河南金源氫化化工股份有限公司
Henan Jinyuan Hydrogenated Chemicals Co., Ltd.*

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

Stock Code : 2502

GLOBAL OFFERING

Sole Sponsor, Sole Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

海通國際 HAITONG

Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

建银国际 CCB International

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

農銀國際 ABC INTERNATIONAL

中州國際 CENTRAL CHINA INTERNATIONAL

光大證券 國際 EVERBRIGHT SECURITIES INTERNATIONAL

中國銀河國際 CHINA GALAXY INTERNATIONAL

招銀国际 CMB INTERNATIONAL

ICBC 工银国际

利弗莫尔证券 LIVERMORE HOLDINGS LIMITED

邁時資本 MAXA CAPITAL

申萬宏源香港 SHENWAN HONGYUAN

UOBKayHian

* For identification purposes only

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Henan Jinyuan Hydrogenated Chemicals Co., Ltd.*
河南金源氫化化工股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**238,910,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**23,892,000 H Shares (subject to reallocation)**
Number of International Placing Shares	:	**215,018,000 H Shares (including 13,386,000 Reserved Shares under the Preferential Offering) (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$1.5 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	:	**RMB1.00 per H Share**
Stock Code	:	**2502**

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ICBC 工银国际 | 利弗莫尔证券 LIVERMORE HOLDINGS LIMITED | 邁時資本 MAXA CAPITAL | 申萬宏源香港 SHENWAN HONGYUAN | UOBKayHian

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Overall Coordinator and (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or before Monday, 18 December 2023 (Hong Kong time) and, in any event, not later than 12:00 noon on Monday, 18 December 2023 (Hong Kong time). The Offer Price will be not more than HK$1.5 per Offer Share and is currently expected to be not less than HK$1.1 per Offer Share. If, for any reason, the Offer Price is not agreed by 12:00 noon on Monday, 18 December 2023 (Hong Kong time) between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$1.5 for each Hong Kong Offer Share together with brokerage fee of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the Offer Price as finally determined is less than HK$1.5.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, and with our consent, reduce the number of Offer Shares and/or the Offer Price Range below that stated in this prospectus (which is HK$1.1 to HK$1.5) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the reduction of the number of Hong Kong Offer Shares and/or the indicative Offer Price Range will be published on the website of the Stock Exchange at **www.hkexnews.com.hk** or our website at **www.jyqhhg.com** not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Further details are set out in "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Overall Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside of the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

* *For identification purposes only*

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offer. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offer.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.jyqhhg.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

12 December 2023

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offer. We will not provide any printed copies of this prospectus for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.jyqhhg.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar and **White Form eIPO** Service Provider, **Computershare Hong Kong Investor Services Limited**, both at +852 2862 8600 on the following dates:

Tuesday, 12 December 2023	**–**	**9:00 a.m. to 9:00 p.m.**
Wednesday, 13 December 2023	**–**	**9:00 a.m. to 9:00 p.m.**
Thursday, 14 December 2023	**–**	**9:00 a.m. to 9:00 p.m.**
Friday, 15 December 2023	**–**	**9:00 a.m. to 12:00 noon**

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus for further details on the procedures through which you can apply for Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 2,000 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*
2,000	3,030.25	30,000	45,453.83	250,000	378,781.88	1,000,000	1,515,127.50
4,000	6,060.51	40,000	60,605.10	300,000	454,538.26	2,000,000	3,030,255.00
6,000	9,090.76	50,000	75,756.38	350,000	530,294.63	3,000,000	4,545,382.50
8,000	12,121.02	60,000	90,907.66	400,000	606,051.00	4,000,000	6,060,510.00
10,000	15,151.28	70,000	106,058.93	450,000	681,807.38	5,000,000	7,575,637.50
12,000	18,181.54	80,000	121,210.20	500,000	757,563.76	6,000,000	9,090,765.00
14,000	21,211.79	90,000	136,361.48	600,000	909,076.50	7,000,000	10,605,892.50
16,000	24,242.05	100,000	151,512.76	700,000	1,060,589.26	8,000,000	12,121,020.00
18,000	27,272.30	150,000	227,269.13	800,000	1,212,102.00	9,000,000	13,636,147.50
20,000	30,302.56	200,000	303,025.50	900,000	1,363,614.76	11,946,000(1)	18,099,713.11

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules)and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

If there is change in the following expected timetable of the Hong Kong Public Offer and the Preferential Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at ***www.hkexnews.hk*** *and our Company at* ***www.jyqhhg.com****.*

Despatch of Preferential Offering documents to Qualifying Jinma Energy Shareholder(s) . . . . Tuesday, 12 December 2023

Hong Kong Public Offer and Preferential Offering commence . . . . 9:00 a.m. on Tuesday, 12 December 2023

Latest time for completing electronic applications under the **White Form eIPO** service and **Blue Form eIPO** service through at designated website **www.eipo.com.hk**[(2)] . . . . 11:30 a.m. on Friday, 15 December 2023

Application lists of the Hong Kong Public Offer and Preferential Offering open[(3)] . . . . 11:45 a.m. on Friday, 15 December 2023

Latest time for (a) completing payment of **White Form eIPO** and **Blue Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving electronic application instructions to HKSCC[(4)] . . . . 12:00 noon on Friday, 15 December 2023

If you are instructing your broker or custodian who is a HKSCC Participant to submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

Application lists of the Hong Kong Public Offer and Preferential Offering close[(3)] . . . . 12:00 noon on Friday, 15 December 2023

Expected Price Determination Date[(5)] . . . . on or before Monday, 18 December 2023

Announcement of the Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offer and Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Reserved Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.jyqhhg.com**[(6)] no later than . . . . 11:00 p.m. on Tuesday, 19 December 2023

Results of allocations in the Hong Kong Public Offer and Preferential Offering to be available through a variety of channels, including:

- in the announcement to be posted on the Company's website at **www.jyqhhg.com**(6) and the Stock Exchange's website at **www.hkexnews.hk** by no later than . . . . 11:00 p.m. on Tuesday, 19 December 2023

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function on a 24-hour basis . . . . from 11:00 p.m. on Tuesday, 19 December 2023 to 12:00 midnight on Monday, 25 December 2023

- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from . . . . Wednesday, 20 December 2023 to Wednesday, 27 December 2023 (excluding Saturday, Sunday and public holiday in Hong Kong)

Despatch of H Share certificates or deposit of the H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer and the Preferential Offering on or before(7) . . . . Tuesday, 19 December 2023

Despatch/collection of **White Form** e-Refund payment instruction and **Blue Form** e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and the Preferential Offering on or before(7)(8) . . . . Wednesday, 20 December 2023

Dealings in H Shares on the Stock Exchange expected to commence at . . . . 9:00 a.m. on Wednesday, 20 December 2023

Notes:

(1) All times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application under the **White Form eIPO** service or **Blue Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 15 December 2023, the application lists will not open and will close on that day. Further information is set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares – F. Severe Weather Arrangements" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to "How to Apply for Hong Kong Offer Shares and Reserved Shares – 2. Application Channels" in this prospectus.

(5) The Price Determination Date is expected to be on or before Monday, 18 December 2023 (Hong Kong time), and in any event, not later than 12:00 noon on Monday, 18 December 2023 (Hong Kong time). If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us on or before 12:00 noon on Monday, 18 December 2023 (Hong Kong time), the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) The H Share certificates for the Hong Kong Offer Shares are expected to be issued on Tuesday, 19 December 2023, but will only become valid evidence of title provided that the Global Offering has become unconditional in all respects prior to 8:00 a.m. on Wednesday, 20 December 2023. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(8) Applicants who have applied through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares under Hong Kong Public Offer or the **Blue Form eIPO** service for 1,000,000 or more Reserved Shares under Preferential Offering and have provided all information required may collect any refund cheques (where applicable) and/or H Share certificates in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 20 December 2023 or such other date as notified by us as the date of despatch/collection of H Share certificates/refund cheques and e-Refund payment instructions. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

H Share certificates and/or refund cheques for applicants who have applied through the **White Form eIPO** service or **Blue Form eIPO** service for less than 1,000,000 Hong Kong Offer Shares or Reserved Shares, and any uncollected H Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Applicants who have applied through **White Form eIPO** service or **Blue Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of White Form e-Refund payment instructions or Blue Form e-Refund payment instructions. Applicants who have applied through **White Form eIPO** service or **Blue Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel, H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to their designated HKSCC Participant's stock account.

Applicants who have applied through **HKSCC EIPO** channel, their broker or custodian will arrange refund to their designated bank account subject to the arrangement between them and their broker or custodian.

Further information is set out in the section headed "*How to Apply for Hong Kong Offer Shares and Reserved Shares – E. Despatch/Collection of H Share Certificates and Refund Application Monies*".

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares and Reserved Shares, please refer to "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus, respectively.

A copy of this Prospectus will be despatched to all Qualifying Jinma Energy Shareholders to their address recorded on the register of members of Jinma Energy on the Record Date.

Distribution of this prospectus into any jurisdiction other than Hong Kong may be restricted by law. Persons in possession of this prospectus (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories, except to Qualifying Jinma Energy Shareholder(s) as specified in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Information contained in our website, located at ***www.jyqhhg.com*** *does not form part of this prospectus.*

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the H Shares. There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

We are a supplier of hydrogenated benzene-based chemicals and energy products in Henan province, primarily focusing on the production and processing of (i) hydrogenated benzene-based chemicals, which principally include pure benzene, toluene and xylene; and (ii) energy products comprising LNG and coal gas. According to Frost & Sullivan, based on revenue in 2022, we were (i) the largest pure benzene supplier in Henan province with a market share of 18.6%, with the market size of pure benzene in Henan province accounting for 3.4% of the market share in China; and (ii) the third largest LNG supplier in Henan province with a market share of 4.9%, with the market size of LNG in Henan province accounting for 1.8% of the market share in China.

Our Listing will constitute a spin-off from Jinma Energy, our Controlling Shareholder.

OUR PRODUCTS

Hydrogenated benzene-based chemicals. Our revenue from the sales of hydrogenated benzene-based chemicals accounted for 54.2%, 72.0%, 58.3% and 60.2% of our total revenue for FY2020, FY2021, FY2022 and 1H2023, respectively, which contributed to the largest proportion of our revenue for the corresponding periods. We mainly produce our hydrogenated benzene-based chemicals through our Company. Hydrogenated benzene-based chemicals are produced through hydrogenation, namely the adding of hydrogen in the presence of catalyst, of crude benzene. As at the Latest Practicable Date, our integrated series of hydrogenated benzene-based chemicals mainly consist of pure benzene, toluene and xylene. The principal customers of our hydrogenated benzene-based chemicals include nylon and fertilisers manufacturers, refined oil manufacturers and other chemical companies.

Energy Product – LNG. We produce LNG through the methanation of coking coal gas. LNG can be used as a fuel for vehicles and industrial use. We mainly produce LNG through Jinrui Energy, our subsidiary, and we also procure LNG from third-party LNG suppliers. During the Track Record Period, we mainly sold our LNG to industrial users, trading customers and retail customers at oil and gas stations operated by us. During the Track Record Period, we operated six oil and gas stations stations in Jiyuan city, Henan province, among which four of them are equipped with LNG refuelling facilities.

Energy Product – Coal Gas. We source crude coking coal gas from the Jinma Group and are engaged in the processing and sale of coal gas through Jinning Energy, our subsidiary. Coal gas is primarily used as domestic fuel or industrial fuel, and the carbon monoxide, hydrogen and methane in the coal gas are important raw materials for chemicals manufacturing companies. During the Track Record Period, we sold coal gas to certain industrial enterprises including Jinjiang Refinery which separates the hydrogen content of coal gas for production of hydrogen and residential users, all of which are situated in the Jiyuan High-Tech Industrial Chemical Park where our Group is based and neighbouring areas.

While we did not sell any hydrogen during the Track Record Period, in order to grasp the opportunities that have arisen due to the PRC government's commitment to encourage the development of circular economy and "dual carbon goals (雙碳目標)" and a shift towards low-carbon and green energy, we intend to expand our energy business to include hydrogen.

The following table sets forth a breakdown of our revenue by segment during the Track Record Period:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Hydrogenated benzene-based chemicals										
Pure benzene	451,692	41.9	870,960	58.8	1,016,067	45.1	521,649	48.3	490,981	45.7
Toluene	55,361	5.1	59,496	4.0	106,725	4.7	48,818	4.5	42,029	3.9
Xylene	41,540	3.8	80,793	5.5	100,572	4.5	46,434	4.3	68,832	6.4
Other benzene-based chemicals*(Note 1)*	36,125	3.4	54,349	3.7	90,472	4.0	41,800	3.9	45,447	4.2
	584,718	**54.2**	**1,065,598**	**72.0**	**1,313,836**	**58.3**	**658,701**	**61.0**	**647,289**	**60.2**
Energy products										
– LNG*(Note 2)*	180,409	16.7	15,438	1.0	428,250	19.0	192,694	17.9	166,527	15.5
– Coal gas	239,377	22.2	262,790	17.8	319,165	14.2	155,215	14.4	166,923	15.5
	419,786	**38.9**	**278,228**	**18.8**	**747,415**	**33.2**	**347,909**	**32.3**	**333,450**	**31.0**
Trading*(Note 3)*	66,929	6.2	134,800	9.1	181,181	8.0	67,375	6.2	89,666	8.3
Others*(Note 4)*	7,800	0.7	968	0.1	12,101	0.5	4,997	0.5	5,603	0.5
Total revenue	**1,079,233**	**100.0**	**1,479,594**	**100.0**	**2,254,533**	**100.0**	**1,078,982**	**100.0**	**1,076,008**	**100.0**

Notes:

1. Other benzene-based chemicals mainly include heavy benzol and non-aromatic hydrocarbons.

2. LNG includes sale of CNG. CNG is produced by our Group and accounted for an insignificant percentage of our revenue during the Track Record Period. Our revenue from sale of LNG decreased by RMB165.0 million from RMB180.4 million in FY2020 to RMB15.4 million in FY2021, primarily due to the decrease in sales volume of LNG, from over 59,000 tonnes sold in FY2020 to over 3,000 tonnes sold in FY2021, resulting from the reduction in the supply of crude coking coal gas (which is the principal raw material for coal gas for the production of LNG) from the Jinma Group caused by the retirement of two older coking furnaces in 2020 in response to China's environmental protection policies. Our revenue from sale of LNG increased by RMB412.8 million from RMB15.4 million in FY2021 to RMB428.3 million in FY2022 primarily due to the increase in (i) sales volume of LNG from around 3,000 tonnes sold in FY2021 to around 70,000 tonnes sold in FY2022 attributable to the increase in supply of crude coking coal gas from the Jinma Group resulting from the full operation of its new coking furnaces with production capacity of 1.8 million tonnes at the beginning of FY2022; and (ii) average selling price of LNG by 30.3% compared to the average selling price in FY2021, which was generally in line with the increase in market price of LNG primarily driven by geopolitical conflict in FY2022. In FY2022, the geopolitical conflict between Russia and Ukraine led to the decrease in supply of natural gas from Russia. Thus, market prices for natural gas reached its recent peak in FY2022.

3. Trading mainly involves the trading of LNG and refined oil.

4. Others mainly includes the sale of steam.

OUR COMPETITIVE STRENGTHS

We believe that our success is primarily attributable to the following competitive strengths:

(i) macro advantages, namely adequate and stable supply of raw materials and the establishment of a strong customer base safeguard our sustainability and economy of production and operation; and

(ii) segment advantages, namely:

  (a) in respect of hydrogenated benzene-based chemicals, including product quality, production management and capacity, market position as being the largest pure benzene supplier in Henan province in 2022 in terms of revenue with a market share of 18.6% (with the market size of pure benzene in Henan province accounting for 3.4% of the market share in China in terms of revenue), and location advantage of being adjacent to abundant supply of raw materials; and

  (b) in respect of LNG, including production management, efficiency and volume, market position as being ranked as the third largest LNG supplier in Henan province in 2022 in terms of revenue with a market share of 4.9% (with the market size of LNG in Henan province accounting for 1.8% of the market share in China in terms of revenue), and location advantage as adjacent to the national railway network, major highways and expressways in North China.

See "Business" in this prospectus for further details.

OUR BUSINESS STRATEGIES

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

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

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

(c) in respect of hydrogen, to focus on hydrogen supply to fuel cell vehicles, build a network of hydrogen gas stations and expand our footprint in hydrogen energy industry chain. We are the only enterprise which entered into cooperation agreement with the Administration Committee in Zhengzhou High-Tech Industrial Development Zone as at the Latest Practicable Date and having local hydrogen supply advantage.

See "Business" in this prospectus for further details.

OUR PRODUCTION CAPACITY AND UTILISATION

The table below presents the annual capacity, production or processing volume and utilisation rate for our main production lines for FY2020, FY2021, FY2022 and 1H2023:

	FY2020			FY2021			FY2022			1H2023		
	Annual capacity	**Production/ processing volume**	**Utilisation rate**	**Annual capacity**	**Production/ processing volume**	**Utilisation rate**	**Annual capacity**	**Production/ processing volume**	**Utilisation rate**	**Annual capacity**	**Production/ processing volume**	**Utilisation rate**
	'000 tonnes except for coal gas in million m^3	*'000 tonnes except for coal gas in million m^3*	*%*	*'000 tonnes except for coal gas in million m^3*	*'000 tonnes except for coal gas in million m^3*	*%*	*'000 tonnes except for coal gas in million m^3*	*'000 tonnes except for coal gas in million m^3*	*%*	*'000 tonnes except for coal gas in million m^3*	*'000 tonnes except for coal gas in million m^3*	*%*
Hydrogenated benzene-based chemicals	200.0	180.0	90.0	200.0	190.8	95.4	200.0	197.1	98.6 *(Note 4)*	100.0 *(Note 6)*	107.4	107.4 *(Note 4)*
LNG	72.0	59.0	82.0	72.0	4.7	6.5 *(Note 3)*	72.0	69.4	96.4 *(Note 5)*	36.0 *(Note 6)*	35.6	98.9 *(Note 5)*
Coal gas	845	520.9	61.6	845	380.1	45.0 *(Note 3)*	845	605.3	71.6	422.5 *(Note 6)*	304.7	72.1

Notes:

1. For the basis and assumptions regarding the annual capacity of each type of products, see "Business – Our Production and Processing Facilities" in this prospectus.

2. Utilisation rate is derived by dividing the actual production volume by the estimated annual capacity.

3. According to the 2021 annual report of Jinma Energy, the Jinma Group retired two of its older coking furnaces in 2020 in response to China's environmental protection policies, as such, the supply of crude coking coal gas (which is the principal raw material for coal gas for the production of LNG) to us decreased and hence our utilisation rate for LNG deceased from 82.0% in FY2020 to 6.5% in FY2021 and our utilisation rate for coal gas decreased from 61.6% in FY2020 to 45.0% in FY2021. The supply of crude coking coal gas from the Jinma Group to us resumed to normal at the beginning of FY2022 due to the increase of production capacity of Jinma Energy resulting from full operation of its new furnaces in FY2022.

4. Our utilisation rate for hydrogenated benzene-based chemicals increased from 98.6% in FY2022 to 107.4% in 1H2023. The extra capacity was as a result of rescheduling the repair and maintenance work to take place in the fourth quarter of 2023 after the expansion of production capacity of hydrogenated benzene-based chemicals with an additional annual production capacity of 200,000 tonnes (measured in terms of the processing capacity of crude benzene) commences trial production.

5. Despite our high utilisation rates for LNG in FY2022 and 1H2023, our Directors confirm that we currently have no plans to increase our LNG production capacity.

6. The annual capacity for our main production lines for 1H2023 is derived by halving the annual capacity for a full year during the Track Record Period.

RELATIONSHIP WITH THE JINMA GROUP

During the Track Record Period, we have been sourcing crude coking coal gas and Coke Granule Coal Gas, and expect to continue to source crude coking coal gas, from the Jinma Group. For FY2020, FY2021, FY2022 and 1H2023, our amount of purchases of crude coking coal gas and Coke Granule Coal Gas from the Jinma Group accounted for 27.8%, 15.3%, 21.6% and 21.1% of our total principal purchases. Notwithstanding the fact that we sourced a considerable amount of crude coking coal gas and Coke Granule Coal Gas from the Jinma Group during the Track Record Period, we are of the view that such practice of sourcing crude coking coal gas from the Jinma Group: (i) is due to the chemical properties as well as the industry/market characteristics of crude coking coal gas, respectively; (ii) is consistent with the national strategic policy of promoting circular economic development; (iii) is commercially desirable for both our Group and the Jinma Group; and (iv) is not a captive business model. We are also taking initiatives to reduce importance of crude coking coal gas by diversifying our source of raw materials including using Coke Granule Coal Gas to be produced by our Coke Granule Coal Gas Facilities acquired from the Jinma Group in August 2023. Furthermore, pursuant to the applicable PRC laws and regulations, the Jinma Group cannot directly discharge the excess crude coking coal gas given that the unprocessed crude coking coal gas does not meet the PRC government's standards for direct emission, it would therefore be a more environmental-friendly and less costly option for the Jinma Group to sell the excess crude coking coal gas to us than to explore other ways to handle the excess crude coking coal gas, and hence mutual reliance. In light of the above, the Jinma Group being our major supplier of crude coking coal gas does not, and will not after Listing, be an impediment to the clear delineation of businesses between the two groups.

SALES TO CHINA PINGMEI SHENMA HOLDING GROUP CO., LTD*

During the Track Record Period, China Pingmei Shenma Holding Group Co., Ltd* (中國平煤神馬控股集團有限公司) ("**Pingmei Shenma**"), a state-owned enterprise, was our largest customer for each year/period. Our sales to Pingmei Shenma represented 34.4%, 47.0%, 41.1% and 42.3% of our total revenue for FY2020, FY2021, FY2022 and 1H2023, respectively. During the Track Record Period, we supplied hydrogenated benzene-based chemicals to Pingmei Shenma by entering into annual framework sales agreements which set out the type of products sold, payment terms and quality requirement.

Our Directors consider that our relationship with Pingmei Shenma will not affect our business prospects primarily because: (i) the reliance is mutual and complimentary as evidenced by our stable track record with Pingmei Shenma since 2013; (ii) the market dominance of Pingmei Shenma in the PRC will in turn strengthen our market position; (iii) we have invested in the increase of production capacity of our hydrogenated benzene-based chemicals, which will allow us to take on new orders from both existing and new customers; (iv) the market prospect of the hydrogenated benzene-based chemical manufacturing industry is expected to be positive; and (v) our efforts to diversify customer base.

OUR RAW MATERIALS AND SUPPLIERS

The principal raw material for the production of our hydrogenated benzene-based chemicals is crude benzene, whereas the principal raw material for the production of our energy products is crude coking coal gas. Our total cost of raw materials for our manufacturing segments constituted 77.5%, 82.6%, 80.3% and 79.1% of our total cost of sales for FY2020, FY2021, FY2022 and 1H2023, respectively. Our cost of crude benzene for our manufacturing segments constituted 50.3%, 66.8%, 59.8% and 57.2% of our total cost of sales for the same years/period, respectively, whereas our cost of crude coking coal gas for our manufacturing segments constituted 26.7%, 15.6%, 19.9% and 21.6% of our total cost of sales for the same years/period, respectively.

We purchased crude benzene from suppliers located in regions around our production base including Henan and Shanxi provinces in the PRC. We sourced substantially all of the crude coking coal gas from the Jinma Group. Due to Jinma Group's retirement of two older coking furnaces in December 2020 in response to China's environmental protection policies, we experienced shortage in the supply of crude coking coal gas in FY2021, which is the principal raw material for coal gas for the production of LNG. Save for the above, we did not experience any material shortage of raw materials or any production delays resulting from shortages of raw materials during the Track Record Period. In each year/period during the Track Record Period, purchases from our five largest suppliers accounted for 60.7%, 49.3%, 65.6% and 68.6% of our total principal purchases, respectively, while purchases from our largest supplier accounted for 44.2%, 23.6%, 39.6% and 38.0% of our total principal purchases, respectively.

