his family members, which is 100% owned by TMF (Cayman) Ltd., the trustee of The Zhang Family Overseas Limited. Therefore, The Zhang Family Overseas Limited, TMF (Cayman) Ltd. and Mr. Zhang Liang, Johnson are all deemed to be interested in the ordinary shares of the Company held by King Lok Holdings Limited.

DISCLOSURE OF INTERESTS (Cont'd)

Save as disclosed above, as at 30 June 2024, 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.

2022 SHARE AWARD SCHEME

The Company has approved and adopted a share award scheme on 29 November 2022 (the “**2022 Share Award Scheme**”), which allows the Company to grant awards involving existing shares to eligible participants.

The total number of shares in respect of which awards may be granted under the 2022 Share Award Scheme shall not exceed 843,000,000, representing 10% of the shares in issue as at the date of approval of the adoption of the 2022 Share Award Scheme.

The total number of shares in respect of which awards may be granted to the service providers under the 2022 Share Award Scheme shall not exceed 84,300,000, representing 1% of the shares in issue as at the date of approval of the adoption of the 2022 Share Award Scheme.

As at 30 June 2024, the Company has not granted any awards under the 2022 Share Award Scheme. The total number of shares available for issue under the 2022 Share Award Scheme is 843,000,000, representing 10% of the total number of issued shares as at the date of this interim report.

2023 SHARE OPTION SCHEME AND 2023 SHARE AWARD SCHEME

The Company has approved and adopted a new share option scheme (the “**2023 Share Option Scheme**”) and another new share award scheme (the “**2023 Share Award Scheme**”) on 23 May 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, representing 10% of the shares in issue 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 shares in issue as at the Adoption Date.

As at 30 June 2024, 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 2024, 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.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditure of approximately RMB589.0 million for the six months ended 30 June 2024, which was mainly for the purpose of the acquisition, purchase of machinery and equipment and construction of the Yong'an Coal Mine, Weiyi Coal Mine and other projects. These capital expenditures were financed by a combination of interest-bearing bank loans and internal resources.

The Group's capital commitments as at 30 June 2024 amounted to approximately RMB1,167.8 million, which is mainly for the purpose of the acquisition, purchase of machinery and equipment and construction of the Yong'an Coal Mine, Weiyi Coal Mine and other projects. These capital expenditures will be financed by a combination of interest-bearing bank loans and internal resources.

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.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2024, the Group had a total of 2,133 full-time employees in the Mainland China, Hong Kong and Cambodia. For the six months ended 30 June 2024, the total staff costs, including the directors' emoluments, amounted to approximately RMB244.2 million.

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, Hong Kong and Cambodia. 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 22 May 2023, the Company also adopted a new share option scheme and another new share award scheme (which only grant of awards involving new shares may be made). Appropriate training programmes are also provided to employees by the Group in order to ensure continuous training and development of employees.