OUR SALES AND CUSTOMERS

We market our products primarily by direct marketing through our sales and marketing personnel. Our key customers (i) for hydrogenated benzene-based chemicals are nylon and fertilisers manufacturers, refined oil manufacturers and other chemical companies, mainly based in Henan province and its neighbouring regions including Shanxi province; (ii) for LNG are industrial users, trading customers and retail customers at oil and gas stations operated by us; and (iii) for coal gas are industrial enterprises including Jinjiang Refinery which separates the hydrogen content of coal gas for production of hydrogen and residents situated in the Jiyuan High-Tech Industrial Chemical Park and neighbouring areas. In each year/period during the Track Record Period, sales to our five largest customers accounted for 54.9%, 70.0%, 61.2% and 58.7% of our total sales, respectively, while sales to our largest customer accounted for 34.4%, 47.0%, 41.1% and 42.3% of our total sales, respectively.

REGULATORY COMPLIANCE AND LITIGATION

During the Track Record Period, we had certain non-compliance incidents, including the (a) production of certain products including toluene and xylene beyond the permitted annual production capacity as specified in the relevant work safety licence (安全生產許可證) and (b) failure to obtain (i) certain permits and complete certain filings, including the requisite fire protection design review (消防設計審查) and construction work planning permit (建設工程規劃許可), for the construction and (ii) certain permits, including the gas cylinder filing permit (氣瓶充裝許可證) and gas operation permit (燃氣經營許可證), for the operation of our hydrogen gas station, as we were not able to commence applications for the permits and filings since the land usage of the relevant land parcel has yet to be changed to a permitted one by the relevant government authority. See "Business – Regulatory Compliance" in this prospectus for further details. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in "Business – Regulatory Compliance" in this prospectus, we are in compliance with the related laws and regulations in all material respects, and have obtained all necessary licenses, permits and certificates in respect of our business in the PRC.

As at the Latest Practicable Date, no member of our Group or our Directors was involved in any litigation, claim or administrative proceedings of material importance, and no litigation, claim or administrative proceedings of material importance is known to our Directors to be pending or threatened against any member of our Group or our Directors.

RECENT REGULATORY DEVELOPMENTS RELATING TO OVERSEAS LISTING

On 17 February 2023, the CSRC officially issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures for Overseas Listing**"), which became effective on 31 March 2023. As advised by our PRC Legal Advisers, we are not prohibited from securities offering and listing overseas according to the Trial Measures for Overseas Listing. In addition, for an initial public offering or listing in an overseas market, the domestic issuer shall submit the filing documents to the CSRC within three working days after such application of overseas offering and listing is submitted. Our filing application made pursuant to the Trial Measures for Overseas Listing was accepted by the CSRC on 5 September 2023, and the CSRC issued the notification of completion of the filing procedures on 20 October 2023 in connection with the Global Offering and the submission of the application to list our H Shares on the Stock Exchange in accordance with the Trial Measures for Overseas Listing. See "Regulatory Overview" in this prospectus for more details.

RISK FACTORS

Our business is subject to numerous risks and there are risks relating to an investment in the Offer Shares. A summary of certain of these risk factors is set forth below. This summary should be read together with "Risk Factors" in this prospectus in its entirety. Any of the following developments may have a material and adverse effect on our business, results of operations, financial condition and future prospects: (i) we depend on the Jinma Group for the supply of crude coking coal gas; (ii) our limited involvement in hydrogen production and operation of hydrogen gas station may make it difficult for you to evaluate our business and prospects; (iii) fluctuations in the prices for our key raw materials such as crude benzene and crude coking coal gas and our products, namely hydrogenated benzene-based chemicals and energy products, may materially and adversely affect our business, financial condition and results of operations; (iv) we generated a substantial portion of our revenue from our business operations in Henan province and its neighbouring regions including Shanxi province during the Track Record Period. Our business and operating results depend heavily on the economic and social conditions and prosperity of Henan province and its neighbouring regions including Shanxi province; (v) we rely on a limited number of major customers and suppliers and we do not generally enter into long-term sales contracts with our customers or suppliers; (vi) we face competition from a number of PRC competitors; and (vii) we are exposed to the risks associated with changes in the industries in which our hydrogenated benzene-based chemical and energy product customers operate.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Selected Operating and Financial Data Subsequent to the Track Record Period

Based on our unaudited management accounts, our average monthly revenue for the four months ended 31 October 2023 remained relatively stable, as compared to the average monthly revenue for the six months ended 30 June 2023, primarily due to a combined effect of increased average selling price of our hydrogenated benzene-based chemicals and a decreased average selling price of our LNG.

Based on our unaudited management accounts, our average monthly net profit for the four months ended 31 October 2023 experienced a decrease, as compared to that of the six months ended 30 June 2023, primarily due to a decrease in the average selling price of our LNG.

The following table sets forth the average selling price of our products for the four months ended 31 October 2023 as compared to that of the six months ended 30 June 2023:

	Average selling price for 1H2023 *(RMB per tonne)*	**Average selling price for the four months ended 31 October 2023** *(RMB per tonne)*	**Percentage of increase/decrease**
Hydrogenated benzene-based chemicals	RMB6,200	RMB6,500	+6%
LNG	RMB4,700	RMB3,800	-20%
Coal gas	remained relatively stable		

The increase of the average selling price of our hydrogenated benzene-based chemicals and the decrease of the average selling price of our LNG are in line with their respective prevailing market price during the relevant periods.

Our utilisation rate for our main production lines remained relatively stable for the four months ended 31 October 2023, as compared to the six months ended 30 June 2023.

We expect to record a significant decrease in profit for the year ending 31 December 2023, as compared to that for the year ended 31 December 2022, which is primarily due to the decrease in segment revenue of our energy products as a result of the decrease in the average selling price of LNG.

Acquisitions Subsequent to the Track Record Period

As part of the Reorganisation, subsequent to the Track Record Period on 29 July 2023, Jinma Energy and Jinma Qingneng entered into an equity transfer agreement to transfer 49% equity interest in Jinjiang Refinery to Jinma Qingneng at nil consideration. Following the completion of the equity transfer on 31 July 2023, Jinjiang Refinery was held as to 49% by Jinma Qingneng and 51% by Luoyang Refinery. On 16 August 2023, Jinma Energy and our Company entered into an equity transfer agreement, pursuant to which Jinma Energy agreed to transfer its equity interest in Jinma Qingneng to our Company at a consideration of RMB72,358,570.4 which was determined with reference to the carrying value of the long term investment of Jinma Qingneng as of 31 July 2023 in Jinma Energy's accounts. Such consideration was settled by our Company issuing and Jinma Energy subscribing for new Shares. Following the completion of the capital contribution and transfer on 17 August 2023, Jinma Qingneng became our wholly-owned subsidiary.

In order to reduce the importance of crude coking coal gas as a raw material and hence our reliance on the Jinma Group, subsequent to the Track Record Period, on 10 August 2023, our Company entered into an asset transfer agreement with Jinma Energy, pursuant to which our Company agreed to acquire from Jinma Energy the Coke Granule Coal Gas Facilities at a consideration of RMB108,326,300. The consideration shall be settled by our Company issuing and Jinma Energy subscribing for 108,320,000 new Shares at RMB1 per Share, with the remainder of RMB6,300 accounted as a contribution by Jinma Energy to the capital reserve of our Company. On 16 August 2023, the aforesaid asset transfer was completed.

Our Business Development

In order to grasp the opportunities arising from hydrogen business as advocated by the PRC government, subsequent to the Track Record Period, we have completed the construction of a gas station with hydrogen refuelling facilities in Zhengzhou High-Tech Industrial Development Zone in October 2023 with a designed refuelling capacity of 4,000 kg of hydrogen per 12 hours and constructed refuelling capacity of 2,000 kg of hydrogen per 12 hours which is expected to meet the daily usage needs of 80 to 100 hydrogen fuel cell heavy trucks (including muck trucks). It has commenced trial operation in November 2023.

In addition to the production capacity of hydrogenated benzene-based chemicals of 200,000 tonnes (measured in terms of the processing capacity of crude benzene) per annum since 2020, we completed the expansion of additional production capacity of 200,000 tonnes (measured in terms of the processing capacity of crude benzene) per annum and commenced trial production in October 2023. As a strategy to diversify our customer base, we have identified and approached new target customers with a view to establishing business relationship with them. Since July 2023 and up to the Latest Practicable Date, we were in discussion with more than 10 new and existing customers which have indicated their interests in purchasing our hydrogenated benzene-based chemicals. In September 2023, we signed memoranda of understanding with eight new and existing customers with respect to the purchase of our hydrogenated benzene-based chemicals, with an indicated aggregate annual purchase volume of more than 170,000 tonnes of hydrogenated benzene-based chemicals to be produced by the additional hydrogenated benzene-based chemicals production facilities. These memoranda of understanding are not legally binding on the parties and do not contain specific terms with regards to price and pricing policy. They contain specific terms with regards to the minimum annual purchase volume of our hydrogenated benzene-based chemicals from the customers. Going forward, we will continue to make efforts to attract more new customers and secure more orders from new customers.

No Material Adverse Change

Financial Performance Subsequent to the Track Record Period

Based on our unaudited management accounts, our average monthly revenue for the four months ended 31 October 2023 remained relatively stable, as compared to the average monthly revenue for the six months ended 30 June 2023, primarily due to a combined effect of increased average selling price of our hydrogenated benzene-based chemicals and a decreased average selling price of our LNG.

Based on our unaudited management accounts, our average monthly net profit for the four months ended 31 October 2023 experienced a decrease, as compared to that of the six months ended 30 June 2023, primarily due to a decrease in the average selling price of our LNG.

Save as disclosed in "Recent Developments and No Material Adverse Change" in this section above, our Directors confirm that as far as we are aware, there has been no material adverse change in our business operations, financial conditions or trading position since 30 June 2023, being the date to which our latest audited consolidated financial information was prepared, and up to the date of this prospectus, which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

SHAREHOLDING STRUCTURE AND CONTROLLING SHAREHOLDER

Immediately following the Global Offering (assuming that the Over-allotment Option is not exercised), our Controlling Shareholder, namely Jinma Energy, will be, directly and indirectly, interested in 75.0% of the total share capital of our Company.

Jinma Energy is a company listed on the Main Board of the Stock Exchange (stock code: 6885), which is principally engaged in the production of coke and the processing of coking by-products.

SPIN-OFF AND PREFERENTIAL OFFERING

Our Listing will constitute a spin-off from Jinma Energy, our Controlling Shareholder. The proposal in relation to the Spin-off was submitted by Jinma Energy to the Stock Exchange for approval pursuant to Practice Note 15 of the Listing Rules, and the Stock Exchange has confirmed that Jinma Energy may proceed with the Spin-off. Our Directors believe that the Spin-off and separate listing of our Group will be commercially beneficial to Jinma Energy, our Company and our Shareholders as a whole. For details, see "History, Corporate Structure and Reorganisation".

DIVIDEND

The PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in certain aspects from IFRS. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank facilities or other agreements that we or our subsidiaries may enter into in the future.

The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements, profitability of our subsidiaries and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividend.

The dividends declared by Jinning Energy to the non-controlling shareholders amounted to RMB9,800,000, RMB14,700,000, RMB14,700,000 and RMB19,600,000, respectively, during FY2020, FY2021, FY2022 and 1H2023. The dividends declared by Jinning Energy to the controlling shareholder amounted to RMB10,200,000, RMB15,300,000, RMB15,300,000 and RMB20,400,000, respectively, during FY2020, FY2021, FY2022 and 1H2023. The dividends declared by Jinrui Energy to the non-controlling shareholders and the controlling shareholder amounted to RMB17,400,000 and RMB42,600,000, respectively, during 1H2023. As at the Latest Practicable Date, the dividends declared during the Track Record Period have been settled. Currently we do not have a formal dividend policy. Investors should note that historical dividend distributions are not indicative of our future dividend distribution, and there is no assurance that dividends of any amount will be declared or be distributed in any year. See "Risk Factors – There can be no assurance if and when we will pay dividends in the future" in this prospectus for the associated risk factor.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Combined Statements of Profit or Loss

The following table summarises the combined statements of profit or loss from the financial statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	FY2020	**FY2021**	**FY2022**	**1H2022**	**1H2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	1,079,233	1,479,594	2,254,533	1,078,982	1,076,008
Cost of sales	(977,671)	(1,326,461)	(1,966,854)	(914,132)	(969,559)
Gross profit	101,562	153,133	287,679	164,850	106,449
Other income	7,348	5,067	6,354	2,673	5,305
Other gains and losses	(5,650)	(9,707)	(5,535)	(3,295)	(2,026)
Selling and distribution expenses	(11,606)	(11,963)	(15,366)	(7,025)	(10,189)
Administrative expenses	(21,708)	(22,980)	(31,562)	(14,744)	(14,019)
Finance costs	(8,561)	(2,645)	(8,022)	(4,066)	(2,994)
Profit before tax	61,385	110,905	233,548	138,393	82,526
Income tax expense	(16,751)	(31,429)	(39,467)	(21,649)	(16,812)
Profit for the year/period	44,634	79,476	194,081	116,744	65,714

	FY2020	FY2021	FY2022	1H2022	1H2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period attributable to:					
Owners of the Company	29,092	72,469	138,229	86,694	50,880
Non-controlling interests	15,542	7,007	55,852	30,050	14,834
	44,634	79,476	194,081	116,744	65,714

Revenue

Our revenue increased by RMB400.4 million from RMB1,079.2 million in FY2020 to RMB1,479.6 million in FY2021, representing an increase of 37.1% from FY2020 to FY2021. The increase was primarily due to the increase in revenue from our hydrogenated benzene-based chemicals segment resulting from the increase in average selling price following the increase in market prices, partially offset by the decrease in revenue from our energy products segment mainly attributable to the decrease in revenue from LNG resulting from the reduction in the supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, from the Jinma Group caused by the retirement of two older coking furnaces in December 2020 in response to China's environmental protection policies.

Our revenue increased by RMB774.9 million from RMB1,479.6 million in FY2021 to RMB2,254.5 million in FY2022, representing an increase of 52.4% from FY2021 to FY2022. The increase was primarily due to the increase in revenue from (i) hydrogenated benzene-based chemicals segment primarily due to the increase in average selling price of our hydrogenated benzene-based chemicals; and (ii) energy products segment resulting from the increase in revenue from sales of LNG, which was mainly attributable to the increase in supply of crude coking coal gas from the Jinma Group after the full operation of its new furnace in FY2022 as well as the higher price in FY2022 driven by geopolitical conflict.

Our revenue remained relatively stable at RMB1,079.0 million and RMB1,076.0 million in 1H2022 and 1H2023, respectively, primarily due to the combined effect of the increase in revenue from trading segment and the decrease in revenue from our hydrogenated benzene-based chemicals segment and energy products segment.

Cost of sales

Our cost of sales, which consists of cost of sales of our manufacturing segments and trading segment, represented 90.6%, 89.7%, 87.2%, 84.7% and 90.1% of our total revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively. The largest component of our cost of sales is the cost of raw materials, mainly crude benzene and crude coking coal gas, accounting for 77.5%, 82.6%, 80.3%, 81.5% and 79.1% of our total cost of sales for FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively.

The cost of sales for our manufacturing segments primarily consists of fixed and variable costs associated with our production. It mainly comprises cost of raw materials, direct labour costs and manufacturing overhead (mainly including utility expenses, low value consumables and depreciation and amortisation expenses). Our cost of sales relating to our trading segment primarily includes purchase costs in relation to the products that we sell.

Gross profit and gross profit margin

The table below sets forth our segment gross profit and gross profit margin for each of our major business segments during the Track Record Period:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	Segment gross profit	Segment gross profit margin	Segment gross profit	Segment gross profit margin	Segment gross profit	Segment gross profit margin	Segment gross profit	Segment gross profit margin	Segment gross profit	Segment gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Hydrogenated benzene-based chemicals	34,719	5.9	120,135	11.3	62,573	4.8	49,717	7.5	50,159	7.7
Energy products										
– LNG	8,652	4.8	(11,323)	(73.3)	150,417	35.1	76,061	39.5	21,055	12.6
– Coal gas	42,881	17.9	29,712	11.3	51,234	16.1	27,905	18.0	24,831	14.9
Sub-total	51,533	12.3	18,389	6.6	201,651	27.0	103,966	29.9	45,886	13.8
Trading	9,487	14.2	15,871	11.8	14,475	8.0	8,024	11.9	5,580	6.2
Others	6,575		887		10,626		4,404		4,855	
	102,314	9.5	155,282	10.5	289,325	12.8	166,111	15.4	106,480	9.9
Less: PRC taxes and surcharges	(752)		(2,149)		(1,646)		(1,261)		(31)	
Total	**101,562**	**9.4**	**153,133**	**10.3**	**287,679**	**12.8**	**164,850**	**15.3**	**106,449**	**9.9**

Our gross profit increased by RMB51.6 million from RMB101.6 million in FY2020 to RMB153.1 million in FY2021, representing an increase of 50.8% from FY2020 to FY2021 primarily due to the increase in gross profit from hydrogenated benzene-based chemicals segment of RMB85.4 million, partially offset by the decrease in gross profit from energy products segment of RMB33.1 million. Our gross profit margin increased from 9.4% in FY2020 to 10.3% in FY2021, primarily due to the increase in segment profit margin of our hydrogenated benzene-based chemicals segment resulting from the increase of average selling prices of our hydrogenated benzene-based chemicals of 72.0%, in line with the increased price trend of crude oil, being a driver of the price of benzene-based chemical which is also a major by-product of oil refinery, in FY2021, while the average cost of crude benzene increased to a lesser extent and we consumed some of the crude benzene purchased at a lower price; partially offset by the decrease in segment profit margin of (a) our energy products segment attributable to the (i) substantial reduction in production of LNG resulting from reduction in the supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, from the Jinma Group caused by the retirement of their two older coking furnaces in late 2020, in response to China's environmental protection policies while sales dropped but certain of the recurring monthly expenses, such as, staff cost, depreciation of LNG plants and other overheads, still incurred during FY2021; (ii) the increase in raw material price of crude coking coal gas by around 8.6%, while the average selling price of coal gas failed to increase correspondingly; and (iii) our Group's sale of coal gas in FY2021 did not enjoy the same extent of economies of scale as that in FY2020, particularly a higher processing cost per unit, owing to the decrease in the supply of crude coking coal gas to us in FY2021; and (b) trading segment resulting from the reduction in spread of purchase price and average selling price for refined oil in order to attract more customers. Our gross profit increased by RMB134.5 million from RMB153.1 million in FY2021 to RMB287.7 million in FY2022, representing an increase of 87.9%, primarily due to the increase in gross profit from energy products segment of RMB183.3 million. The increase is due to the combined impact of price increase in LNG in line with the international price trend triggered by geopolitical conflict and the substantial increase in LNG production due to the availability of crude coking coal gas from the Jinma Group as its coking furnaces with a production capacity of 1.8 million tonnes were put into full function at the beginning of 2022. Compared with 2021, the average selling price of LNG in 2022 has increased by 30.3%. Similarly, our gross profit margin increased from 10.3% in FY2021 to 12.8% in FY2022.

Our gross profit decreased by RMB58.5 million from RMB164.9 million in 1H2022 to RMB106.4 million in 1H2023, representing a decrease of 35.4%, primarily due to the decrease in gross profit from energy segment of RMB58.1 million as LNG price returned to the pre-geopolitical conflict level. Our gross profit margin decreased from 15.3% in 1H2022 to 9.9% in 1H2023, similarly due to the (i) decrease in segment profit margin of our energy products segment resulting from the decrease in average selling price of LNG by 25.5% when compared to the average selling price in 1H2022; and (ii) decrease in contribution from energy products segment in 1H2023.

Profit for the year/period

Our profit for the year increased by RMB34.8 million from RMB44.6 million in FY2020 to RMB79.5 million in FY2021 primarily resulting from the increase in gross profit of RMB51.6 million attained in FY2021 compared to that in FY2020. Our net profit margin increased from 4.1% to 5.4%, primarily due to the increase in gross profit margin attained in FY2021.

Our profit for the year increased by RMB114.6 million from RMB79.5 million in FY2021 to RMB194.1 million in FY2022 primarily resulting from the increase in gross profit of RMB134.5 million attained in FY2022 compared to that in FY2021. Our net profit margin increased from 5.4% to 8.6%, primarily due to the increase in gross profit margin attained in FY2022.

Our profit for the period decreased by RMB51.0 million from RMB116.7 million in 1H2022 to RMB65.7 million in 1H2023 primarily resulting from the decrease in gross profit of RMB58.5 million attained in 1H2023 compared to that in 1H2022. Our net profit margin decreased from 10.8% to 6.1%, primarily due to the decrease in gross profit margin attained in 1H2023.

Summary of Combined Statements of Financial Position

The following table sets forth a summary of our combined statements of financial position as at the dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	676,847	657,088	722,973	874,430
Total current assets	295,450	316,607	352,464	346,909
Total assets	972,297	973,695	1,075,437	1,221,339
Total non-current liabilities	48,003	38,332	96,008	111,669
Total current liabilities	418,656	380,214	259,872	439,477
Total liabilities	466,659	418,546	355,880	551,146
Net current (liabilities)/assets	(123,206)	(63,607)	92,592	(92,568)
Net assets	505,638	555,149	719,557	670,193
Non-controlling interest	104,088	96,395	137,547	115,381

Net current (liabilities)/assets

Our net current liabilities decreased from RMB123.2 million as at 31 December 2020 to RMB63.6 million as at 31 December 2021. The decrease was primarily due to the (i) decrease in current portion of borrowings of RMB25.2 million mainly due to the repayment of borrowings; (ii) decrease in trade and other payables of RMB22.7 million; (iii) increase in inventories of RMB18.7 million mainly due to the increase in (a) finished goods primarily due to the increase in prices of hydrogenated benzene-based chemicals; and (b) raw materials primarily due to the increase in prices of crude benzene; and (iv) bills receivables at FVTOCI of RMB12.0 million, mainly attributable to the increase in revenue.

Our net current liabilities of RMB63.6 million as at 31 December 2021 then turned around to a net current assets of RMB92.6 million as at 31 December 2022, primarily due to the (i) decrease in amount due to a shareholder of RMB214.8 million; and (ii) increase in amounts due from related parties of RMB62.4 million, partially offset by the (i) increase in borrowings of RMB51.0 million as at 31 December 2022; (ii) increase in bank balances and cash of RMB42.4 million; (iii) decrease in bills receivables at FVTOCI of RMB35.5 million; and (iv) increase in trade and other payables of RMB34.2 million.

Our net current assets of RMB92.6 million as at 31 December 2022 then turned around to a net current liabilities of RMB92.6 million as at 30 June 2023, primarily due to the (i) increase in current portion of bank borrowings of RMB59.0 million; and (ii) increase in trade and other payables of RMB98.6 million, partially offset by the increase in bills receivables at FVTOCI of RMB34.1 million as at 30 June 2023.

Net assets

Our net assets increased from RMB505.6 million as at 31 December 2020 to RMB555.1 million as at 31 December 2021, primarily due to the profit for the year of RMB79.5 million recognised in FY2021, partially offset by the total dividends recognised as distribution of RMB30.0 million in FY2021.

Our net assets then increased to RMB719.6 million as at 31 December 2022 primarily due to the profit for the year of RMB194.1 million recognised in FY2022, partially offset by the total dividends recognised as distribution of RMB30.0 million in FY2022.

Our net assets then further decreased to RMB670.2 million as at 30 June 2023, primarily due to the total dividends recognised as distribution of RMB100.0 million in 1H2023, partially offset by the profit for the period of RMB65.7 million recognised in 1H2023.

Summary Combined Statements of Cash Flows

The following table sets forth a summary of our combined statements of cash flows during the Track Record Period:

	FY2020	**FY2021**	**FY2022**	**1H2022**	**1H2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net cash flows from operating activities	61,608	98,624	318,798	160,716	82,080
Net cash flows used in investing activities	(77,347)	(58,702)	(167,344)	(36,092)	(62,570)
Net cash flows from/(used in) financing activities	12,707	(44,285)	(139,064)	(95,136)	(22,224)

	FY2020	FY2021	FY2022	1H2022	1H2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net (decrease)/increase in cash and cash equivalents	(3,032)	(4,363)	12,390	29,488	(2,714)
Cash and cash equivalents at beginning of year/period	57,475	54,443	50,080	50,080	62,470
Cash and cash equivalents at end of year/period	54,443	50,080	62,470	79,568	59,756

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended/as at 31 December			For the six months ended/as at 30 June
	2020	2021	2022	2023
Gross Profit Margin (%)	9.4	10.3	12.8	9.9
Net Profit Margin (%)	4.1	5.4	8.6	6.1
Return on equity (%)	7.4	16.8	26.6	9.0
Return on total assets (%)	4.6	8.2	18.9	5.7
Current ratio (times)	0.7	0.8	1.4	0.8
Gearing ratio (%)*(Note 1)*	16.3	9.2	23.0*(Note 2)*	36.1*(Note 2)*

Notes:

1. Gearing ratio was calculated by total interest-bearing borrowings and lease liabilities divided by total equity as at the end of the year/period multiplied by 100%.

2. Our gearing ratio increased from 9.2% as at 31 December 2021 to 23.0% as at 31 December 2022, primarily due to the increase in borrowings as at 31 December 2022. Our gearing ratio further increased to 36.1% as at 30 June 2023, primarily due to the increase in bank borrowings of RMB76.6 million as at 30 June 2023 in relation to our construction in progress for the additional hydrogenated benzene-based chemicals production line in Jiyuan High-Tech Industrial Chemical Park.

Please refer to "Financial Information – Key Financial Ratios" in this prospectus for further details.

LISTING EXPENSES

The total estimated Listing expenses in connection with the Global Offering are RMB38.1 million, representing 13.3% of the gross proceeds from the Global Offering (based on the mid-point of the Offer Price Range of HK$1.3 per shares and assuming no Over-allotment Option will be exercised), among which (i) Listing expenses, including underwriting commission and other expenses fees, are expected to be RMB10.0 million, and (ii) other non-underwriting expenses are expected to be RMB28.1 million, comprising (a) fees and expenses of legal advisers and Reporting Accountant of RMB15.8 million and (b) other fees and expenses of RMB12.3 million. Listing expenses of RMB5.4 million is expected to be recognised as administrative expenses during the year ending 31 December 2023, while RMB32.7 million will be recorded in equity upon the Listing.

STATISTICS OF THE GLOBAL OFFERING

	Based on the minimum indicative Offer Price of HK$1.10 per H Share	**Based on the maximum indicative Offer Price of HK$1.50 per H Share**
	HK$'million	*HK$'million*
Market capitalisation of our H Shares *(Note 1)*	262.8	358.4
Market capitalisation of our Shares *(Note 2)*	1,051.2	1,433.5
	HK$	*HK$*
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 per Share *(Note 3)*	1.03	1.14

Notes:

1. The calculation of market capitalisation of our H Shares is based on 238,910,000 H Shares in issue immediately after completion of the Global Offering but does not take into account any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option.

2. The calculation of market capitalisation of our Shares is based on 955,640,000 Shares in issue immediately after completion of the Global Offering but does not take into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted combined net tangible assets of the Group per Share is arrived at on the basis of 774,970,000 Shares in total, assuming that the issuance of 238,910,000 H Shares pursuant to the Global Offering had been completed on 30 June 2023. The unaudited pro forma adjusted combined net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. The 72,350,000 and 108,320,000 Shares issued subsequent to 30 June 2023 to acquire equity interest in Jinma Qingneng, which held the 49% equity interests of Jinjiang Refinery, and the Coke Granule Coal Gas Facilities from Jinma Energy, respectively (the "**Subsequent Acquisitions**") as described in "History, Corporate Structure and Reorganisation" in this prospectus are not included. Please refer to Appendix II to this prospectus for further details.

4. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share in the above does not take into account the Shares issued and changes of adjusted combined net tangible assets due to the Subsequent Acquisitions since the Subsequent Acquisitions are not directly attributable to the Global Offering.

   However, had the Subsequent Acquisitions been taken into account, (i) the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 would be adjusted by a total amount of RMB196,088,000, comprising the carrying amounts of the 49% equity interest in Jinjiang Refinery of RMB87,762,000 and the Coke Granule Coal Gas Facilities of RMB108,326,000 to be recognised by the Group, to RMB928,503,000 and RMB1,013,329,000 based on the minimum and maximum Offer Price of HK$1.10 and HK$1.50 per H Share, respectively, and (ii) the total number of Shares used in the calculation of the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 per Share would be 955,640,000, assuming the issuance of 180,670,000 Shares for the Subsequent Acquisitions and 238,910,000 H Shares pursuant to the Global Offering had been completed on 30 June 2023, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share would have been RMB0.97 and RMB1.06 (equivalent to HK$1.06 and HK$1.15, respectively), based on the minimum and maximum Offer Price of HK$1.10 and HK$1.50 per H Share, respectively.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised at all, based on the Offer Price of HK$1.3 per Offer Share, being the mid-point of the indicative Offer Price Range, the net proceeds from the Global Offering is estimated to be approximately HK$269.1 million (equivalent to approximately RMB247.6 million). Our Company currently intends to use the net proceeds from the Global Offering as follows:

Use of proceeds	**Amount of net proceeds** *(HK$ million)*	**% of total net proceeds** *(%)*
Construction of six to 10 additional gas stations with hydrogen refuelling facilities in Zhengzhou (including Zhengzhou High-Tech Industrial Development Zone)	228.8	85.0
Investment in and/or acquisition of selected upstream and downstream market players	13.4	5.0
Working capital and general corporate purposes	26.9	10.0

In order to grasp the opportunities arising from hydrogen business as advocated by the PRC government (such as the PRC government's strong commitments to its "dual carbon goals (雙碳目標)" and the Implementation Plan for Fuel Cell Demonstration Application in Zhengzhou City Cluster* (《鄭州城市群燃料電池示範應用實施方案》), in June 2023, Jinma Energy entered into a cooperation agreement with the Administration Committee in relation to, among others, the establishment of a project company to construct hydrogen gas stations in Zhengzhou High-Tech Industrial Development Zone in the coming three to five years. Jinma Qingneng, our wholly-owned subsidiary, is the project company for constructing hydrogen gas stations. As advised by Frost & Sullivan, as at the Latest Practicable Date, we were the only enterprise which entered into such cooperation agreement in respect of hydrogen refuelling stations with the Administration Committee in Zhengzhou High-Tech Industrial Development Zone, being one of the pilot regions for the development of hydrogen business in Zhengzhou. In addition, we have entered into a tripartite framework agreement with Henan Yida Min'an Municipal Service Co., Ltd.* (河南一達民安市政服務有限公司), a state-invested muck truck operator in Henan Province, and Yutong Commercial Vehicle Co., Ltd.* (宇通商用車有限公司), a hydrogen fuel cell vehicle manufacturer in the PRC, in relation to, among others, the purchase by the former party of muck trucks manufactured by the latter party, and the operation of hydrogen gas stations by our Group. As at the Latest Practicable Date, we have completed the construction of two gas stations with hydrogen refuelling facilities in Jiyuan High-Tech Industrial Chemical Park and Zhengzhou High-Tech Industrial Development Zone (鄭州高新技術產業開發區). We have also completed the construction of hydrogen filling facilities in Jiyuan High-Tech Industrial Chemical Park in September 2023. Subsequent to the Track Record Period, we have commenced our hydrogen business in November 2023. We also plan to construct six to 10 additional gas stations with hydrogen refuelling facilities in Zhengzhou (including Zhengzhou High-Tech Industrial Development Zone and within the 15 gas stations under the cooperation agreement with the Administration Committee as disclosed above) by the end of 2025 by utilising net proceeds from the Global Offering.

For details, please refer to "Business – Future Plans for Hydrogen Business" and "Future Plans and Use of Proceeds" in this prospectus.

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain technical terms are explained in "Glossary of Technical Terms" in this prospectus.

"1H2022"	the first six months ended 30 June 2022
"1H2023"	the first six months ended 30 June 2023
"Accountants' Report"	the accountants' report on our Group for the Track Record Period that is set out in Appendix I to this prospectus
"Administration Committee"	the Administration Committee of Zhengzhou High-Tech Industrial Development Zone* (鄭州高新技術產業開發區管理委員會), which is a government body designated by the Municipal People's Government of Zhengzhou to coordinate relevant affairs of Zhengzhou High-Tech Industrial Development Zone
"AFRC"	the Accounting and Financial Reporting Council
"Articles" or "Articles of Association" or "Company's Articles"	the articles of association of our Company, as amended, which shall become effective upon Listing, and as amended from time to time, a summary of which is contained in Appendix VI to this prospectus
"Assured Entitlement"	the entitlement of the Qualifying Jinma Energy Shareholders to apply for the Reserved Shares on an assured basis under the Preferential Offering to be determined on the basis of their respective shareholdings in Jinma Energy at 4:30 p.m. on the Record Date
"Available Reserved Shares"	has the meaning ascribed to it in "Structure and Conditions of the Global Offering – The Preferential Offering – Basis of Allocation for Applications for Reserved Shares"
"Beneficial Jinma Energy Shareholders"	any beneficial owner(s) of Jinma Energy Shares whose Jinma Energy Shares are registered, as shown in the register of members of Jinma Energy, in the name of a registered Jinma Energy Shareholder at 4:30 p.m. on the Record Date

"**Blue Form eIPO**"	the application for Reserved Shares to be issued in the applicant's own name, submitted online through the designated website of the **Blue Form eIPO** Service Provider, at **www.eipo.com.hk**
"**Blue Form eIPO** service provider"	Computershare Hong Kong Investor Services Limited
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate
"Capital Market Intermediaries"	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Choice"	a third-party data platform operated by East Money Information Co., Ltd.* (東方財富信息股份有限公司) that covers macro and industrial data and provides financial data analysis and investment management services

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	Henan Jinyuan Hydrogenated Chemicals Co., Ltd.* (河南金源氫化化工股份有限公司) (formerly known as Henan Jinyuan Hydrogen Energy Technology Co., Ltd.* (河南金源氫能科技股份有限公司) and Henan Jinyuan Hydrogenated Chemicals & Energy Co., Ltd.* (河南金源氫化能源股份有限公司)), a limited liability company incorporated in the PRC on 23 November 2012, and converted into a joint stock company with limited liability on 28 July 2023
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules and, for the purpose of this prospectus, refers to Jinma Energy
"COVID-19"	coronavirus disease 2019
"CSRC"	China Securities Regulatory Commission* (中華人民共和國證券監督管理委員會)
"CSRC Archive Rules"	the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) issued by the CSRC, Ministry of Finance of the PRC, National Administration of State Secrets Protection of the PRC, and National Archives Administration of the PRC (effective from 31 March 2023), as amended, supplemented or otherwise modified from time to time
"CSRC Filing(s)"	any letters, filings, correspondences, communications, documents, responses, undertakings and submissions in any form, including any amendments, supplements and/or modifications thereof, made or to be made to the CSRC, relating to or in connection with the Global Offering pursuant to the CSRC Filing Rules and other applicable rules and requirements of the CSRC (including, without limitation, the CSRC Filing Report)

"CSRC Filing Report"	the filing report of the Company in relation to the Global Offering, including any amendments, supplements and/or modifications thereof pursuant to Article 13 of the CSRC Filing Rules
"CSRC Filing Rules"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and supporting guidelines issued by the CSRC (effective from 31 March 2023), as amended, supplemented or otherwise modified from time to time
"Deed of Non-competition"	the deed of non-competition undertaking dated 4 December 2023 executed by Jinma Energy, our Controlling Shareholder, in favour of our Company, particulars of which are set out in the section headed "Relationship with our Controlling Shareholder – Non-competition Undertaking"
"Director(s)"	the director(s) of our Company
"EIT Law"	Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法), as amended or supplemented from time to time
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FINI"	Fast Interface for New Issuance, an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all New Listings
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, and an Independent Third Party
"Frost & Sullivan Report"	an independent market research report commissioned and prepared by Frost & Sullivan for the purpose of this prospectus
"FY" or "financial year"	financial year of our Company ended or ending 31 December
"Global Offering"	the Hong Kong Public Offer and the International Placing

"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"H Share(s)"	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Offer Shares"	23,892,000 new H Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offer
"Hong Kong Public Offer"	the offer by us of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus, as further described in "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Underwriters"	the underwriters listed in "Underwriting – Hong Kong Underwriters" in this prospectus, being the underwriters of the Hong Kong Public Offer
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 11 December 2023 relating to the Hong Kong Public Offer entered into among our Company, Jinma Energy, the Sole Sponsor, the Sole Overall Coordinator and the Hong Kong Underwriters, as further described in "Underwriting" in this prospectus
"IFRS"	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board
"Independent Third Party(ies)"	an entity or person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of the Company
"International Placing"	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of the Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in "Structure and Conditions of the Global Offering" in this prospectus
"International Placing Shares"	215,018,000 new H Shares being initially offered by us for subscription pursuant to the International Placing (including 13,386,000 Reserved Shares under the Preferential Offering) together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option

"International Underwriters"	the underwriters for the International Placing who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Placing to be entered into by, among others, the Company and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting" in this prospectus
"Jiangxi PXSteel"	Jiangxi PXSteel Industrial Co. Ltd.* (江西萍鋼實業股份有限公司) (formerly known as Ping Xiang Steel Co., Ltd.* (萍鄉鋼鐵有限責任公司)), a joint stock company established in the PRC on 29 November 1999. Insofar as the Board is aware, as at the Latest Practicable Date, it holds 9.89% of the shares of Jinma Energy
"Jinjiang Refinery"	Henan Jinjiang Refinery Co., Ltd.* (河南金江煉化有限責任公司), a company established in the PRC on 14 May 2014. It is owned as to 49% by Jinma Qingneng and 51% by Luoyang Refinery
"Jinma Energy"	Henan Jinma Energy Company Limited (河南金馬能源股份有限公司), a joint stock company incorporated in the PRC on 3 August 2016, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6885), and it currently, directly and indirectly, holds all of the Shares of our Company
"Jinma Energy Share(s)"	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of Jinma Energy
"Jinma Energy Shareholder(s)"	holders of the Jinma Energy Shares
"Jinma Group"	Jinma Energy and its subsidiaries (but excluding our Group)
"Jinma HK"	Jinma Energy (Hong Kong) Limited (金馬能源(香港)有限公司) (formerly known as Jinma Coking (Hong Kong) Limited (金馬焦化(香港)有限公司)), a company incorporated in Hong Kong on 5 November 2010 with limited liability. It is an associate of Mr. Yiu Chiu Fai (a non-executive Director) and, as at the Latest Practicable Date, holds 30.26% of the shares of Jinma Energy

"Jinma Qingneng"	Henan Jinma Qingneng Co., Ltd.* (河南金馬氫能有限公司) (formerly known as Henan Jinma Qingfeng Hydrogen Energy Co., Ltd. (河南金馬氫楓能源有限責任公司)), a company established in the PRC on 18 February 2021 and a wholly-owned subsidiary of our Company since 17 August 2023
"Jinma Xingye"	Jiyuan Jinma Xingye Investment Co., Ltd.* (濟源市金馬興業投資有限公司), a company established in the PRC on 14 February 2008. It is an associate of Mr. Wang Lijie (a non-executive Director) and, as at the Latest Practicable Date, holds 8.01% of the shares of Jinma Energy
"Jinning Energy"	Jiyuan Jinning Energy Co., Ltd.* (濟源市金寧能源實業有限公司), a company established in the PRC on 2 July 2007 and a 51% subsidiary of our Company
"Jinrui Energy"	Henan Jinrui Energy Co., Ltd.* (河南金瑞能源有限公司), a company established in the PRC on 24 May 2016 and a 81% subsidiary of our Company
"Jinrui Gas"	Henan Jinrui Gas Co., Ltd.* (河南金瑞燃氣有限公司), a company established in the PRC on 24 May 2016 and wholly-owned by Jinrui Energy, and hence a subsidiary of our Company
"Jiyuan High-Tech Industrial Chemical Park"	chemical park of Jiyuan High-Tech Industrial Development Zone* (河南省濟源市濟源高新技術產業開發區的化工園區) in Jiyuan city, Henan province
"JLC"	a third-party data platform operated by Jinlianchuang Network Technology Co., Ltd.* (金聯創網絡科技有限公司) that provides market intelligence and pricing solutions for energy products and commodities in China
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer

"Joint Bookrunners"	Haitong International Securities Company Limited, ABCI Capital Limited, CCB International Capital Limited, Central China International Capital Limited, China Everbright Securities (HK) Limited, China Galaxy International Securities (Hong Kong) Co., Limited, CMB International Capital Limited, ICBC International Securities Limited, Livermore Holdings Limited, Maxa Capital Limited, Shenwan Hongyuan Securities (H.K.) Limited and UOB Kay Hian (Hong Kong) Limited
"Joint Global Coordinators"	Haitong International Securities Company Limited and CCB International Capital Limited
"Joint Lead Managers"	Haitong International Securities Company Limited, ABCI Securities Company Limited, CCB International Capital Limited, Central China International Capital Limited, China Everbright Securities (HK) Limited, China Galaxy International Securities (Hong Kong) Co., Limited, CMB International Capital Limited, ICBC International Securities Limited, Livermore Holdings Limited, Maxa Capital Limited, Shenwan Hongyuan Securities (H.K.) Limited and UOB Kay Hian (Hong Kong) Limited
"Latest Practicable Date"	3 December 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date expected to be on or around Wednesday, 20 December 2023, on which the H Shares are first listed and from which dealings in the H Shares are permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

"Luoyang Refinery"	Luoyang Refinery Co., Ltd.* (洛陽煉化有限責任公司), a company incorporated in the PRC on 3 June 2011 and an Independent Third Party, which is in turn the holder of 51% equity interest in Jinjiang Refinery
"Maanshan Steel"	Maanshan Iron & Steel Company Limited (馬鞍山鋼鐵股份有限公司), a company incorporated in the PRC on 1 September 1993 whose A and H shares are listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively. Insofar as the Board is aware, it currently holds 26.89% of the shares of Jinma Energy
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Non-Qualifying Jinma Energy Shareholders"	Jinma Energy Shareholder(s) whose names appeared in the register of members of Jinma Energy on the Record Date and whose addresses as shown in such register are in any of the Specified Territories and any Jinma Energy Shareholders or Beneficial Jinma Energy Shareholders at that time who are otherwise known by Jinma Energy to be resident in any of the Specified Territories
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) of not more than HK$1.5 and expected to be not less than HK$1.1, such price to be determined by agreement between the Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date
"Offer Price Range"	HK$1.1 to HK$1.5 per Offer Share
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares

"Ouya Gasoline Station"	Jiyuan Ouya Gasoline Station Co., Ltd.* (濟源市歐亞加油站有限公司), a company established in the PRC on 26 April 2012 and wholly-owned by Jinrui Gas, and hence a subsidiary of our Company
"Over-allotment Option"	the option expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to 35,836,000 additional H Shares (representing approximately 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to, among other things, cover over-allocations in the International Placing, if any, as further described in "Structure and Conditions of the Global Offering" in this prospectus
"PRC" or "China"	the People's Republic of China, excluding for the purposes of this prospectus only, Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Company Law" or "Company Law"	Company Law of the PRC* (中華人民共和國公司法), which was promulgated by the Standing Committee of the NPC on 29 December 1993, came into effect on 1 July 1994, amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively, and the latest amendment of which was implemented on 26 October 2018
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Legal Advisers"	Brightstone Lawyers, the PRC legal advisers of our Company in connection with the Global Offering
"Predecessor"	Jiyuan Jinyuan Chemicals Co., Ltd.* (濟源市金源化工有限公司), a limited liability company established in the PRC on 23 November 2012 and the predecessor of our Company

"Preferential Offering"	the preferential offering to the Qualifying Jinma Energy Shareholders of 13,386,000 Shares (representing approximately 5.6% of the Offer Shares initially being offered under the Global Offering, assuming that the Over-allotment Option is not exercised) in the form of the Assured Entitlement out of the Shares offered under the International Placing at the Offer Price, as further described in "Structure and Conditions of the Global Offering – The Preferential Offering" in this prospectus and subject to the terms and conditions stated in this prospectus and on the designated website of **Blue Form eIPO** service provider, **www.eipo.com.hk**
"Price Determination Date"	the date on which the Offer Price is to be determined
"Promoters"	Jinma Energy and Shanghai Jinma, being the promoters of our Company upon its establishment on 28 July 2023
"Qualifying Jinma Energy Shareholders"	holders of the Jinma Energy Shares, whose names appeared on the register of members of Jinma Energy on the Record Date, other than the Non-Qualifying Jinma Energy Shareholders
"Record Date"	1 December 2023, being the record date for ascertaining the Assured Entitlement to the Qualifying Jinma Energy Shareholders to the Reserved Shares
"Regulation S"	Regulation S under the U.S. Securities Act
"Reporting Accountants"	Deloitte Touche Tohmatsu, the reporting accountants of our Company
"Reorganisation"	the reorganisation of the Group in preparation for the Listing, details of which are set out in "History, Corporate Structure and Reorganisation – The Reorganisation" in this prospectus

"Reserved Shares"	the 13,386,000 Offer Shares being offered by the Company to the Qualifying Jinma Energy Shareholders as the Assured Entitlement at the Offer Price pursuant to the Preferential Offering, representing approximately 5.6% of the Offer Shares initially being offered under the Global Offering (without taking into account any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option) which are to be allocated out of the Shares being offered under the International Placing
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
"SAT"	State Administration of Taxation of the PRC* (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Jinma"	Shanghai Jinma Energy Sources Co., Ltd.* (上海金馬能源有限公司), a company established in the PRC on 27 November 2013 and a wholly-owned subsidiary of Jinma Energy. It currently holds 0.47% of the Shares of our Company
"Share(s)"	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Sole Overall Coordinator" and "Sole Sponsor-Overall Coordinator"	Haitong International Securities Company Limited
"Sole Sponsor"	Haitong International Capital Limited

"Specified Territories"	jurisdiction(s) outside Hong Kong where, taking into account the legal restrictions under the applicable laws or requirements of the relevant regulatory body or stock exchange of such jurisdiction(s), Jinma Energy and our Company consider the exclusion of the Jinma Energy Shareholders with registered addresses in or who are otherwise known by Jinma Energy to be residents of, such jurisdiction(s) from the Preferential Offering to be necessary or expedient
"Spin-off"	the separate listing of our H Shares on the Main Board, by way of the Global Offering (including the Preferential Offering)
"Stabilising Manager"	Haitong International Securities Company Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of our Company
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
"Track Record Period"	FY2020, FY2021, FY2022 and 1H2023
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unlisted Shares"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are currently not listed or traded on any stock exchange
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time

"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **White Form eIPO** Service Provider, at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Wind"	a third-party economic database and analysis platform operated by Wind Information Co., Ltd.* (萬得信息技術股份有限公司) for global macro and industrial economies
"Yugang Coking"	Henan Hongkong (Jiyuan) Coking Group Co., Ltd.* (豫港(濟源)焦化集團有限公司), a company established in the PRC on 22 May 1997, which is held as to 88.03% by Golden Fair Chemicals (Holdings) Limited (which, to the best knowledge of our Directors, is in turn held as to 65.92% by Mr. Wang Xuezhong), and 11.97% by Luoyang Railway Yuntong Group Co., Ltd.* (洛陽鐵路運通集團有限公司), an Independent Third Party. Mr. Wang Xuezhong is a controlling shareholder of Henan Jinsu Shiye Co., Ltd.* (河南省金塑實業有限公司) which is a substantial shareholder of Jinning Energy, and hence Yugang Coking will be a subsidiary-level connected person of the Company upon Listing
"Yugang Coking Group"	Yugang Coking and its subsidiaries
"%"	per cent

*In this prospectus, the terms "**associate**", "**close associate**", "**connected person**", "**connected transaction**", "**core connected person**", "**subsidiary**", "**substantial shareholder**" and "**syndicate member**" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with "" and are provided for identification purposes only.*

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

"CNG"	also known as compressed natural gas, a natural gas that has been compressed to a high density through high pressure
"coal gas"	coal gas obtained by processing, purification and compression of crude coking coal gas and is one of our products
"Coke Granule Coal Gas"	coal gas produced from the Coke Granule Coal Gas Facilities
"Coke Granule Coal Gas Facilities"	facilities in Jiyuan High-Tech Industrial Chemical Park for the production of Coke Granule Coal Gas from coke granules by heating small coke granules in an oxygen environment
"coking"	the process of converting coal into coke and other coking by-products
"coking by-products"	refer to crude benzene, coal tar and crude coking coal gas
"crude benzene"	a crude form of benzene, containing mainly toluene and xylene
"crude coking coal gas"	a mixture of gases (chiefly hydrogen, methane, and carbon monoxide) obtained by the destructive distillation of coal and is one of the coking by-products of the coking process
"hydrogen"	a colourless, odourless, highly flammable gas
"ISO"	International Organisation for Standardisation, an organisation which maintains a standard for quality management systems
"IT"	information technology system
"kg"	kilogramme(s)

"km"	kilometre(s)
"LNG"	also known as liquefied natural gas, a gas comprised predominantly of methane that has been converted to liquid form for ease of storage or transport
"m^3"	cubic metre(s)
"pure benzene"	an organic chemical compound which is a colorless and highly flammable liquid. It can be produced from petroleum and coking coal, which can be mainly divided into petroleum benzene and hydrogenated benzene. For the purpose of this prospectus, unless otherwise stated, market information in relation to pure benzene refers to both petroleum benzene and hydrogenated benzene and all of the pure benzene produced by our Group is hydrogenated benzene
"refined chemicals"	chemicals which have undergone the process of purification
"refined oil"	mainly includes diesel and gasoline
"sq.m." or "m^2"	square metre(s)
"toluene"	a colourless liquid hydrocarbon present in crude benzene
"xylene"	a volatile liquid hydrocarbon contained in crude benzene

According to Frost & Sullivan, in this prospectus (i) the conversion of m^3 into tonne for LNG have been made at the ratio of 1,390 m^3 to 1 tonne and vice versa; (ii) the conversion of tonne into kg for LNG have been made at the ratio of 1 tonne to 1,000 kg and vice versa; (iii) the conversion of m^3 into tonne for hydrogen have been made at the ratio of 11,123.5 m^3 to 1 tonne and vice versa; and (iv) the conversion of m^3 into kg for hydrogen have been made at the ratio of 1 m^3 to 0.0899 kg and vice versa.

This prospectus contains forward-looking statements. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "might", "plan", "project", "propose", "seek", "should", "target", "will", "would" and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our operating and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs; and
- our ability to identify and successfully take advantage of new business development opportunities.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialise or may change. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in "Risk Factors" in this prospectus and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, political, regulatory and business conditions in the markets in which we operate, including the sustainability of the economic growth in the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risk factors set out in "Risk Factors" in this prospectus.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

An investment in our H Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our H Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our H Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We depend on the Jinma Group for the supply of crude coking coal gas.

We depend on the Jinma Group for crude coking coal gas, the main raw material for the production of our energy products. We source substantially all of our crude coking coal gas from the Jinma Group. For FY2020, FY2021, FY2022 and 1H2023, our amount of purchases of crude coking coal gas from the Jinma Group amounted to RMB248.6 million, RMB192.7 million, RMB338.0 million and RMB188.6 million, respectively, which accounted for 27.8%, 15.3%, 18.5% and 19.8% of our total principal purchases, respectively. See "Business – Raw Materials and Supply – Raw Materials and Procurement Process" and "Continuing Connected Transactions – C. Non-Exempt Continuing Connected Transactions – (1) Purchase of crude coking coal gas from the Jinma Group" in this prospectus for further details.

Due to Jinma Group's retirement of two older coking furnaces in December 2020 in response to China's environmental protection policies and we were unable to find alternative supply from other source, we experienced shortage in the supply of crude coking coal gas in FY2021, which is the principal raw material for coal gas for the production of LNG. There can be no assurance that the Jinma Group will continue to be able to supply at prices and terms and conditions acceptable to us in the future, or that new sources of supply will be available in a timely manner in the event that the Jinma Group is unable to meet our demand. If the Jinma Group ceases supplying or reduces the supply to us for any reason and no suitable replacement of suppliers or no additional source can be identified in a timely manner, we may not be able to satisfy purchase orders from our customers, and we may lose sales or be subject to increased raw materials costs, which may in turn materially and adversely affect our business, financial condition and results of operations.

Our limited involvement in hydrogen production and operation of hydrogen gas station may make it difficult for you to evaluate our business and prospects.

We have been a manufacturing partner in a joint venture (namely Jinjiang Refinery), which produces and delivers hydrogen through dedicated pipelines connecting Jiyuan city (where it is based) to Luoyang city. For more details, see "Business – Future Plans for

Hydrogen Business – Our involvement in Hydrogen Production – Background of Jinjiang Refinery" in this prospectus. In addition, our Company possesses hydrogen production facility with a hydrogen production capacity of 24 million m^3 per annum whereby the hydrogen produced is grey hydrogen for hydrogenation of crude benzene for our hydrogenated benzene-based chemicals. In April 2023, we have completed the upgrade of such equipment for hydrogen purification which could purify hydrogen (including the hydrogen produced by Jinjiang Refinery and us) into high pure hydrogen with a capacity of 48 million m^3 per annum for fuel cell vehicles.

As at the Latest Practicable Date, we have completed the construction of two hydrogen gas stations in Jiyuan High-Tech Industrial Chemical Park and Zhengzhou High-Tech Industrial Development Zone, which is expected to commence trial operation in December 2023 and has commenced trial operation in November 2023, respectively. We also plan to construct six to 10 additional gas stations with hydrogen refuelling facilities in Zhengzhou (including Zhengzhou High-Tech Industrial Development Zone and within the 15 gas stations under the cooperation agreement with the Administration Committee) by the end of 2025 by utilising net proceeds from the Global Offering. See "Business – Future Plans for Hydrogen Business" in this prospectus for further details. Prior to the above, we did not have operating history of hydrogen gas stations.

Our limited involvement in hydrogen production and operation of hydrogen gas station may not form an adequate basis for the evaluation of our future operating results and prospects. You may have difficulties evaluating our business and prospects because of our limited operating history with respect to the above or any new products or business or the fluctuations in our performance during the Track Record Period. Furthermore, the financial results of Jinjiang Refinery were not consolidated into the accounts of our Company as it was held as to 49% by Jinma Qingneng as at the Latest Practicable Date, therefore it was not accounted for as a subsidiary of our Company. Hence, our financial performance during the Track Record Period may not be indicative of our business and operating results in the future.

Fluctuations in the prices for our key raw materials such as crude benzene and crude coking coal gas and our products, namely hydrogenated benzene-based chemicals and energy products, may materially and adversely affect our business, financial condition and results of operations.

Crude benzene and crude coking coal gas are key raw materials for the production process of our hydrogenated benzene-based chemicals and energy products, respectively. During the Track Record Period, our total cost of raw materials for crude benzene and crude coking coal gas constituted in aggregate more than 99% of our total cost of raw materials. During the Track Record Period, we sourced 20% of crude benzene from the Jinma Group and we purchased substantially all of the crude coking coal gas from the Jinma Group. We normally enter into annual supply contracts with our suppliers. There is no assurance that the key raw materials supplied by our suppliers will be sufficient for our future operations and expansion. In such event, we may need to expand our sources of key raw materials.

Prices of crude benzene and crude coking coal gas affect our raw material costs and are also one of the factors which affect prices of our products. The average price of crude benzene increased drastically by RMB2,104.1 per tonne from RMB2,539.3 per tonne in 2020 to RMB4,643.4 per tonne in 2021 and further increased to RMB5,819.6 per tonne in 2022. In the first two quarters of 2023, the average price of crude benzene reduced slightly to RMB5,056.3 per tonne. According to Frost & Sullivan, the price fluctuation was due to the changes in the price of crude fossil fuels. The price of crude coking coal gas in Henan province in general ranged from RMB0.4-0.6 m^3 with an increasing trend during 2020-2022 and 1H2023.

Our hydrogenated benzene-based chemicals and our energy products are priced largely with reference to prevailing market prices, which are subject to fluctuation and by reference to various other factors applicable to individual customers.

With regard to our hydrogenated benzene-based chemicals, the average price of pure benzene in China rose from RMB3,384.8 per tonne in 2020 to RMB6,140.0 per tonne in 2021. In 2022, the average price of pure benzene reached its peak of RMB7,015.5 per tonne before decreasing to RMB5,996.3 per tonne in the first two quarters of 2023. The price trend of toluene is similar to that of pure benzene. In 2020, the average price of toluene was RMB3,263.0 per tonne. The average price of toluene gradually increased from RMB4,896.7 per tonne in 2021 to RMB6,446.5 per tonne in 2022 before slightly reducing to RMB6,175.3 per tonne in the first two quarters of 2023.

In relation to our energy products, the retail price of LNG for vehicles at gas stations in Henan province increased from RMB3,736.8 per tonne in 2020 to RMB5,054.9 per tonne in 2021. In line with the rising prices of natural gas internationally, the retail price reached its peak of RMB6,542.1 per tonne in 2022. The retail price of LNG decreased to RMB5,198.7 per tonne in 1H2023.

Meanwhile, the average selling price of coal gas remained relatively stable at RMB0.71 per m^3 in 2020 and 2021, and increased to RMB0.74 per m^3 in 2022 and further increased to RMB0.82 per m^3 in 2023.

If the prices of hydrogenated benzene-based chemicals and energy products fall below our cost of sales and remain at such a level for any sustained period, we could experience operational losses which could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that the prices of hydrogenated benzene-based chemicals and energy products will remain steady or move in tandem with our cost of sales, and any fluctuation may materially and adversely affect our business, financial condition and results of operations.

Our gross profit margin increased from 9.4% in FY2020 to 10.3% in FY2020 and further to 12.8% in FY2022, whereas our gross profit margin decreased from 15.3% in 1H2022 to 9.9% in 1H2023. Our gross profit margin was mainly determined by the changes in the spread between the average selling prices of our products and the average purchase prices of the main raw materials. Given the relatively fixed manufacturing costs that we incur, we are particularly sensitive to the fluctuations in the prices of our products, and our gross profit margin will decrease when the prices of our products drop.

We are particularly sensitive to movements in the market prices of our products and the changes in the spread between these prices. For further details, see "Financial Information – Key Factors Affecting our Results of Operations – Prices of Our Raw Materials and Products" in this prospectus. Any increase in the market prices of our key raw materials without a corresponding increase in the market prices of our products, or any decrease in the market prices of our products without a corresponding decrease in the market prices of our key raw materials, could materially and adversely affect our business, financial condition and results of operations.

We generated a substantial portion of our revenue from our business operations in Henan province and its neighbouring regions including Shanxi province during the Track Record Period. Our business and operating results depend heavily on the economic and social conditions and prosperity of Henan province and its neighbouring regions including Shanxi province.

During the Track Record Period, over 90% of our revenue was generated from customers situated in Henan province and its neighbouring regions including Shanxi province. Our plans to pursue our hydrogen business are also targeted in Henan province, and, if suitable opportunities arise, neighbouring area(s) and/or province(s) in accordance with supportive government policies.

Our Directors believe that our business, financial condition, operating results and prospect will be or will continue to be affected by (i) the economic and social development, degree of industrialisation and urbanisation and the acceptance and perception of customers in Henan province and its neighbouring regions; and (ii) the continued support of the national and local governments in the promotion and increasing utilisation of low carbon energy products, especially hydrogen, as an economical, efficient and low carbon energy source. We cannot assure you that the economic development in Henan province will continue to develop as anticipated, or that the macro or local economic environment or PRC government's policies on low carbon energy and fuel cell vehicle market will not change. If Henan province or its neighbouring regions experience any adverse economic, political or regulatory conditions due to events beyond our control, our business, financial condition, operating results and prospects may be materially and adversely affected.

We rely on a limited number of major customers and suppliers and we do not generally enter into long-term sales contracts with our customers or suppliers.

We rely on our major customers for a substantial portion of our revenue. In each year/period during the Track Record Period, our sales to our five largest customers in each year/period accounted for 54.9%, 70.0%, 61.2% and 58.7% of our total revenue, respectively. Further, our sales to our single largest customer accounted for 34.4%, 47.0%, 41.1% and 42.3%, respectively of our total revenue.

With respect to major suppliers, in each year/period during the Track Record Period, our purchases from our five largest suppliers in each year/period accounted for 60.7%, 49.3%, 65.6% and 68.6% of our total cost of sales, respectively. Further, our purchases from our single largest supplier accounted for 44.2%, 23.6%, 39.6% and 38.0%, respectively, of our total cost of sales.

We anticipate that we will continue to rely on our major customers and suppliers. Our ability to maintain close relationships with these major customers and suppliers is essential to our strategy and to the stability of our business. We cannot guarantee that our major customers and suppliers will continue to work with us or will not reduce their business with us. Moreover, we cannot guarantee that our major customers and suppliers will not have a change of business scope or business model, will continue to maintain their market position and reputation, will not cease to operate or will not experience operational or financial difficulties. Any material adverse change to the operation, financial performance or financial condition of our major customers and suppliers may have a significant adverse impact on us. If we are unable to find new customers and suppliers on comparable commercial terms or, in the case of customers, with similar revenue contribution, within a reasonable period of time, or at all, our business, financial condition, results of operations and profitability may be adversely affected.

None of our customers is obliged to purchase a minimum or fixed quantity of our products. Our customers typically provide non-binding indications of the quantities of each product they expect to order in our sales agreements, but the actual sales volume is confirmed on a monthly or weekly basis and the price are subject to changes frequently based on prevailing market price. As such, we cannot assure you the stability and profitability of our sales. We do not normally have minimum purchase orders or long term sales contracts to protect us from the adverse financial effect of a reduction in the demand for our products, which may materially and adversely affect our business, financial condition and results of operations.

We did not enter into any long-term agreements with our major suppliers. We cannot assure you that our major suppliers are willing to renew the agreements with us upon expiry, or are always agreeable to a raw material supply which matches with our expected demand. Any breach, termination or failure to renew the existing agreements or the failure to secure alternative suppliers when there is a shortage of raw materials could materially and adversely affect our business.

We face competition from a number of PRC competitors.

There are two major types of players in the benzene-based chemicals market, namely (i) petrochemical companies which derive their benzene-based chemicals from petroleum refinery; and (ii) hydrogenated benzene-based chemical manufacturing companies which derive their benzene-based chemicals from hydrogenation of crude benzene. The hydrogenated benzene-based chemical manufacturing industry in Henan province is highly concentrated. In relation to the hydrogenated benzene-based chemical manufacturing industry, for the revenue of pure benzene, the top five companies accounted for 66.0% of the total market size in 2022. The LNG industry in Henan province is relatively concentrated, with the top five LNG suppliers by revenue accounting for 25.1% of the total market size in 2022.

Competition in the hydrogenated benzene-based chemical manufacturing and energy production industries in the PRC is based on many factors, such as price and cost, production capacity, transport capabilities and quality. We believe we may face price competition from other companies that may be able to supply hydrogenated benzene-based chemicals and energy products for lower costs than us due to various factors, including their lower production cost and transportation cost.

It is also possible that our customers such as nylon and fertilisers manufacturers, refined oil manufacturers and other chemical companies for hydrogenated benzene-based chemicals as well as industrial users and, trading customers for LNG may scale up their operations by expanding upstream and hence become our direct competitors in certain stages. Our future success will depend on our ability to respond in an effective and timely manner to competitive pressure.

We are exposed to the risks associated with changes in the industries in which our hydrogenated benzene-based chemical and energy product customers operate.

The customers of our hydrogenated benzene-based chemicals operate in a wide range of industries, including nylon and fertilisers manufacturers, refined oil manufacturers and other chemical companies; while our energy products are sold to industrial and residential users, trading customers and retailer customers at our oil and gas stations, and Jinjiang Refinery which separates the hydrogen content of coal gas for production of hydrogen.

Our ability to maintain and expand our supply of hydrogenated benzene-based chemicals and energy products is exposed to the risks associated with these downstream industries in which our customers operate, such as changes in technologies, government and regulatory requirements, market conditions and industry standards. Any negative impact on these downstream industries may result in a decrease in demand for our hydrogenated benzene-based chemicals and our energy products. We cannot assure you that we will continue to be successful in responding to the changes in these downstream industries, customer preference and market demand. If we are unable to manage or mitigate the risks associated with changes in downstream industries of hydrogenated benzene-based chemicals and energy products, our business operation, profitability and future growth may be adversely affected.

We may not be able to manage our growth and implement our expansion plans effectively.

We have grown rapidly over the past few years and intend to maintain our competitive advantages by, among others, expanding the network of hydrogen gas stations and unleashing the value of the hydrogen energy industry chain and exploring new materials and other fields. Such expansion plans and any other future expansion plans would require investment in new facilities. To capture the above opportunities, we have completed the construction of two gas stations with hydrogen refuelling facilities in Jiyuan High-Tech Industrial Chemical Park and Zhengzhou High-Tech Industrial Development Zone. For more information, see "Business – Future Plans for Hydrogen Business – Current and Future Initiatives for Hydrogen Business" in this prospectus. We expect that we will incur additional costs, such as depreciation charges, raw material costs and labour costs in relation to the above expansion plans. Accordingly, the development of hydrogen business will have a material impact on the cost structure of our maintenance of a network of hydrogen gas stations and any expansion of production capacity of hydrogen. The success of our business expansion plans depends on various factors, many of which are beyond our control. For instance, the development of our hydrogen business with a focus on fuel cell vehicles depends on the growth of the fuel cell vehicle market in the PRC, particularly Henan province. The PRC fuel cell vehicle market is still at its early stage of development. While the PRC government has adopted favourable policies and development plans such as Notice on Conducting Demonstration Applications of Fuel Cell Vehicles (《關於開展燃料電池汽車示範應用的通知》) and Medium and Long-Term Development Plan for Hydrogen Energy Industry in Henan Province (2022-2035) (《河南省氫能產業發展中長期規劃(2022-2035年)》), including granting subsidies and other economic incentives, to encourage the development, sale and adoption of new energy vehicles, including fuel cell vehicles, the favourable policies and development plans may change from time to time beyond our control. Any reduction or cancellation of the favourable government policies such as subsidies and economic incentives due to policy changes, fiscal tightening or otherwise, or any government guidance that reduces the demand for fuel cell vehicles could in turn adversely affect the development of our hydrogen business. As a result, there may be a material and adverse effect on our business, financial condition and results of operations.

The production and sale of new products may subject us to potential risks, such as potential difficulties in operating in a new industry with new competition or different operational requirements, regulatory schemes and trade controls with which we may not be familiar and which may require us to obtain new governmental or regulatory consents or approvals. There can be no assurance that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to successful achievement of our objectives.

In addition, if we fail to develop and maintain management, operational and administrative systems, resources and supporting infrastructure sufficient to keep pace with our planned growth, we may experience difficulties in managing our growth and our business, financial condition and results of operations could be materially and adversely affected. For example, we may encounter difficulties in producing or selling our new products or in constructing our production or operational facilities for new products as a result of delay in obtaining necessary approvals from governmental authorities, budget overruns, shortage of necessary equipment components, shortage of labour, increase in costs or unexpected extreme weather condition. Furthermore, there is no assurance that we will be able to secure a stable supply of power or water at favourable terms, or at all, to sustain our future expansion. Any delay or interruption in the schedule for our production and sale may impact our ability to meet customer orders. This could result in a loss of existing and potential new customers who, under such circumstances, may seek to source products from our competitors.

Furthermore, we may seek to expand our business through investment, joint ventures, partnership and/or cooperation. The success of our investment, joint ventures, partnerships and cooperation depends on the availability of, and competition for, suitable targets and on our financial resources, including available cash and borrowing capacity, and the business performance and financial condition of the targets. Moreover, future investment, joint ventures, partnerships and cooperation may expose us to potential risks, including the diversion of management attention and resources from our existing business and the inability to generate sufficient revenue to offset the costs and expenses. Investment, joint ventures, partnerships and cooperation may also result in an increased leverage, sharing of potential legal liabilities in respect of the target businesses, and incurrence of impairment charges related to goodwill and other intangible assets. As a result, we cannot assure you that we will be able to achieve the purpose of any investment, joint venture, partnership or cooperation, the desired level of control in management decisions made by the targets or our investment return target. If we are unable to implement our strategies effectively, our business, financial condition and results of operations may be materially and adversely affected.

We recorded net current liabilities as at 31 December 2020, 2021 and 30 June 2023 and we may not generate sufficient cash flow in the future to finance our operations or satisfy our current liabilities.

We recorded net current liabilities of RMB123.2 million and RMB63.6 million as at 31 December 2020 and 2021, respectively. These net current liabilities were primarily attributable to amounts due to Jinma Energy, which have been fully paid as at 31 December 2022. As at 31 December 2022 and 30 June 2023, we had net current assets of RMB92.6 million and net current liabilities of RMB92.6 million, respectively. The net current liabilities as at 30 June 2023 was primarily due to the (i) increase in trade and other payables; (ii) increase in current portion of bank borrowings; and (iii) decrease in restricted bank balances, partially offset by the increase in bills receivables at FVTOCI as at 30 June 2023. For details, see “Financial Information – Net Current (Liabilities)/Assets” in this prospectus.

We cannot assure you that we will not have net current liabilities in the future, which would expose us to liquidity risk. There could be no assurance that we will be able to obtain the necessary funding to refinance our borrowings upon maturity or to obtain new borrowings to finance our operations or capital commitments. If we incur net current liabilities in the future or if we encounter any liquidity issues in the future, our ability to make necessary capital expenditure or develop business opportunities may be restricted, and our business, operating results and financial condition could be materially and adversely affected.

Our production and sale of new products may subject us to market risks.

Since our establishment, we have extended our production chain and strived to enrich our product portfolio. The production and sale of new products may subject us to market risks, including potential difficulties in operating in a new industry or different operational requirements, regulatory schemes and trade controls, with which we may not be familiar and which may require us to obtain and comply with new governmental or regulatory consents or approvals. Our production and sale of new products may not be successful, which may materially and adversely affect our business, results of operations and financial condition.

We cannot assure you that there will be no change to or termination of any favourable policies and regulations in the future.

The PRC government has from time to time implemented favourable policies and regulations which are applicable to our business. For details on the relevant regulations and policies, see "Business – Future Plans for Hydrogen Business – Favourable government policies" and "Industry Overview" in this prospectus. We cannot assure you that there will be no change to or termination of the favourable policies and regulations which benefit our energy business in the future, or that such policies and regulations that are favourable to us will continue to be in force. If we are unable to derive a similar level of benefit from favourable government policies and regulations in the future, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Any shortage of reliable and/or adequate transportation capacity and any material increase in transportation costs could materially and adversely affect our business, financial condition and results of operations.

The raw materials of our hydrogenated benzene-based chemical products are mainly transported to us, and our hydrogenated benzene-based chemical products are mainly transported from our production facilities, by road, while certain of our energy products are transported from our operational facilities by road. There is no assurance that our transportation requirements will be fully satisfied in the future. Transportation services by road are subject to disruption from other causes, including storms and adverse weather and natural disasters. Disruptions in the transportation systems we use for these or any other reasons could adversely affect our ability to receive raw materials and deliver products to our customers on a timely basis. In addition, any material increase in transportation costs could have a negative effect on our competitiveness, which may in turn materially and adversely affect our business, financial condition and results of operations.

Moreover, in respect of the transportation of some of our raw materials (such as crude benzene) and products (such as hydrogenated benzene-based chemicals) by road, we rely on a number of third party transportation companies. There can be no assurance that sufficient transportation services will always be available to us at acceptable price or at all. Based on our contracts, the transportation companies are typically responsible for any accidents or other incidents arising in relation to the transport trucks or drivers, or any loss of, or damage to, the goods while being delivered. However, we cannot assure you that we will be able to recover our lost profits, or be compensated if there is any such loss.

Furthermore, if we sell our products to customers located further away from our production facilities, or if fuel prices were to increase, our transportation costs would likely to increase, and we may not be able to pass such increase to our customers or stay competitive on pricing. Transportation costs mainly affect our selling and distribution expenses. Any significant increase in our transportation costs could reduce our margins and profitability and could also have a negative effect on the competitiveness of our products, which may in turn materially and adversely affect our business, financial condition and results of operations.

Changes in the governmental policies and regulations on environmental protection could impact the demand for LNG.

Our LNG business has benefitted from a number of favourable policies and environmental initiatives of the PRC Government which encouraged the use of natural gas as a clean alternative. For example, the 14th Five-Year Development Plan for the Coking Industry (《焦化行業「十四五」發展規劃綱要》) which encouraged the development of coking natural gas. For more details, see "Favourable policies support coal coking natural gas development". However, in recent years renewable energy has developed rapidly and has been promoted along with LNG in the Action Plan for Carbon Dioxide Peaking Before 2030 the (《2030年前碳達峰行動方案》) issued by the State Council in 2021 and the Opinions on Improving Institutional Mechanisms and Policy Measures for Green and Low-Carbon Energy Transition (《關於完善能源綠色低碳轉型體制機制和政策措施的意見》) issued by the NDRC in 2022.

We cannot assure you that the demand for LNG will increase on a scale or at a rate estimated or at all. Furthermore, it is also possible that the PRC Government may implement further policies to promote the adoption of renewable energy, potentially rendering renewable energy as a more attractive option to end-users than LNG.

Failure to comply with environmental, chemical manufacturing and health and safety regulations applicable to us could harm our business.

We are heavily regulated by laws and regulations in the areas that we operate, including environmental regulations applicable to the benzene-based chemicals and energy products production and processing industries and laws regulating the production, storage, operation and usage of hazardous chemicals and the operation of businesses that involve gases and refined oils. We are also subject to laws and regulations relating to environmental protection and the occupational health of employees. For details, see "Regulatory Overview" in this prospectus. The production or processing of hydrogenated benzene-based chemicals and energy products as well as the operation of oil and gas stations and hydrogen gas station are inherently dangerous in nature. We cannot assure you that industrial accidents will not occur in our operations as well as any new operations that we may take on.

We are also required to obtain and comply with production and operation licences, permits and registration certificates for our hydrogenated benzene-based chemicals and energy products businesses and environmental permits for our operations. We may not be able to update such licences and permits in a timely manner when such applicable laws and regulations change, in which event, our licences or permits may be suspended or revoked, which may in turn materially and adversely affect our business, financial condition and results of operations.

Our concession for the operation of our coal gas business will expire or may be terminated before expiration and we may not be able to renew our existing concession or secure new concessions.

One of our energy products is coal gas which we operate under the concession agreement in the vicinity of Huancheng Road (環城路) and the residents of Du Village (杜村) in Chengliu town (承留鎮), Jiyuan city. For FY2020, FY2021, FY2022 and 1H2023, 22.2%, 17.8%, 14.2% and 15.5% of our revenue was generated from the sales of coal gas, respectively. The concession agreement is valid for 10 years until April 2033. For more details on the concession agreement, see "Business – Sales and Marketing" in this prospectus.

The concession agreement may be terminated before expiration under certain circumstances, the details of which are set out in "Business – Sales and Marketing – Sales Contracts" in this prospectus. We cannot assure you that the concession agreement will not be terminated before their expiration or we will be successful in renewing them with the local government of Jiyuan city at acceptable terms. If any of our concession agreement is terminated before expiration or we are not able to renew them for whatever reasons, our business, financial condition and operating results would be materially and adversely affected.

In addition, according to the concession agreement, the end-user price of our coal gas shall follow the benchmark rates approved by the pricing authorities in Jiyuan city. As advised by the PRC Legal Advisers, (i) such end-user price is subject to the Regulation on the Administration of Urban Gas (城鎮燃氣管理條例) promulgated by the State Council on 19 November 2010 and revised on 6 February 2016; and (ii) when determining the end-user price, the governmental pricing authorities would take into factors including the overall macro economy condition, ex-factory price of coal gas and pipeline transmission costs. See "Business - Sales and Marketing – Pricing policy – Coal gas" in this prospectus for more details. There is no guarantee that the extent of any increase in our selling price of coal gas can be on par with the increase in purchase price of crude coking coal gas. As a result, our gross profit margin from sale of coal gas decreased from 17.9% for FY2020 to 11.3% for FY2021. If the cost of crude coking coal gas increases and we fail to proportionally adjust the selling price of our coal gas to end-users in a timely manner, or at all, we may not be able to maintain our profitability and our results of operations and financial condition may be materially and adversely affected.

We require various licences and permits to commence, operate and expand our business operation. Any failure to obtain or renew any or all of these licences and permits or any enforcement action taken against us for non-compliance incident may material and adversely affect our business and expansion plans.

In accordance with the applicable PRC laws and regulations, we are required to obtain and maintain various licences and permits in order to commence and continue our operation. For more details, see "Business – Licences, Permits and Approvals" in this prospectus. Our operational facilities are subject to inspections by the regulatory authorities for compliance with the applicable PRC laws and regulations. Failure to pass these inspections, or the revocation of or failure to obtain or renew our licences and permits could cause us to temporarily or permanently suspend some or all of our operation facilities, which could disrupt our operations and may materially and adversely affect our business, financial condition, operating results and reputation.

During the Track Record Period, we had certain non-compliance incidents, including the (a) production of certain products beyond the permitted limit and (b) failure to obtain (i) certain permits and complete certain filings for the construction and (ii) certain permits for the operation of hydrogen gas station. See "Business – Regulatory Compliance" in this prospectus for further details. There is no assurance that we will not be subject to fines or penalties imposed by the relevant PRC governmental authorities as a result of the non-compliance incidents. If any of the above happens, we may incur additional costs on the rectification of non-compliance incidents and/or payment of fines and penalties imposed by the relevant PRC governmental authorities, which may in turn harm our corporate image and may have adverse effect on our business, results of operations and financial condition.

We are or may be subject to risks associated with cooperation with third parties.

We have entered into and may in the future enter into cooperation with third parties, including joint ventures or minority equity investments and cooperation, with various third parties. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counter-party, failure of our counter-party to comply with applicable laws and regulations and increased expenses in establishing cooperation with additional third parties, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

Failure to achieve sufficient utilisation of our facilities may adversely affect our earnings.

A number of factors may affect the utilisation of our facilities, including operating hours and efficiency of the facilities, and could lower the output of the facilities. For example, the utilisation hours and conversion efficiency of our hydrogenated benzene-based chemicals and energy products facilities would be adversely impacted by a shortage of or reduction in the quality of crude benzene or crude coking coal gas.

Utilisation could also be adversely affected by damage, overhauls or regulatory inspections, whether scheduled or ad hoc. The facilities we operate may not be able to achieve the forecasted utilisation of their capacity, which may adversely affect our business, results of operations, financial condition and prospects.

Our business operations are subject to significant operational and safety risks and other unforeseen risks that may not be fully covered by our insurance policies.

In the course of our operation, we store, handle and transport volatile, flammable and/or hazardous liquid and gaseous chemical products (such as pure benzene, toluene and xylene) that are susceptible to the risks of fire, explosion and other hazards during the manufacture, storage and transportation processes. Improper handling of these materials and products can cause serious pollution, fires, explosions, personal injuries and possible legal liabilities, or significant damages to our facilities and equipment and may cause interruptions to our business and operation and cause adverse publicity for us. We may face compensation claims from any parties, including but not limited to, our employees, customers or governments or other entities or individuals situated next to or adjacent to us. We are also exposed to environmental hazards during the production process. These risks may include risks of accidental spills of hazardous chemicals and gaseous chemical products, leaks or overflows or other unforeseeable circumstances. The occurrence of any of these risks and hazards could result in damage to environment or destruction of our production facilities.

Furthermore, there may be instances where we may have to pay out of our funds for financial and other losses, damages and liabilities caused by our operation and by other unforeseeable conditions such as accidents in the facilities operated by any of our neighbouring parties, weather, diseases, strikes, breakdowns of equipment, difficulties or delays in obtaining raw materials and equipment, natural disasters, terrorist incidents, industrial accidents or other situations. The occurrence of any of these aforesaid events may result in damages to our production facilities, thereby disrupting our operations and causing us to suffer substantial losses or incur significant liabilities. In addition, apart from product liability insurance, we also maintain property insurance and employee insurance for our business operations, whereas there are certain types of losses that are normally uninsurable in China, such as losses due to war and terrorism. There can be no assurance that our insurance coverage will be sufficient to cover all our losses in the future. Any business disruptions or natural disasters may result in substantial costs and diversion of resources and may materially and adversely affect our business, financial condition and results of operations.

We are exposed to counterparty risks in our contracts.

We have entered into a number of contractual arrangements including, but not limited to, sales contracts and framework agreements with our customers and purchase contracts with our suppliers. Our business, financial condition and results of operations are dependent on, among other things, the due performance of the obligations under these contracts by the relevant counterparties. We cannot assure you that these contracts and framework agreements will be duly performed by our counterparties, or at all. If our counterparties do not duly perform their obligations under the relevant contracts or the framework agreements, or at all, our business, financial condition and results of operations could be materially and adversely affected.

We are dependent on future cash flows generated from our business and additional financing to support our business operations and meet our capital expenditure requirements.

We have cash requirements both for ongoing operating expenses, working capital, general corporate purposes, for interest and principal payments on our outstanding indebtedness and for expansion of our business. As at 30 June 2023, we had cash and cash equivalents of RMB59.8 million and net current liabilities of RMB92.6 million, respectively. For details on changes in our cash flows, see "Financial Information – Liquidity and Capital Resources – Cash Flow" in this prospectus.

Our ability to generate adequate cash inflows from operating activities may be affected by decreasing sales or downward movements in our product prices. There can be no assurance that we will be able to generate sufficient net cash inflow from our operations in the future.

If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flows from operations. We cannot assure you that we will be able to raise adequate financing to fund our future capital requirements on acceptable terms, in time, or at all. External funding is subject to various factors, some of which are beyond our control, including:

- our future financial condition and credit rating;
- general market conditions for financing activities;
- our Share price; and
- the government policies and regulations relating to lending in general.

If we are unable to generate sufficient cash from our operations or secure additional financing, which may include commercial bank borrowings or the issuance of equity or debt securities, to meet our obligations, we may suffer from liquidity issue or may be forced to reduce our capital expenditures or may not be able to continue as a going concern. Reduction of our capital expenditures would make it more difficult for us to execute our strategy, including our expansion plans, in accordance with our expectations and could materially and adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations could be materially and adversely affected by our indebtedness and we are exposed to fluctuations in interest rates.

We are subject to a certain degree of financial leverage. We have been and are expected to continue to rely on the borrowings to fund certain portion of our capital requirements. As at 30 June 2023, we had a total outstanding debt of RMB241.7 million. For FY2020, FY2021, FY2022 and 1H2023, our gearing ratio (defined as total interest-borrowing bank and lease liabilities divided by total equity) was 16.3%, 9.2%, 23.0% and 36.1%, respectively. Our ability to repay the principal and pay the interest on our debt depends substantially on our operating performance, which in turn depends on the general conditions of the Chinese economy and the economic conditions of the particular market segments we serve, many of which are beyond our control. We may be forced to sell assets, seek additional capital or seek to restructure or refinance our indebtedness, which may not be successful or provide sufficient remedial measures. We may face substantial financial and operational risks if our business environment or the relevant interest or exchange rates change, or if our cash flows and capital resources are insufficient to fund our debt service obligations. Failure to service our debt could result in the imposition of penalties, including increases in interest rates that we pay on our debt and legal actions against us by our creditors, or even bankruptcy.

Due to our reliance on the borrowings, we are exposed to interest rate risk resulting from fluctuations in interest rates. As at 30 June 2023, we had fixed-rate borrowings in the amount of RMB50.0 million. We do not currently hedge any of our interest rate risk. Increases in interest rates would increase interest expenses relating to our outstanding floating rate borrowings and increase the cost of new debt including rolled over short term loans. A significant increase in prevailing interest rates could substantially increase our finance costs, which could materially and adversely affect our business, financial condition and results of operations.

Moreover, we may incur additional debt to fund our planned capital expenditures and future projects. The level of our indebtedness could have important consequences to our Shareholders, including, but not limited to: (i) limiting our ability to pay dividends and satisfy our debt obligations; (ii) increasing our exposure to general adverse economic and industry conditions; (iii) limiting our ability to obtain additional financing to fund future capital expenditures, working capital or other business development and expansion projects; (iv) requiring us to set aside a substantial portion of cash flow from our operations for the repayment of the principal of, and the interest on, our indebtedness, thereby reducing the availability of cash flow to fund capital expenditures, working capital or other business development expansion projects; and (v) limiting our ability to plan for, or react to, changes in our business. These consequences could materially and adversely affect our business, financial condition and results of operations.

We are exposed to the risk of inventory.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, we had RMB48.8 million, RMB67.4 million, RMB65.7 million and RMB53.7 million of inventories, respectively, accounting for 16.5%, 21.3%, 18.6% and 15.5% of our total current assets as at the same dates, respectively. Our average inventory turnover days were recorded at approximately 17 days, 16 days, 12 days and 11 days for FY2020, FY2021, FY2022 and 1H2023, respectively. When prices of our products decrease, the market value of our inventories will decrease. When the carrying value of the inventories is greater than their recoverable value, we will mark our inventory to market value at the end of period, which we would record as an impairment loss.

If we fail to manage our inventory level efficiently or if we encounter any unanticipated decrease in demand for our products in the future, we may be subject to a decline in inventory values or significant inventory write-downs or write-offs. The occurrence of any of the above may materially and adversely affect our financial condition and results of operations.

We are exposed to credit risk for trade receivables and other receivables.

During the Track Record Period, our trade receivables represent receivables from the sale of our products. As at 31 December 2020, 2021, 2022 and 30 June 2023, we had trade receivables of RMB21.4 million, RMB11.9 million, RMB13.8 million and RMB16.6 million, respectively. Our trading terms with our customers are generally prepayment, payment on delivery and on credit. As at 31 December 2020, 2021, 2022 and 30 June 2023, we had other receivables of RMB0.5 million, RMB0.1 million, RMB0.2 million and RMB0.2 million, respectively.

The measurement of impairment depends on whether there has been a significant increase in credit risk since initial recognition. For more details, see "Financial Information – Description of Certain Items of Combined Statements of Financial Position – Trade Receivables" in this prospectus. We did not have impairment loss under the expected credit losses model during the Track Record Period. Reversal of impairment loss under expected credit losses model was RMB29,000, nil, nil and nil in FY2020, FY2021, FY2022 and 1H2023, respectively.

Although our management's estimation and the related assumptions have been made in accordance with information available to us, such estimates or assumptions are subject to further adjustment if new information becomes known. We cannot assure you that our customers will pay us in full for their purchases in a timely manner. If we fail to receive such outstanding amounts from our customers in full or in a timely manner, or at all, our liquidity might be adversely affected, and our business and financial condition will be materially and adversely affected.

We are also exposed to fair value change for bills receivables classified as financial assets at fair value through other comprehensive income.

Our bills receivables represent receivables evidenced by bills issued by licensed banks registered in the PRC. These were classified as financial assets at fair value through other comprehensive income. As at 31 December 2020, 2021 and 2022 and as at 30 June 2023, our bills receivables were RMB108.5 million, RMB120.4 million, RMB84.9 million and RMB119.1 million, respectively.

We estimated the fair value of bank acceptance bills by using a discounted cash flow valuation model and future cash flows are estimated based on discount rate observed in the market. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss. Such treatment of gain or loss may cause significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations.

We may recognise impairment losses for goodwill recorded in connection with our acquisitions and our other intangible assets.

Our goodwill increased from RMB8.9 million as at 31 December 2020 to RMB10.7 million as at 31 December 2021 and remained at RMB10.7 million as at 31 December 2022 and 30 June 2023. Our goodwill mainly arose from our acquisition activities.

We generally test goodwill for impairment annually. Impairment losses are recognised when the carrying amount of an asset exceeds its estimated recoverable amount. In making impairment assessments, estimated future cash flows are discounted to their present value using a suitable discount rate. Changes in the assumptions made with respect to estimated future cash flows may lower the estimated recoverable amount of an asset in comparison to its carrying amount. However, our ability to generate cash flow from our acquired assets will depend on our ability to realise the intended objectives, potential benefits or other revenue-enhancing opportunities that motivated our acquisitions, such as the acquisitions of Jinning Energy and the oil stations, as well as our ability to effectively integrate their business operations with our own. In the event that we are unsuccessful in achieving the aforementioned, we may have to record impairment losses to our goodwill. This may in turn result in an adverse effect on our financial position and results of operations.

In addition, as at 31 December 2020, 2021 and 2022 and 30 June 2023, we recognised other intangible assets of RMB54.9 million, RMB45.3 million, RMB29.0 million and RMB23.8 million, respectively, which were mainly related to the concession right on sales of coal gas and the operating license of refined oil. Our intangible assets have finite useful lives. We review the carrying amounts of our intangible assets annually to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss. Where we fail to achieve our desired objectives with respect to our acquisitions or if any circumstances arise that decreases the expected cash flows from acquired assets, the fair value can be lower than the carrying amount on our consolidated financial statements. Under such circumstances, we may need to record impairment losses on our intangible assets (other than goodwill) in our consolidated financial statements, which may materially and adversely reduce our assets and impact our profitability that would, in turn, have an adverse effect on our financial position and results of operations.

Any future fluctuations in our share of profit of joint venture may affect our overall financial performance, and there are liquidity risks associated with our investment in joint venture.

During the Track Record Period, as Jinjiang Refinery was held as to 49% by Jinma Energy, therefore we did not have any carrying amount of investment in Jinjiang Refinery.

Upon the completion of the transfer of 49% equity interest in Jinjiang Refinery from Jinma Energy to Jinma Qingneng on 31 July 2023, the carrying amount of investment in Jinjiang Refinery was RMB87.8 million. On 17 August 2023, Jinma Qingneng became a wholly-owned subsidiary of our Company and therefore going forward, Jinjiang Refinery would be accounted for as a joint venture of our Group and we will share its profit and loss. However, we only have joint control over its decisions on activities that require unanimous consent of its shareholders. We have no control over its financial and operating policy decisions.

Since we have limited control over the operations and financial activities of Jinjiang Refinery, it may, among others, take actions to pursue economic or business interests or goals inconsistent with or contrary to ours or have disputes with us as to the scope of its responsibilities and obligations. In addition, we cannot assure that it has been, or will be in compliance with all applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to our joint venture, which may have an adverse effect on our business, results of operations and financial condition after the Reorganisation.

Following the acquisition of Jinjiang Refinery, we will be entitled to receive dividends declared and distributed by Jinjiang Refinery. If the performance of Jinjiang Refinery deteriorates, the dividend we receive may decrease or we may be required to make additional capital injection to fund for our share of the loss and hence reduce the funds available to our Group as working capital, capital expenditure, acquisitions, dividends and other general corporate purposes, which could have a material impact on our Group's cash flows, results of operations and financial position.

Failure to protect our leasehold interests and comply with the relevant regulations regarding the registration of our lease agreements may adversely impact our business operations.

As at the Latest Practicable Date, we leased five parcels of land with a site area of approximately 35,685.3 sq.m. and we entered into three leasing arrangements for our leased properties (including buildings and units) with a gross floor area of approximately 1,974.9

sq.m.. As at the Latest Practicable Date, we failed to register two of our lease agreements with the competent authorities in the PRC (with a gross floor area of approximately 1,552.2 sq.m.). For more details, see "Business – Properties" in this prospectus.

If any of our leases are terminated, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial position, results of operations and growth prospects. As advised by our PRC Legal Advisers, since the non-registration of leasing agreements by the lessor and us does not affect the validity of such leasing agreements, our use of these leased properties would not be affected by such non-registration. However, we and the lessor might be notified by the competent authorities to register the lease agreements, and if we and the lessor fail to register such lease agreements within the prescribed time period, we may be imposed a penalty ranging from RMB1,000 to RMB10,000 per lease as a result of such non-registration. As at the Latest Practicable Date, we had not received any rectification orders or been subject to any fines in respect of the non-registration of our lease agreements.

Our historical results may not be indicative of our future growth rate, revenue and profit margin.

We experienced significant growth during the Track Record Period. Our revenue increased from RMB1,079.2 million in FY2020 to RMB1,479.6 million in FY2021 and further increased to RMB2,254.5 million in FY2022. Our revenue remained stable from RMB1,079.0 million in 1H2022 to RMB1,076.0 million in 1H2023. Our net profit increased from RMB44.6 million in FY2020 to RMB79.5 million in FY2021 and further increased to RMB194.1 million in FY2022. Our net profit decreased from RMB116.7 million in 1H2022 to RMB65.7 million in 1H2023.

While our business has grown in the past, we cannot assure you that we will be able to sustain our historical growth rate for various reasons, including uncertainty of our continuous launch of new products, intensified competition within the hydrogenated benzene-based chemical manufacturing industry and energy production industry in China and unforeseen changes in the PRC laws and policies which may have an impact on our businesses. The development of our future plans for hydrogen business is also uncertain and currently immature. Our revenue, expenses and operating results may vary from period to period due to factors beyond our control. We cannot assure you that our future revenue will increase or that we will continue to be profitable. Accordingly, investors should not rely on our historical results as an indication of our future financial or operating performance.

In addition, our anticipated expansion and investment in new products may place a significant strain on our managerial, operational, financial and human resources. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. We cannot assure you that we will be able to effectively manage our growth or implement all such systems, procedures and control measures successfully. If we are not able to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

If the preferential tax treatments and government subsidies granted or to be granted by the PRC government become unavailable, our results of operation and financial condition may be adversely affected.

Pursuant to the relevant tax rules and regulation in the PRC, 10% revenue from comprehensive utilisation of resources (資源綜合利用) is exempted from EIT. In FY2020, FY2021, FY2022, 1H2022 and 1H2023, our Group had tax deduction under the scheme of RMB4.3 million, RMB0.4 million, RMB10.9 million, RMB4.8 million and RMB4.1 million, respectively. We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be cancelled. Moreover, we cannot assure you that our PRC subsidiaries will be able to renew the same preferential tax treatments upon expiration.

During the Track Record, we received government grant representing various amounts we received from local government from time to time, including those in relation to the recognition and encouragement of advanced enterprises and implementation of desulphurisation and denitrification facilities and grants for the development of advanced manufacturing. We also received government subsidies from the local government in relation to the construction and installation of certain plants and equipment. Such amounts have been deferred and recognised as release of assets-related government subsidies in our other income on a systematic basis over the useful life of the relevant assets. Going forward, in relation to our future plans for hydrogen business as disclosed in "Business – Future Plans for Hydrogen Business" in this prospectus, we may apply for relevant government subsidies.

We cannot assure you that we will be able to receive the above preferential tax treatments and government subsidies in the future. If any such change, cancellation or discontinuation of preferential tax treatments and government subsidies occurs, our results of operations and financial condition may be adversely affected.

We may not be able to retain or secure key qualified personnel, key senior management or other personnel for our operations.

We believe that the effectiveness of our operation depends, to a significant extent, on the expertise, experience and continued services of our key management personnel, including our Directors, key senior executives, managers, engineers, manufacturing, support and other personnel, as well as our ability to continue to attract, retain and motivate such personnel. For details, see "Directors, Supervisors and Senior Management" in this prospectus. The loss in the services of any key management personnel without adequate and timely replacement could limit our competitiveness, interrupt our production processes, affect our manufacturing quality and cause customer dissatisfaction, all of which could reduce our profitability.

Any labour shortages, increased labour costs or other factors affecting labour supply for our production could adversely affect our business, financial condition, results of operations and prospects.

Our performance relies on the steady supply of skilled labour to a certain extent. Our direct labour costs accounted 0.9%, 1.1%, 1.0% and 1.1% of our total cost of sales for FY2020, FY2021, FY2022 and 1H2023, respectively. We cannot assure you that our supply of skilled workers would not be disrupted or that our labour costs would not increase. If we fail to retain our existing workers and/or recruit sufficient workers in a timely manner, we might not be able to accommodate sudden increases in demand for our products or execute our expansion plans.

Labour costs are primarily affected by the demand for and supply of labour, applicable laws and regulations and other economic factors such as the rate of inflation and standard of living. Labour costs may increase due to a shortage of skilled labour or growing industry demands for skilled workers. Failure to identify and recruit replacement workers immediately following an unexpected loss of skilled workers could reduce our competitiveness and have an adverse effect on our business and operations.

In addition, we expect continued increases in labour costs and minimum wage requirements in PRC. Such increase in minimum wage requirements may indirectly result in further increases to our labour costs. In these circumstances, we might not be able to increase the prices of our products to customers correspondingly. If we fail to pass on all or part of these increased labour costs to our customers, our business, financial condition, results of operations and prospects could be adversely affected.

We may not be able to adapt to constantly changing technologies.

Our success and competitiveness depend on our ability to adapt to constantly changing technologies. Suitable technologies are critical for ensuring safety, efficiency and minimising environmental impact. These technologies may evolve, and we may not be able to keep up with changes in technology in a timely manner or at reasonable costs.

Changes in governmental regulations and industry standards may impose more stringent performance or environmental requirements with respect to operating efficiency, emissions and discharges. These changes may require us to adopt new technologies, perform equipment upgrades or improve our existing technologies. These changes could also require substantial investments and increase our operating and research and development costs.

We may adopt advanced technologies, including mature technologies available in China and overseas. If we fail to adapt to constantly changing technologies, we may not be able to maintain or improve our competitive position, which could materially and adversely affect our business, results of operations, financial condition and prospects.

We may need to defend ourselves against intellectual property rights infringement claims, which may be time-consuming and may cause us to incur substantial costs.

Companies, organisations or individuals, including our competitors, may hold or obtain patents, trademarks or other proprietary rights that would prevent, limit or interfere with our ability to make, use, develop, sell or market our products, which could make it more difficult for us to operate our business. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights or urge us to purchase licences from them. In the event of a successful claim of infringement against us and our failure or inability to obtain a licence to the infringed technology or other intellectual property right, our business, prospects, operating results and financial condition could be materially and adversely affected. In addition, any litigation or claims, whether or not with merit, could result in substantial costs, negative publicity and diversion of resources and management attention.

We may not be able to prevent others from unauthorised use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, brand name, patents, proprietary technologies, know-how and processes and similar intellectual property as critical as our success. We rely on trademark and patent law to protect our proprietary rights. Failure to maintain or protect these rights could harm our business. In addition, any unauthorised use of our intellectual property by third parties may adversely affect our current and future revenues and our reputation.

We cannot assure you that any steps to be taken by us to protect our intellectual property rights in the future will be successful. Furthermore, policing unauthorised use of proprietary technology is difficult and expensive. We rely on patent, copyright, trademark and trade secret laws to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe our intellectual property rights. Monitoring unauthorised use of our intellectual property is difficult and costly, and we cannot assure you that the steps we have taken or will take will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

We may be involved in legal proceedings and commercial or contractual disputes, which could have a material adverse effect on our business, results of operations and financial condition.

We may be involved in legal proceedings and commercial or contractual disputes in the ordinary course of our business. We cannot assure you that we will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to enquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgement, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may have a material adverse effect on our reputation and our financial condition, results of operations and prospects.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, and non-compliance with such laws could adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws and regulations. The anti-corruption laws and regulations strictly prohibit bribery of government officials. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation.

We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. These interactions subject us to an increased level of compliance-related concerns. We have formulated internal policies and implemented measures with regards to the prevention and control, monitoring and response procedure as well as the establishment of risk prevention mechanism to ensure the compliance with the applicable anti-corruption, anti-bribery and anti-money laundering related laws and regulations. However, our policies and procedures may not be sufficient and our Directors, officers, employees, representatives, consultants, agents and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions laws could subject to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation. In addition, changes in economic sanction laws in the future could adversely impact our business and investments in our shares.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future could materially and adversely affect our business, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. These regions may be under the threat of typhoons, tornados, snow storms, earthquakes, floods, droughts, power shortages or failures, or are susceptible to epidemics, such as COVID-19, Severe Acute Respiratory Syndrome, avian influenza, H1N1 influenza, H5N1 influenza, H7N9 influenza, Middle East respiratory syndrome, potential wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could materially and adversely affect our operations. Acts of war or terrorism, riots or disturbances may also injure or cause deaths to our employees, and disrupt our business network and operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely affect our business, financial condition and results of operations.

Our property valuation may be different from the actual realisable value and may be uncertain or subject to change.

The property valuation report set out in Appendix III to this prospectus on the appraised value of our properties is based on a number of assumptions which are subjective and uncertain. Assumptions used by JLL in the valuation report include (among other things) that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

Some assumptions used by JLL to arrive at the appraised value of the property may be inaccurate. Therefore, our property valuation should not be treated as actual realisable value or a forecast of realisable value. Unforeseeable changes in our properties and national or local economic conditions may affect the value of such properties. Over-reliance on the relevant value of such properties appraised by JLL is not advisable.

Payment of dividends is subject to restrictions under PRC laws.

Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Dividends payable by us to our foreign investors and gains on the sale of our H Shares may be subject to withholding taxes under the PRC tax laws.

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realised upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations. Non-PRC domestic resident individuals are required to pay PRC individual income tax under the Individual Income Tax Law of the PRC* (中華人民共和國個人所得稅法) with respect to their Chinese-sourced income. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdictions in which the non-PRC residents reside reduce or provide an exemption for the relevant tax obligations. Generally, a Hong Kong-listed domestic enterprise may withhold individual income tax at the rate of 10% when distributing dividends to non-PRC resident individual shareholders. If an applicable tax treaty provides that the applicable tax rate is lower than 10%, a non-PRC resident individual shareholder may be entitled to claim a refund from the PRC tax authorities. If an applicable tax treaty provides that the tax rate is between 10% and 20%, it is possible that we may be required to pay the withholding tax at a tax rate under an applicable treaty. In the absence of any applicable tax treaty, non-PRC resident individual shareholders may be required to pay the withholding tax at the tax rate of 20%.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company pursuant to the EIT Law and other applicable PRC tax rules and regulations. The 10% tax rate is subject to reduction under special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise resides.

Considering the above, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realised through sales or transfers by other means of the H Shares.

RISKS RELATING TO THE GLOBAL OFFERING

There is no existing public market for our H Shares. An active trading market for our H Shares may not develop, especially taking into account that all our cornerstone investors are subjected to a lock-up period, and the liquidity and market price of our H Shares may fluctuate.

Prior to the Global Offering, there has not been a public market for our H Shares. We have applied for the listing of and dealing in our H Shares on the Stock Exchange. However, even if approved, we cannot assure you that an active and liquid public trading market for our H Shares will develop following the Global Offering, or, if it does develop, it will be sustained. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our H Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our H Shares will not fluctuate.

In particular, certain portion of the H Shares to be issued will be subject to a lock-up period from the Listing Date, which may significantly affect the liquidity and trade volume of our H Shares in the short term following the Global Offering. A listing on the Stock Exchange does not guarantee that an active and liquid trading market for our H Shares will develop, especially during the period when certain portion of our H Shares are subjected to lock-up, or if it does develop, that it will sustain following the Global Offering, or that market price of the H Shares will rise following the Global Offering.

The Offer Price Range for our H Shares was the result of, and the Offer Price will be the result of, negotiations among us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and may not be indicative of prices that will prevail in the trading market after the Global Offering. Therefore, our Shareholders may not be able to sell their H Shares at prices equal to or greater than the price paid for their H Shares purchased in the Global Offering.

Since there will be a gap of several days between pricing and trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall during the period before trading of the Offer Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be two Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in H Shares during that period. Accordingly, holders of H Shares are subject to the risk that the price of their H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Our Controlling Shareholder may exert substantial influence over our operation and may not act in the best interests of our public Shareholders.

Immediately following the Global Offering, Jinma Energy, our Controlling Shareholder will own directly or indirectly 75% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option. Therefore, it will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of the Group that would otherwise benefit our Shareholders. The interests of Jinma Energy may not always align with our Company or your best interests. If the interests of Jinma Energy conflict with the interests of our Company or our other Shareholders, or if Jinma Energy chooses to cause our business to pursue objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

Future sales or issuances or perceived sales or issuances of our Shares or conversion of our Unlisted Shares into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital.

The market price of our H Shares could decline as a result of future sales or issuances of a substantial number of our H Shares or other securities in the public market, or the perception that such sales or issuances may occur. Moreover, such future sales or issuances or perceived sales or issuances may also adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a favourable time and price.

Our Unlisted Shares can be converted into H Shares, provided that such conversion and the trading of H Shares so converted have been duly completed pursuant to our requisite internal approval process and have filed with the relevant PRC regulatory authorities. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council, as well as the regulations, requirements and procedures of the Stock Exchange. If a significant number of our Unlisted Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could materially and adversely affect the prevailing market price of our H Shares.

There can be no assurance if and when we will pay dividends in the future.

Distribution of dividends shall be formulated by our Board and will be subject to Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, market conditions, our plans and prospects for business development, contractual limits and obligations, profitability of our operating subsidiaries, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. See "Financial Information – Dividends" for further details.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry and the Global Offering.

There has been, prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media, and/or research analyst coverage regarding us, our business, our industry and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our H Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the H Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus.

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Sole Overall Coordinator, Sole Sponsor, the Underwriters, the Capital Market Intermediaries or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute partially exempt or non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see the section headed "Continuing Connected Transactions" in this prospectus.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Main Board of the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. However, Rule 19A.15 of the Listing Rules provides that the requirement under Rule 8.12 of the Listing Rules may be waived by the Stock Exchange at its discretion.

Since our principal business operations and production facilities are primarily located, managed and conducted in the PRC, our senior management members are and will therefore continue to be based in the PRC. At present, save for Mr. Yiu Chiu Fai (a non-executive Director), Ms. Wong Yan Ki, Angel (an independent non-executive Director) and Ms. Leung Sin Yeng Winnie (an independent non-executive Director), all the other Directors are not based in Hong Kong. We consider that the appointment of two executive Directors to reside in Hong Kong or the relocation of our executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules would not only increase our administrative expenses, but would also reduce the effectiveness and responsiveness of the decision making process of the Board, especially when business decisions are required to be made within a short period of time. Our Company does not and will not in the foreseeable future have two executive Directors residing in Hong Kong.

In light of the above, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirement of Rules 8.12 and 19A.15 of the Listing Rules, subject to the conditions that, among others, we put in place the following arrangements to maintain effective communication between us and the Stock Exchange:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. We have appointed Ms. Lee Kwan Ying Adrienne (our company secretary), who ordinarily resides in Hong Kong, and Mr. Wang Zengguang (our executive Director), as our two authorised representatives for such purpose. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or email. Each of the authorised representatives is authorised to communicate on our behalf with the Stock Exchange;

(b) both of our authorised representatives will have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters;

(c) we shall promptly inform the Stock Exchange of any changes to our authorised representatives;

(d) we have appointed a compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Listing Rules who will also act as our channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules;

(e) all Directors (including the independent non-executive Directors) who are not ordinarily resident in Hong Kong have confirmed that they will apply for valid travel documents to visit Hong Kong prior to the Listing and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required; and

(f) we have provided the Stock Exchange with the contact details of each Director (including, where available, their respective mobile phone number, office phone number and e-mail address).

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this prospectus or any statement herein misleading.

REGISTRATION WITH THE CSRC

Our filing application made pursuant to the Trial Measures for Overseas Listing was accepted by the CSRC on 5 September 2023, and the CSRC issued the notification of completion of the filing procedures on 20 October 2023 in connection with the Global Offering and the submission of the application to list our H Shares on the Stock Exchange in accordance with the Trial Measures for Overseas Listing. In completing such filing procedures, the CSRC accepts no responsibility for the financial soundness of the Company, nor for the accuracy of any of the statements made or opinions expressed in this prospectus.

THE GLOBAL OFFERING AND THE PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offer and the Preferential Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus contains the terms and conditions of the Hong Kong Public Offer. See "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus for details of the procedures for applying for the Hong Kong Offer Shares. The Global Offering comprises the Hong Kong Public Offer of initially 23,892,000 Offer Shares and the International Placing of initially 215,018,000 Offer Shares, including 13,386,000 Reserved Shares under the Preferential Offering (subject to, in each case, reallocation on the basis as set out in the section headed "Structure of the Global Offering") and, in case of the International Placing, any exercise of the Over-allotment Option.

The Hong Kong Offer Shares and Reserved Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our H Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as at any subsequent time.

STRUCTURE OF THE GLOBAL OFFERING AND UNDERWRITING

See "Structure and Conditions of the Global Offering" in this prospectus for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Overall Coordinator and the Joint Global Coordinators. If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. See "Underwriting" in this prospectus for details of the Underwriters and the underwriting arrangements.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option). Dealings in the H Shares on the Stock Exchange are expected to commence on Wednesday, 20 December 2023.

No part of our share capital or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our H Shares on the Stock Exchange and we complying with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All necessary arrangements have been made for the H Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC operational procedures in effect from time to time. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

H SHARE REGISTER AND STAMP DUTY

All H Shares issued by us pursuant to applications made in the Hong Kong Public Offer will be registered on our H share register to be maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered on our H share register in Hong Kong will be subject to Hong Kong stamp duty. See "Taxation and Foreign Exchange" in Appendix IV to this prospectus for further details.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the H Shares. None of us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint

Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the H Shares.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us, for ourselves and for the benefit of each Shareholder, and we agree with each Shareholder, to observe and comply with the Company Law and the Articles of Association;

(ii) agrees with us, for ourselves and for the benefit of each Shareholder and each of our Directors, Supervisors, managers and other senior officers, and we, acting for ourselves and on behalf of each Shareholder and each of our Directors, Supervisors, managers and senior officers, agree with each Shareholder to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and that the arbitration tribunal may conduct hearings in open sessions and to publish its award, which shall be final and conclusive. See "Summary of Articles of Association" in Appendix VI to this prospectus for further details;

(iii) agrees with us, for ourselves and for the benefit of each Shareholder that the H Shares are freely transferable by their holders; and

(iv) authorises us to enter into a contract on his behalf with each of our Directors and officers whereby each such Director and officer undertakes to observe and comply with his obligations to our Shareholders as stipulated in the Articles of Association.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain currencies at a specified rate. Unless we indicate otherwise, (i) translations of Hong Kong dollars into RMB and vice versa have been made at the rate of HK$1.00 to RMB0.91991; and (ii) translations of U.S. dollars into Hong Kong dollars and vice versa have been made at the rate of US$1.00 to HK$7.8275 in this prospectus.

No representation is made that any amount in RMB, Hong Kong dollars or U.S. dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

See "Taxation and Foreign Exchange" in Appendix IV to this prospectus for further details on exchange rates.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Wang Zengguang (王增光)	East Unit, 3/F Building 4 Jinqiu Garden Jiyuan City Henan Province PRC	Chinese
Mr. Qiao Erwei (喬二偉)	802, Unit 2, 10# Banshan Chunjing Jiyuan City Henan Province PRC	Chinese
Non-executive Directors		
Mr. Yiu Chiu Fai (饒朝暉)	House 18 Villa Rosa 88 Red Hill Road Tai Tam Hong Kong	Chinese
Mr. Wang Kaibao (汪開保)	No. 406, Building 38 Kangtaijiayuan Yushan District, Maanshan City Anhui Province PRC	Chinese
Mr. Wang Lijie (王利杰)	Room 1102, Building 2# Hongshu Bieyuan Community Nanshan District Shenzhen City PRC	Chinese
Independent non-executive Directors		
Ms. Wong Yan Ki, Angel (黃欣琪)	28/F, Flat H, Tower 7 Century Gateway No. 83 Tuen Mun Heung Sze Wui Road Tuen Mun, New Territories Hong Kong	Chinese

Mr. Di Zhigang (邸志崗)	Room 1305 No. 6, Lane 1188, Yunping Road Jiading District Shanghai City PRC	Chinese
Ms. Leung Sin Yeng Winnie (梁善盈)	A2, 11 Pollock's Path The Peak Hong Kong	Chinese

SUPERVISORS

Name	**Address**	**Nationality**
Mr. Wong Tsz Leung (黃梓良)	Flat F, 8/F, Block 1 Chatham Gate 388 Chatham Road Hung Hom, Kowloon Hong Kong	Chinese
Mr. Li Hebao (李合寶)	Room 1102, Unit 3, 2#/F Jinhui Garden, Tian Tan Jiyuan City Henan Province PRC	Chinese
Mr. Wu Zhiqiang (吳志强)	Unit 1-1001 Renxing Apartment Maanshan City Anhui Province PRC	Chinese

For further information regarding our Directors and Supervisors, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Party	Name and address
Sole Sponsor	**Haitong International Capital Limited** Suites 3001-3006 and 3015-3016 One International Finance Centre No. 1 Harbour View Street Central Hong Kong
Sole Sponsor-Overall Coordinator, Sole Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager	**Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager	**CCB International Capital Limited** 12/F, CCB Tower 3 Connaught Road Central, Central Hong Kong
Joint Bookrunners and Joint Lead Managers	**ABCI Capital Limited** (only as a Joint Bookrunner) 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	ABCI Securities Company Limited (only as a Joint Lead Manager) 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	Central China International Capital Limited Suites 1505-1508, Two Exchange Square 8 Connaught Place, Central Hong Kong
	China Everbright Securities (HK) Limited 33/F, Everbright Centre 108 Gloucester Road, Wan Chai Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road, Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road, Kowloon
Hong Kong

Maxa Capital Limited
Unit 1908, Harbour Center
25 Harbour Road, Wan Chai
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

UOB Kay Hian (Hong Kong) Limited
6/F, Harcourt House
39 Gloucester Road
Hong Kong

Co-lead Manager

Huaan Securities (Hong Kong) Brokerage Limited
8/F, Li Po Chun Chambers
189 Des Voeux Road Central, Sheung Wan
Hong Kong

Legal adviser to our Company	*As to Hong Kong law:* **Reed Smith Richards Butler LLP** 17th Floor, One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong *As to PRC law:* **Brightstone Lawyers** Suite 1406 North Tower Shanghai Stock Exchange Building 528 South Pudong Road Pudong New District Shanghai 200120 PRC
Legal adviser to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Deacons** 5th Floor Alexandra House 18 Chater Road Central Hong Kong *As to PRC law:* **Global Law Office** 15 & 20/F Tower 1, China Central Place No. 81 Jianguo Road Chaoyang District Beijing, 100025 PRC
Auditors and Reporting Accountants	**Deloitte Touche Tohmatsu** *Registered Public Interest Entity Auditor* *Certified Public Accountants* 35/F, One Pacific Place 88 Queensway Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504 Wheelock Square 1717 Nanjing West Road Shanghai 200040 PRC

Property valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7/F One Taikoo Place 979 King's Road Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Central, Hong Kong

Headquarters, registered office and principal place of business in the PRC	West First Ring Road South Jiyuan, Henan Province the PRC
Place of business and principal office in Hong Kong	17th Floor, One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong
Company website	**www.jyqhhg.com** *(the contents of this website do not form part of this prospectus)*
Company secretary	Ms. Lee Kwan Ying Adrienne *Solicitor of the High Court of Hong Kong* Unit 2801, 28/F 88 Hing Fat Street Causeway Bay Hong Kong
Authorised representatives	Mr. Wang Zengguang East Unit, 3/F Building 4 Jinqiu Garden Jiyuan City Henan Province PRC Ms. Lee Kwan Ying Adrienne Unit 2801, 28/F 88 Hing Fat Street Causeway Bay Hong Kong
Compliance adviser	**Haitong International Capital Limited** Suites 3001-3006 and 3015-3016 One International Finance Centre No. 1 Harbour View Street Central Hong Kong

Audit committee	Ms. Wong Yan Ki, Angel *(Chairman)* Mr. Wang Kaibao Mr. Di Zhigang
Remuneration and appraisal committee	Mr. Di Zhigang *(Chairman)* Mr. Yiu Chiu Fai Ms. Leung Sin Yeng Winnie
Nomination committee	Ms. Leung Sin Yeng Winnie *(Chairman)* Mr. Wang Zengguang Ms. Wong Yan Ki, Angel
Strategy committee	Mr. Wang Kaibao *(Chairman)* Mr. Wang Zengguang Mr. Wang Lijie
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	**Bank of China Limited Jiyuan Branch** No. 98 Central Road, Xin Garden Jiyuan, Henan Province PRC **Zhongyuan Bank Co., Ltd. Jiyuan Branch** No. 481 Middle Section of Huanghe Road Jiyuan, Henan Province PRC **Shanghai Pudong Development Bank Co., Ltd. Zhengzhou Zijingshan Sub-branch** Zijingshan Road Operations Department No. 72-1 Zijingshan Road Guancheng Huizu District Zhengzhou, Henan Province PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other independent sources, and from the independent industry report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, representatives, affiliates, employees, advisers or agents, or any other persons or parties involved in the Global Offering, and no representation is given as to the accuracy or completeness of such information and statistics.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on benzene-based chemicals and energy industries and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB450,000 to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements primarily include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables. The Frost & Sullivan Report is compiled based on the following assumptions: (i) the social, economic and political environment of the globe and mainland China is likely to remain stable in the forecast period; and (ii) related industry key drivers are likely to drive the market in the forecast period.

OVERVIEW OF REFINED CHEMICALS DERIVED FROM COAL CHEMICAL COKING INDUSTRY IN CHINA

Overview of the Coal Chemical Coking Industry

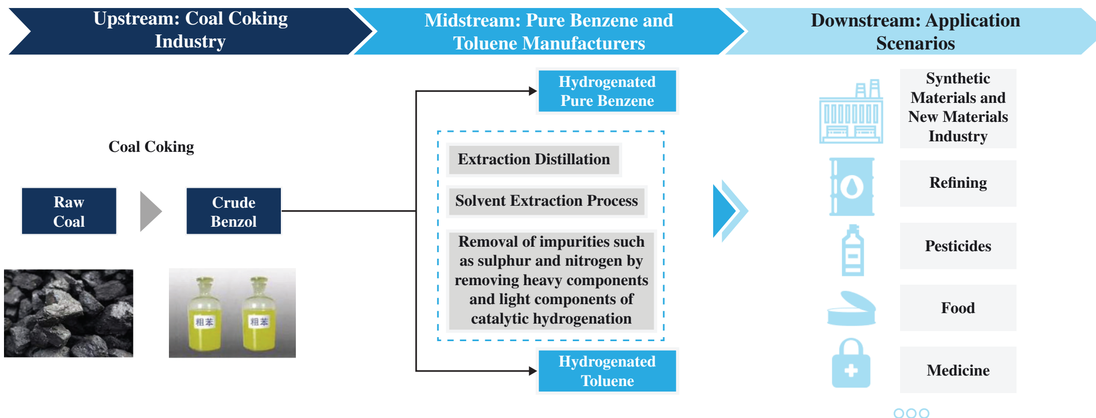
Coal chemical industry involves process that uses coal as raw material and undergoes chemical processing to convert coal into gas, liquid, solid fuel and chemicals. It mainly includes three major directions: coking, coal gasification, and coal liquefaction. The coking industry is a major component of the coal chemical industry, and coking coal is the basic raw material for the coal chemical coking industry, constituting the main production cost. In coal chemical coking process, the main products include coke and coking by-products. Coking by-products mainly include crude benzene, coal tar and crude coking coal gas, all of which can be used as raw materials for the production of refined chemicals. In recent years, with the continuous elimination of outdated production capacity, the improvement of production technology, and the extension of their own industrial chains by many coking enterprises, the coal chemical coking industry has gradually become more prominent and has the potential for sustained growth.

Definition and Classification of Benzene-based Chemicals

Benzene-based chemicals refer to chemicals with benzene ring as the functional group, which are mainly extracted from coal and petroleum processing. The method of extracting benzene from coal is to pass the crude benzene and coal gas generated during coking process through the washing and absorbing equipment, using washing oil with high boiling point as washing and absorbing agent to recover the benzene in the coal gas. Industrial grade benzene can be obtained by refining crude benzene, and the main products produced are mainly pure benzene (accounting for about 70%), toluene and xylene.

Currently, hydrogenation process, the adding of hydrogen in the presence of catalyst, for the purification of crude benzene is environmentally friendly. Compared with other purification process like the earliest pickling method, oxidation method and low-temperature gaseous extraction method, hydrogenation process of crude benzene has less pollution, lower energy consumption, higher product quality and yield, and basically has no quality difference with petroleum benzene (pure benzene obtained from petroleum refinery).

Value Chain of the Benzene-based Chemicals Industry (China)
(Hydrogenated Pure Benzene and Hydrogenated Toluene)



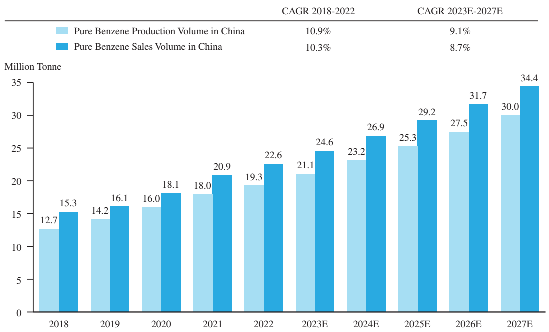
Source: Frost & Sullivan

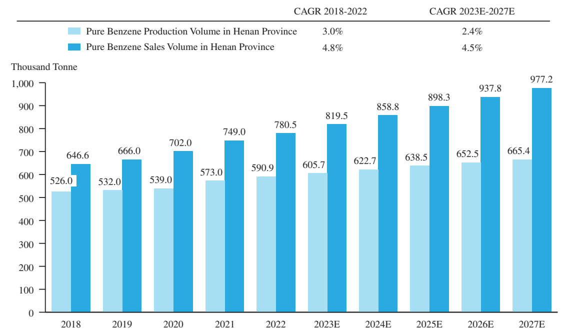
Analysis of Market Size of Benzene-based Chemicals

With the continuous and steady development of China's macroeconomy, manufacturing industry, and industrial sector, the production and sales volume of pure benzene in China have maintained a steady growth. The production volume of pure benzene in China increased from 12.7 million tonnes in 2018 to 19.3 million tonnes in 2022, with a CAGR of 10.9%. China's pure benzene is dependent on imports, and the annual sales volume continues to be higher than the annual production. The sales volume of pure benzene in China increased from 15.3 million tonnes in 2018 to 22.6 million tonnes in 2022, with a CAGR of 10.3%. In recent years, the production and sales volume of pure benzene in China has maintained a steady growth trend. In the future, the production volume of pure benzene in China is expected to increase from 21.1 million tonnes in 2023 to 30.0 million tonnes in 2027, with a CAGR of 9.1%. The sales volume of pure benzene in China is expected to increase from 24.6 million tonnes in 2023 to 34.4 million tonnes in 2027, with a CAGR of 8.7%.

Similar to the trend of the production and sales volume of pure benzene, the production volume of pure benzene in Henan province increased from 526.0 thousand tonnes in 2018 to 590.9 thousand tonnes in 2022, with a CAGR of 3.0%. The sales volume of pure benzene in Henan province continued to be higher than the annual production, requiring supply from other provinces to meet the demand within the province. The sales volume of pure benzene in Henan province increased from 646.6 thousand tonnes in 2018 to 780.5 thousand tonnes in 2022, with a CAGR of 4.8%. With the continuous development of relevant downstream industries in Henan province in the future, the production volume of pure benzene in Henan province is expected to increase from 605.7 thousand tonnes in 2023 to 665.4 thousand tonnes in 2027, with a CAGR of 2.4%. Meanwhile, the sales volume of pure benzene in Henan province is expected to increase from 819.5 thousand tonnes in 2023 to 977.2 thousand tonnes in 2027, with a CAGR of 4.5%.

Production and Sales Volume of Pure Benzene (China and Henan Province), 2018-2027E



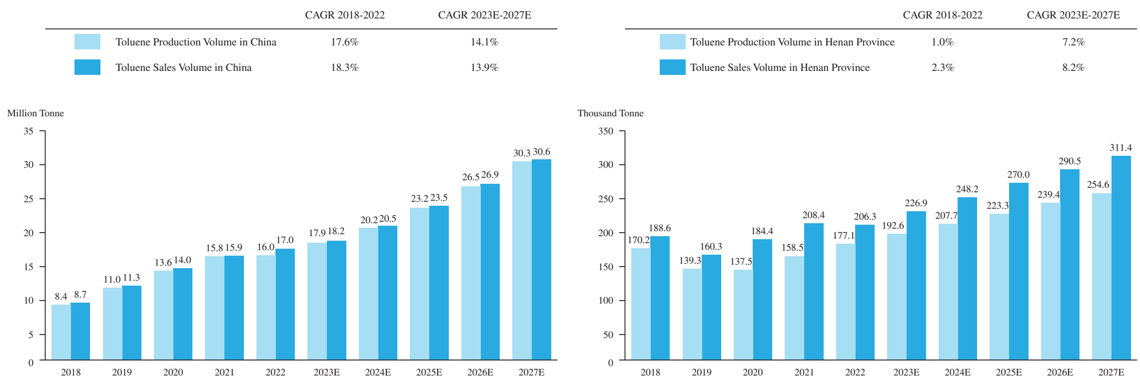


Source: (1) Frost & Sullivan Report, and (2) Interviews with industry experts by Frost & Sullivan.

Hydrogenated toluene maintains a fast development pace, helping to drive the continuous growth of the production and sales volume of toluene in China to meet downstream demand. The production volume of toluene in China increased from 8.4 million tonnes in 2018 to 16.0 million tonnes in 2022, with a CAGR of 17.6%. The sales volume of toluene in China increased from 8.7 million tonnes in 2018 to 17.0 million tonnes in 2022, with a CAGR of 18.3%. In the future, with the expansion of downstream markets and products in the toluene industry and the continuous development of the macroeconomy, the production volume of toluene in China is expected to increase from 17.9 million tonnes in 2023 to 30.3 million tonnes in 2027, with a CAGR of 14.1%. The sales volume of toluene in China is expected to increase from 18.2 million tonnes in 2023 to 30.6 million tonnes in 2027, with a CAGR of 13.9%.

Similar to the pure benzene industry, the production volume of toluene in Henan province has remained stable with a slight increase over the past five years, growing from 170.2 thousand tonnes in 2018 to 177.1 thousand tonnes in 2022, with a CAGR of 1.0%. The sales of toluene in Henan province continued to be higher than the annual production. The sales volume of toluene in Henan province increased from 188.6 thousand tonnes in 2018 to 206.3 thousand tonnes in 2022, with a CAGR of 2.3%. In the future, driven by downstream demand, the production volume of toluene in Henan province is expected to increase from 192.6 thousand tonnes in 2023 to 254.6 thousand tonnes in 2027, with a CAGR of 7.2%. Meanwhile, the sales volume of toluene in Henan province is expected to increase from 226.9 thousand tonnes in 2023 to 311.4 thousand tonnes in 2027, with a CAGR of 8.2%.

Production and Sales Volume of Toluene (China and Henan Province), 2018-2027E



Source: (1) Frost & Sullivan Report, and (2) Interviews with industry experts by Frost & Sullivan.

Analysis of Benzene-Based Chemicals Market Drivers and Developing Trends

Policy support for the sustainable development of the benzene-based chemicals industry

Policies such as the "Implementation Guidelines on Renovation and Upgrading of Energy Saving and Carbon Reduction for Modern Coal Chemical Industry" (《現代煤化工行業節能降碳改造升級實施指南》) and the "Action Plan for Industrial Energy Efficiency Improvement" (《工業能效提升行動計劃》) launched and implemented in 2022 focus on the realisation of green technology and craftsmanship, the allocation of major energy-saving equipment in the production process of modern coal chemical industry and benzene-based chemicals, as well as the safeguarding of the optimisation of the energy system, the utilisation of residual heat and pressure, the renovation of public and auxiliary facilities, the comprehensive utilisation of wastes, and the refined control of the whole process, while promoting the intensive and green development of heavy chemicals. Therefore, the continuous introduction of policies effectively supports the sustainable, green, and high-speed development of the coal chemical coking industry and the benzene-based chemical industry.

China's abundant coal resources ensure a stable supply of by-products from coal coking

The sources of main upstream raw material for benzene-based chemicals are coal and petroleum. Unlike the dependence on imports of oil, China is the world's largest coal producer and has the ability to produce the raw coal needed for various downstream industries. Therefore, after achieving high purity product quality in hydrogenated pure benzene and hydrogenated toluene, they can be benchmarked against petroleum pure benzene and petroleum toluene. At the same time, China's abundant and stable development of coal resources has contributed to the stable development of hydrogenated pure benzene and hydrogenated toluene. Taking some large coke production enterprises as an example, they are gradually shifting their production focus from coke with lower production profits to increasing the production capacity of coking by-products, achieving higher profits and ensuring the sustainable development of the enterprises. Therefore, with a stable supply of coal resources, the supply of by-products from coal coking is also becoming stable, and the market size of benzene-based chemicals will continue to grow.

The demand for benzene-based chemicals in the downstream market will rise continuously

Both pure benzene and toluene are basic organic chemical raw materials in the chemical industry. The downstream market of pure benzene is mainly composed of chemical products such as styrene and caprolactam, among which styrene occupies a larger market share in the downstream. As a monomer for synthetic rubber and plastics, styrene is mainly used to produce butadiene rubber, polystyrene, expandable polystyrene, etc. It is also used to manufacture various engineering plastics. The widespread application of benzene-based chemicals in various industries will ensure stable demand in the downstream market, driving the development and capacity expansion of the overall benzene-based chemical market.

The production technology of benzene-based chemicals is developing towards low carbon and low pollution.

The coal chemical coking industry is a capital and technology-intensive industry. At present, the investment scale of a single project is large, as it needs to meet the national and local environmental protection standards and capacity supporting requirements before the construction of plants. With the realisation of hydrogenated pure benzene in the process of processing by-product benzene by coal, the technology of benzene-based chemicals has been significantly improved and the environmental protection effect has been remarkable. In general, due to the characteristics of benzene hydrogenation process such as low pollution, safe operation, low investment and good quality, the production technology of benzene-based chemicals will continue to converge towards hydrogenated pure benzene, achieving low-carbon and low-pollution development with policy support.

Analysis of Barriers to Enter into the Benzene-based Chemicals Market

Technical barrier: Hydrogenation process, the adding of hydrogen in the process of catalyst, for the purification of crude benzene is environmentally friendly. However, most enterprises find it difficult to master the technology, so the leading enterprises have formed certain technology barriers.

Capital Barrier: The coal chemical coking industry, especially manufacturers of benzene-based chemicals, belongs to a capital-intensive industry that requires substantial initial funding to support the construction of benzene-based chemicals plants, purchase production equipment required for benzene-based chemicals, ensure the utilisation rate and proper planning of production equipment, and meet the environmental assessment requirements of the country and local authorities. New entrants find it difficult to achieve, thus forming a capital barrier.

Supply barriers: The construction of new production capacity for benzene-based chemicals needs to meet purification standards to ensure continuous supply. Currently, all new domestic coke oven projects require capacity replacement, and policies in various regions adopt the approach of "equivalent or reduced capacity replacement". Therefore, new entrants are restricted by environmental protection and new construction standards, making it difficult to expand production capacity in a short time.

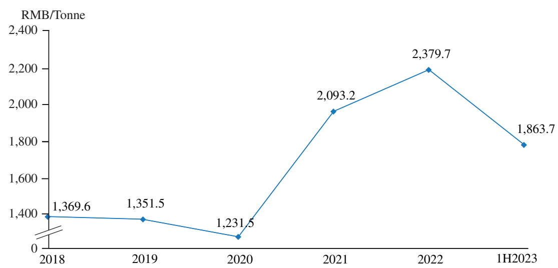
Price Analysis of Raw Materials and Products for Benzene-based Chemicals

Pure benzene, a main product of benzene-based chemicals, can be extracted from both coal and petroleum processing, whereas for crude benzene, a principal raw material for benzene-based chemicals, can only be extracted from coal processing. Currently, pure benzene extracted from petroleum processing contributed to a larger market share than that extracted from coal processing in China. As such, the price of pure benzene is affected by, to a larger extent, the price of petroleum, which in turn is affected by the price of crude oil. The price trend of crude benzene also depends on the price trend of pure benzene (which is ultimately affected by the price of crude oil) due to the relatively larger market share of pure benzene. As such, the price of crude benzene will be ultimately affected by the price of crude oil, similar to pure benzene. Meanwhile, the prices of crude benzene and benzene-based chemicals are influenced by the prices of coking coal to some extent.

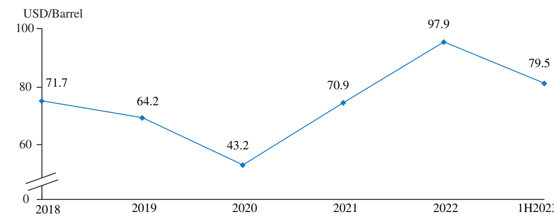
From 2018 to 2019, the price of coking coal in China remained relatively stable, with a slight decrease in 2020 due to the impact of the COVID-19 pandemic. Since 2021, the supply of coking coal market in China has been relatively tight due to factors such as the recovery in demand after the pandemic and restrictions on coking coal production under strict environmental protection policies (e.g., energy consumption dual control). In 2022, impacted by the rising international energy price after the outbreak of Russian-Ukrainian conflict, the price of coking coal in China experienced a further increase, reaching RMB2,379.7 per tonne. With the implementation of measures to ensure the stable price and supply of coal by the government, the supply of coking coal in the market is gradually recovering. In 1H2023, the price of coking coal in China recovered to RMB1,863.7 per tonne.

The price of Brent crude oil is normally affected by numerous factors including the balance between supply and demand, geopolitics, the intervention of organizations like OPEC and the macro-economic environment. Affected by the COVID-19 pandemic, the price of Brent crude oil fell to USD43.2 per barrel in 2020, and then gradually recovered to USD70.9 per barrel in 2021. In 2022, due to the outbreak of the Russian-Ukrainian conflict, the price of Brent crude oil rose to USD97.9 per barrel. In 1H2023, the price of Brent crude oil pulled back to USD79.5 per barrel.

Prices of Coking Coal in China, 2018-1H2023



Prices of Brent Crude Oil, 2018-1H2023

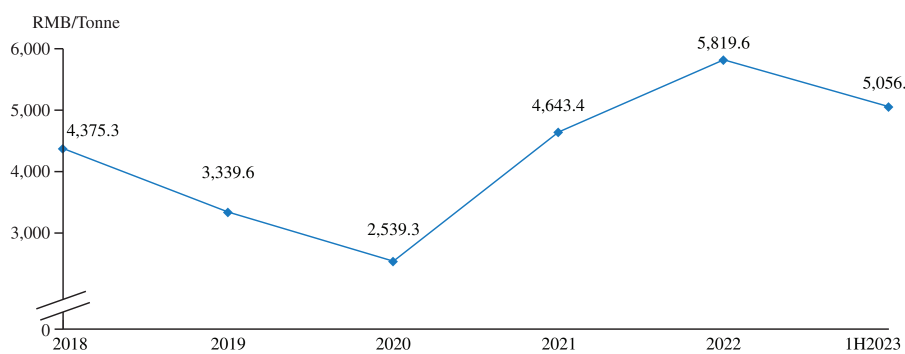


Source: (1) Frost & Sullivan Report, (2) Wind, and (3) Intercontinental Exchange (ICE).

Note: The price above is excluding VAT.

The price of crude benzene, an upstream raw material for benzene-based chemicals, decreased from RMB4,375.3/tonne in 2018 to RMB2,539.3/tonne in 2020, and then rebounded to RMB5,819.6/tonne in 2022. In 1H2023, it slightly dropped to a normal price range of RMB5,056.3/tonne.

Prices of Crude Benzene in China, 2018-1H2023

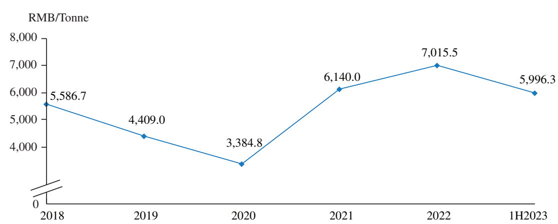


Source: (1) Frost & Sullivan Report, (2) Wind, and (3) Choice.

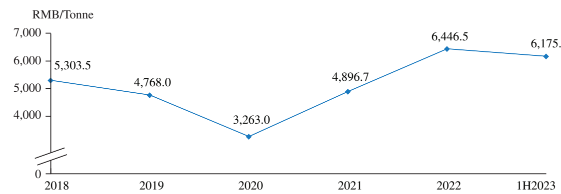
Note: The price above is excluding VAT.

The price of pure benzene in China was affected by the fluctuation of upstream raw materials, dropping from RMB5,586.7/tonne in 2018 to RMB3,384.8/tonne in 2020. After that, with the recovery of the economy and the rise in raw material prices, the price of pure benzene in China rose to RMB7,015.5/tonne in 2022 and recovered to RMB5,996.3/tonne in 1H2023. The price trend of toluene in China is similar to that of pure benzene, which decreased from RMB5,303.5/tonne in 2018 to RMB3,263.0/tonne in 2020. With the increase in the price of raw material, it gradually rose to RMB6,446.5/tonne in 2022 and recovered to RMB6,175.3/tonne in 1H2023.

Prices of Pure Benzene in China, 2018-1H2023



Prices of Toluene in China, 2018-1H2023



Source: (1) Frost & Sullivan Report, (2) Wind, and (3) JLC.

Note: The price of pure benzene and toluene is excluding VAT.

Overview of the Competitive Landscape of the Benzene-based Chemicals Market in Henan Province

There are two major types of players in the benzene-based chemicals market, namely, (i) petrochemical companies which derive their benzene-based chemicals from petroleum refinery; and (ii) hydrogenated benzene-based chemical manufacturing companies which derive their benzene-based chemicals from hydrogenation of crude benzene.

In 2022, the market size of pure benzene in Henan province in terms of revenue was RMB5,475.6 million, of which the top five companies accounted for about 66.0% of the total market size. In 2022, the Company's revenue of pure benzene was RMB1,016.1 million with a market share of 18.6%, ranking first in the industry.

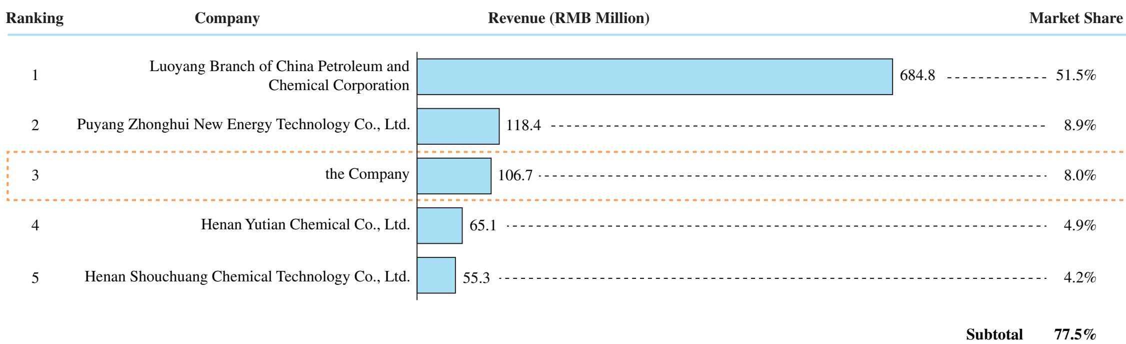
Top Five Pure Benzene Companies by Revenue (Henan Province), 2022

Ranking	Company	Revenue (RMB Million)	Market Share
1	the Company	1,016.1	18.6%
2	Luoyang Branch of China Petroleum and Chemical Corporation	977.1	17.7%
3	Puyang Zhonghui New Energy Technology Co., Ltd.	703.2	12.8%
4	Henan Yutian Chemical Co., Ltd.	532.0	9.7%
5	Henan Shouchuang Chemical Technology Co., Ltd.	385.6	7.0%
		Subtotal	**66.0%**

Source: (1) Frost & Sullivan Report, (2) Interviews with industry experts by Frost & Sullivan, and (3) Website of major industry players.

In 2022, the market size of toluene in Henan province in terms of revenue was RMB1,329.9 million, of which the top five companies accounted for about 77.5% of the total market size. In 2022, the Company's revenue of toluene was RMB106.7 million with a market share of 8.0%, ranking third in the industry.

Top Five Toluene Companies by Revenue (Henan Province), 2022



Source: (1) Frost & Sullivan Report, (2) Interviews with industry experts by Frost & Sullivan, and (3) Website of major industry players.

Notes:

- *Luoyang Branch of China Petrochemical Corporation (中國石油化工股份有限公司洛陽分公司) is a large petrochemical enterprise under China Petrochemical Corporation that integrates refining, chemical and chemical fibre. The company's production system mainly consists of three sectors: refining, chemical, and chemical fibre. In the chemical sector, the company's main products include petroleum pure benzene, petroleum toluene and other petrochemical products.*

- *Puyang Zhonghui New Energy Technology Co., Ltd. (濮陽市中匯新能源科技有限公司) is an enterprise mainly engaged in the manufacturing of chemical raw materials and chemical products. The main products produced and sold by the company include pure benzene, toluene, xylene, mixed aromatics, heavy benzene, light benzene, and petroleum ether, involving research and development of new chemical materials and refined chemical products. The Company has the production capacity for hydrogenated pure benzene, hydrogenated toluene, etc.*

- *Henan Yutian Chemical Co., Ltd. (河南宇天化工有限公司) is affiliated to Shuncheng Group (順成集團), a large private enterprise group integrating energy, chemicals, power generation, trade, logistics and investment. The company has the benzene hydrogenation process and has the production capacity for hydrogenated pure benzene, hydrogenated toluene, etc.*

- *Henan Shouchuang Chemical Technology Co., Ltd. (河南省首創化工科技有限公司) company is a wholly-owned subsidiary of Henan Pingmei Shenma Shoushan Carbon Materials Co., Ltd. (河南平煤神馬首山碳材料有限公司). Henan Pingmei Shenma Shoushan Carbon Materials Co., Ltd. is one of the self-owned coking companies of China Pingmei Shenma Holding Group Co., Ltd. (中國平煤神馬控股集團有限公司). The company has the production capacity for hydrogenated pure benzene, hydrogenated toluene, etc.*

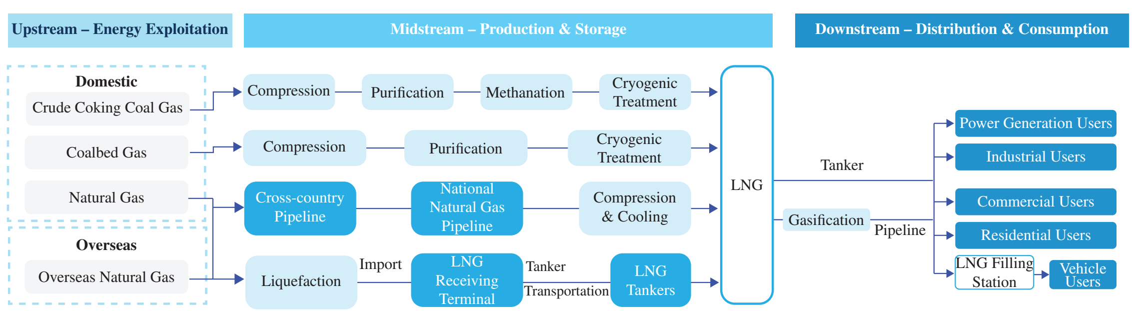
OVERVIEW OF THE LNG INDUSTRY IN CHINA

Overview of LNG Industry

Liquefied natural gas, abbreviated as LNG, is a colourless, odourless, non-toxic and non-corrosive liquid natural gas formed by the compression and cooling of natural gas to -161.5°C. Its volume is 0.16% of the same volume of natural gas, and its mass is only 45% quality of the same volume of water. Therefore, it is more flexible compared to pipeline gas transportation. Amid the context of achieving "carbon neutrality", natural gas assumes a crucial role, and the adoption of increasingly adaptable loading and transportation methods has contributed to the annual growth in LNG demand.

The LNG industry mainly includes upstream energy exploitation, midstream production and storage and transportation, downstream distribution and consumption.

Value Chain of the LNG Industry (China)



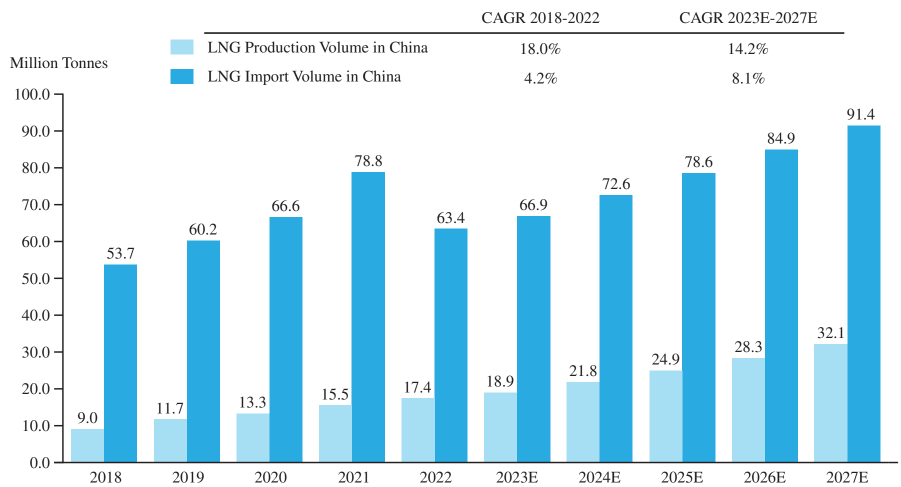
Source: Frost & Sullivan

Analysis of Market Size of LNG

LNG's production in China increased from 9.0 million tonnes in 2018 to 17.4 million tonnes in 2022, representing a CAGR of 18.0% from 2018 to 2022. Currently, the "national network" ("全國一張網") has been largely established, leading to a significant improvement in natural gas interconnection capacity. Furthermore, there has been a continuous enhancement in gas storage and peak shaving capacity. It is expected that the LNG production in China will reach 32.1 million tonnes by 2027, with a CAGR of 14.2% from 2023.

China's natural gas production is insufficient to meet the rapidly growing consumption demand, which in turn stimulates the demand for natural gas imports. China's major LNG import countries include Australia, the U.S., Qatar, Malaysia, Indonesia and other countries. China's natural gas imports increased at a CAGR of 4.2% from 53.7 million tonnes in 2018 to 63.4 million tonnes in 2022. Currently, China's energy industry is in the process of transforming from heavily dependent on coal economy to a diversified energy economy. Natural gas will play an important role in China's future energy supply. It is expected that China will continue to rely on overseas natural gas supply, and China's LNG import will increase to 91.4 million tonnes by 2027, representing a CAGR of 8.1% from 2023 to 2027.

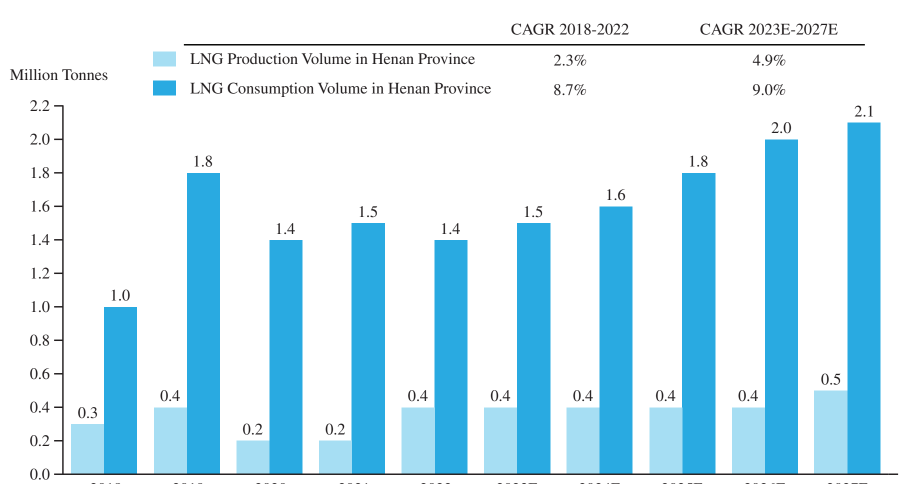
Production and Import Volume of LNG (China), 2018-2027E



Source: (1) Frost & Sullivan Report, (2) National Bureau of Statistics, and (3) Interviews with industry experts by Frost & Sullivan.

Being a province characterized by substantial energy consumption, Henan province has witnessed a consistent rise in LNG consumption over recent years. The consumption has escalated from 1.0 million tonnes in 2018 to 1.4 million tonnes in 2022, reflecting a CAGR of 8.7% throughout this period. Meanwhile, LNG production in Henan province increased from 0.3 million tonnes in 2018 to 0.4 million tonnes in 2022, representing a CAGR of 2.3% during the period. In 2022, over 70% of the consumption of LNG was dependent on the supply from other provinces and imported LNG. With the upgrade of energy structure in Henan province, the consumption of LNG in Henan province is expected to further increase from 1.5 million tonnes in 2023 to 2.1 million tonnes in 2027, representing a CAGR of 9.0% during the period. By 2027, LNG's production in Henan province is expected to reach 0.5 million tonnes, representing a CAGR of 4.9% from 2023 to 2027.

Production and Consumption Volume of LNG (Henan Province), 2018-2027E



Source: (1) Frost & Sullivan Report, (2) National Bureau of Statistics, and (3) Interviews with industry experts by Frost & Sullivan.

Analysis of LNG Market Drivers and Developing Trends

Proportion of natural gas in the energy mix is expected to further increase

China is projected to raise its natural gas share in the energy mix, driven by government policies that support the industry. The "Energy Production and Consumption Revolution Strategy (2016-2030)" (《能源生產和消費革命戰略(2016-2030)》) outlines a goal for natural gas to comprise 15% of China's energy consumption by 2030. This will decrease coal reliance and boost natural gas use. Despite domestic production constraints, China is increasing its natural gas imports to meet growing demand. In Henan province, with its large population and energy consumption, natural gas demand is increasing, prompting the need for a diverse supply system. In terms of regional policies, Henan's "14th Five-Year" Plan (《河南省人民政府關於印發河南省「十四五」現代能源體系和碳達峰碳中和規劃的通知》) also focuses on substituting high-carbon fuels like coal with low-carbon alternatives, particularly natural gas.

Favourable policies support coal coking natural gas development

The implementation of favourable policies, like the "14th Five-Year Development Plan for the Coking Industry" (《焦化行業「十四五」發展規劃綱要》), has greatly boosted coal-based coking natural gas growth. This plan emphasizes circular economy benefits in coking parks, fostering an environment for coal-based coking natural gas advancement. The government is also promoting collaboration among coking parks for ecological industrial network enhancement. This initiative aims to achieve "zero emissions" in coking parks and establish a well-balanced resource recycling system. Additionally, the government advocates extending the coal coking industry to downstream and fine chemical products, enhancing product value. Overall, these policies will drive sustainable development in the coal-based coking natural gas sector.

Rise in natural gas vehicles drives LNG demand

Natural gas vehicles, as vehicles that use natural gas as fuel, are characterised by low emissions and are environmentally friendly. The fuel storage of gas vehicles mainly uses natural gas or compressed natural gas, of which compressed natural gas for vehicles is compressed to around 20-25 MPa. Natural gas is compressed and extracted through water removal, desulfurisation and purification, and then supplied to vehicles through high-pressure cylindrical gas cylinders. The ignition principle of natural gas vehicles is similar to that of gasoline vehicles. The natural gas is depressurised by a pressure regulator and mixed with air in a mixer. Sensors and computers regulate the mixture to achieve more efficient combustion. Natural gas then enters the cylinder through a multi-point injection rail and is ignited by a spark plug. According to the data from the China Association of Automobile Manufacturers, the sales volume of commercial natural gas vehicles in China from January to June 2023 was 70,222 units, representing a year-on-year increase of 223.7%. In the future, with the increase in the number of natural gas vehicles, the demand for LNG will further increase.

Improving LNG storage and transportation capacity

The increasing capacity of LNG in storage and transportation drives the development of the LNG market. In the industry chain of LNG, the storage and transportation sector play an important role, connecting the upstream and downstream sectors closely. In China, LNG's transportation methods mainly include pipeline transportation, shipping transportation and low-temperature LNG tanker transportation. As the nationwide promotion of natural gas gains momentum and the role of LNG strengthens within the realms of natural gas trade and utilisation, the forthcoming surge in LNG transportation is poised to swiftly propel the growth of the LNG market. The improvement of LNG storage and transportation capacity, including the economic advantages of using large-capacity tankers and gas tanks, and railway tanker transportation, plays a positive role in the LNG market. This will enhance the efficiency and reliability of the LNG supply chain and provide strong support for the promotion and application of LNG.

Accelerating natural gas market reform driven by increased private sector competition

In the past, the natural gas market in China has adopted a point-to-point trading model with complicated pipeline transmission costs, which hindered the formation of a unified competitive market. In recent years, the PRC government has taken measures to accelerate market-oriented reforms. The establishment of PipeChina has promoted the liberalisation of gas prices and market-oriented resource allocation, which promoted market-oriented pricing. The 14th Five-Year Plan for Modern Energy System (《「十四五」現代能源體系規劃》) emphasises the promotion of market-oriented reform of natural gas prices and the reduction of gas distribution levels. Driven by policies, China's natural gas market-oriented reform will be further implemented and become one of the development trends of the industry. The market-oriented pricing mechanism will promote the optimisation of resource allocation and industry development. Private enterprises can participate in the market through competition, supply more natural gas and offer more services, thus promoting a health development of the industry.

LNG industry moving towards intelligent development

With advanced technology, the LNG sector has achieved intelligent management across production, storage, transportation, and consumption. These technologies enhance efficiency, safety, and sustainability, driving the industry's smart and efficient growth. In production, automation, sensors, and intelligent monitoring ensure real-time adjustments, boosting efficiency. Smart storage, pipelines, and vessels utilise sensors for real-time monitoring of parameters like temperature and pressure, ensuring safe transportation. Data collection and analysis, along with AI, are increasingly important, enabling real-time monitoring and improved efficiency, energy savings, and emissions reduction.

Analysis of Barriers to Enter into the LNG Market

Compliance barriers: The compliance barrier of China's LNG market encompasses technology, environment, energy consumption, product quality and social responsibility. Enterprises must meet the technical requirements, master the LNG process and equipment, and possess the corresponding skills. Secondly, enterprises are required to comply with environmental protection requirements, adopt effective measures to reduce their impact on the environment and ensure safe production. In addition, ensuring the quality of LNG is critical to the stable and safe supply of energy, and enterprises need to ensure that their products meet relevant quality standards and specifications. To compete in the LNG industry, new market entrants should have technical capabilities and resources, comply with industry norms and self-discipline conventions, and prioritise environmental protection, energy utilisation and product quality.

Capital barriers: LNG project requires substantial capital investment. Firstly, the construction of production facilities, storage and transportation equipment and ancillary facilities are supported by substantial capital. Secondly, a sound supply chain system also requires large-scale capital investment to ensure reliable supply and stable transportation. Additionally, technological research and development and innovation also require capital injection to improve efficiency, process flow, and enhance energy efficiency and environmental friendliness. New entrants need to have strong financial strength to meet the needs of project construction, operation and technological innovation.

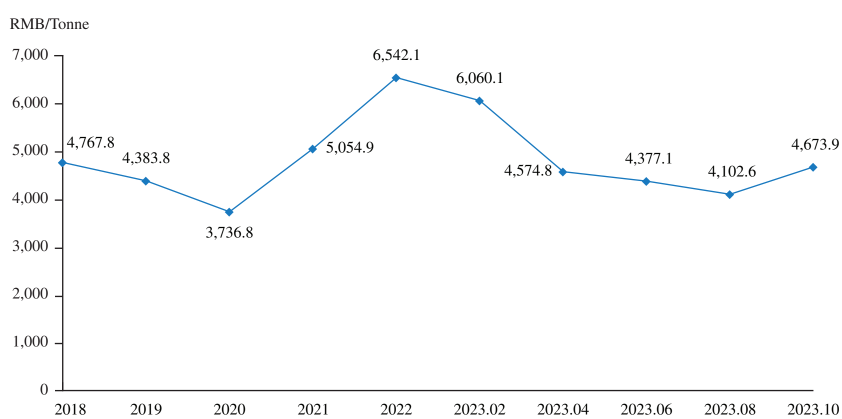
Price Analysis of LNG

The LNG retail price and ex-factory price are not subject to any government pricing guidelines. Due to the fluctuation in demand for natural gas, the retail price of LNG for vehicles at gas stations in Henan province decreased from RMB4,767.8/tonne in 2018 to RMB3,736.8/tonne in 2020. In 2022, after the outbreak of Russia and Ukraine geopolitical conflict, Russia reduced its pipeline natural gas exports to Europe in response to Western sanctions imposed over the conflict between Russia and Ukraine. As a result, the geopolitical conflict has significantly increased the uncertainties of global natural gas supply, driving up the international natural gas prices. Affected by the rising international natural gas prices, the retail price of LNG for vehicles at gas stations in 2022 in Henan Province reached the peak of RMB6,542.1/tonne in recent years. Since the start of 2023, attributed to the unusually warm winter weather observed in the northern hemisphere, the prominent global markets for natural gas consumption did not attain the anticipated growth of demand, preventing the international natural gas prices from further increasing. The retail price of LNG for vehicles at gas stations in Henan province declined gradually from the peak in 2022. Since September 2023, driven by the recovering international natural gas prices, the retail price of LNG for vehicles at gas stations in Henan province has presented an upward trend, reaching RMB4,673.9/tonne in October 2023.

The ex-factory price of LNG in Henan province is in line with the retail price trend of LNG for vehicles at gas stations, of which the ex-factory price of LNG in 2018 was RMB4,339.1/tonne, and its price recovered to RMB6,101.2/tonne in 2022 after hitting a low of RMB3,027.6/tonne in 2020. Similarly, the ex-factory price of LNG in Henan province recovered from the peak in 2022 and has rebounded since September 2023, reaching RMB4,509.1/tonne in October 2023.

As Europe will continue to import LNG to make up for the decrease in Russian pipeline natural gas, and it will take time for the newly added global LNG production capacity to ramp up, global LNG supply and demand will remain relatively tightly balanced in the next 2 to 3 years, which is expected to support the recovery of global LNG prices. Meanwhile, driven by the carbon neutrality goal, the proportion of natural gas in overall energy consumption will continue to increase, thereby driving up the market demand for LNG. According to the Henry Hub natural gas futures on the New York Mercantile Exchange, which is a widely recognised natural gas futures market in the world and a commonly used indicator for price trend, international natural gas prices are expected to remain relatively stable or keep a steady increase in the near future, in the absence of material adverse impact brought by any unforeseeable circumstances such as geopolitical conflicts and extreme temperature. Since China is highly dependent on LNG imports, global LNG price fluctuations will be transmitted to China. Therefore, it is expected that China's LNG prices will remain a similar trend as the international LNG prices in the near future.

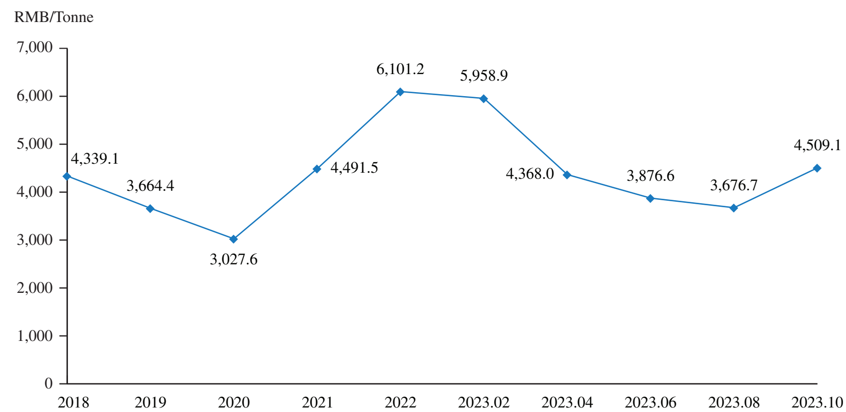
Retail Price of LNG for Vehicles at Gas Stations (Henan Province), 2018-2023.10



Source: (1) Frost & Sullivan Report, (2) Wind, and (3) JLC.

Note: The price of LNG is excluding VAT.

Ex-Factory Price of LNG (Henan Province), 2018-2023.10



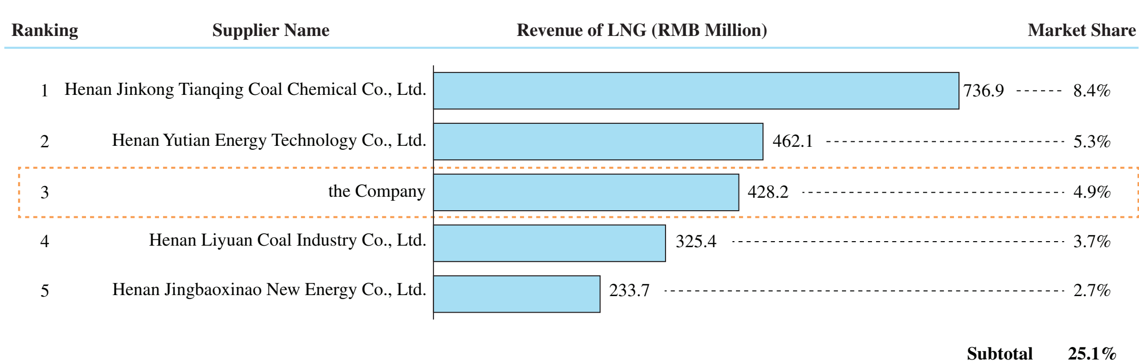
Source: (1) Frost & Sullivan Report, (2) Wind, and (3) JLC.

Note: The price of LNG is excluding VAT.

Overview of LNG Market Competitive Landscape in Henan Province

The top five LNG suppliers in Henan province in terms of revenue accounted for 25.1% of the total market size. In 2022, the Company's LNG achieved a revenue of RMB428.2 million, accounting for 4.9% of the market share and ranking third amongst all LNG suppliers in Henan Province.

Top Five LNG Suppliers by Revenue (Henan Province), 2022



Source: (1) Frost & Sullivan Report, (2) Interviews with industry experts by Frost & Sullivan, and (3) Website of major industry players.

Notes:

- *LNG suppliers refer to the LNG producers in Henan province.*

- *Henan Jinkong Tianqing Coal Chemical Co., Ltd. (河南晉控天慶煤化工有限責任公司) (hereinafter referred to as "Jinkong Tianqing Company") is a large-scale modern new coal chemical company with clean energy, chemical fertilisers and chemicals as its main products, and is mainly engaged in the production and sales of chemical fertilisers such as coal-based gas, synthetic ammonia and urea. The company is a wholly-owned subsidiary of Shanxi Jincheng Anthracite Coal Mining Group Co., Ltd. (山西晉城無煙煤礦業集團有限責任公司) (hereinafter referred to as "Jinmei Group"), which is a large state-owned energy enterprise group controlled by Shanxi SASAC.*

- *Henan Yutian Energy Technology Co., Ltd. (河南宇天能源科技有限公司) is a joint venture of Henan Shuncheng Group Coking Co., Ltd. (河南省順成集團煤焦有限公司) and Henan Yutian Chemical Co., Ltd. (河南宇天化工有限公司). The business scope of the company includes: gas operation; gas refuelling operations for gas vehicles; power generation, transmission, supply and distribution; power supply business; production of hazardous chemicals, etc. Henan Shuncheng Group Coking Co., Ltd. (河南省順成集團煤焦有限公司) is a large private enterprise group integrating energy, chemical, power generation, trading, logistics and investment.*

- *Henan Liyuan Coal Industry Co., Ltd. (河南利源煤業有限公司) is a major coal chemical enterprise in Henan Province. The company has formed a relatively complete circular economy industrial chain such as gas and oil products, fine chemicals, new chemicals, new materials, hydrogen energy, etc.*

- *Henan Jingbaoxinao New Energy Co., Ltd. (河南京寶新奧新能源有限公司) is a joint venture between China Pingmei Shenma Holding Group Co., Ltd. (中國平煤神馬控股集團有限公司) and ENN Energy Holdings Co., Ltd. (新奧能源控股有限公司). The company uses crude coking coal gas as raw material to produce LNG.*

OVERVIEW OF THE COAL GAS INDUSTRY IN CHINA

Overview of Coal Gas Industry

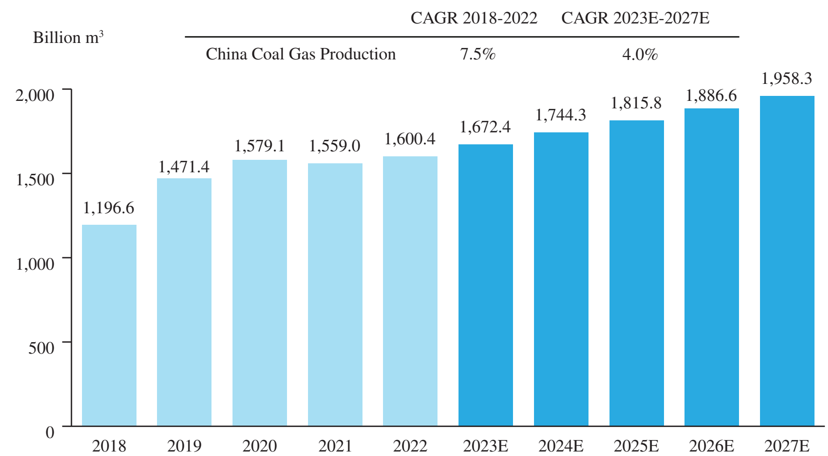
Coal gas can be obtained through the purification process of crude coking coal gas produced in the coking process and is extracted through the purification process of recovering crude benzene, coal tar, sulphur and ammonia. Coal gas is mainly used as city household fuel or industrial fuel, and carbon monoxide, hydrogen gas and methane in coal gas are important chemical raw materials. In terms of major components, coal gas typically consists of 57.0% of hydrogen gas, 26.0% of methane, 8.0% of carbon monoxide and 2.0% of carbon dioxide, etc.

Coal gas has become one of the most important secondary energy sources since the 21st century. The industry of coal gas covers all aspects from mining to final use of coal resources. As the starting process in the chain, coal mining usually involves exploration, drilling, selective picking and other operations to search for and extract coal resources. The midstream of the coal gas industry is mainly the production of coal gas. Coking is the process of distilling different types of coking coal mixtures at high temperature under insulated air conditions to concentrate the carbon content of coal. The crude coking coal gas from coking furnace is cooled and treated with various absorbents to obtain purified coal gas. The downstream of the coal gas industry is the use of coal gas to extract hydrogen gas, produce liquefied natural gas, generate electricity and produce methane, etc. Coal gas is ultimately used for household heating and hot water, industrial energy supply, etc.

Analysis of Market Size of Coal Gas

With its widely distributed coal resources, China has become a major producer of coal gas. In addition, the large population base and the fast-growing economy also provide a guarantee for the stable demand of the coal gas market. Production volume of coal gas in China increased from 1,196.6 billion m^3 in 2018 to 1,600.4 billion m^3 in 2022, representing a CAGR of 7.5% during the period. Looking ahead, production volume of coal gas in China is expected to increase from 1,627.4 billion m^3 in 2023 to 1,958.3 billion m^3 in 2027, representing a CAGR of 4.0% during the period.

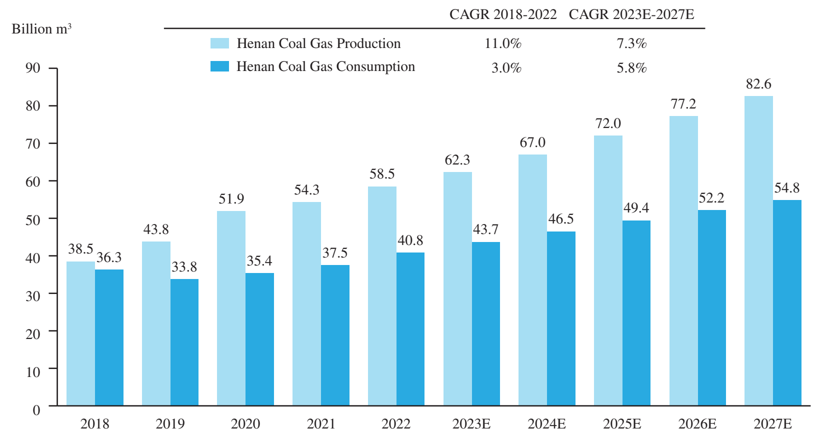
Production Volume of Coal Gas (China), 2018 – 2027E



Source: (1) Frost & Sullivan Report, (2) National Bureau of Statistics, and (3) Interviews with industry experts by Frost & Sullivan.

A number of large coal mines and coal fields in Henan province support the stable supply of coal gas. From 2018 to 2022, production volume of coal gas in Henan province increased from 38.5 billion m^3 to 58.5 billion m^3, representing a CAGR of 11.0% during the period. In addition, the strong development of industrial sectors in Henan province, such as energy, chemicals and metallurgy, also contributes to the growth of demand for coal gas in the province. The consumption volume of coal gas in Henan province increased from 36.3 billion m^3 in 2018 to 40.8 billion m^3 in 2022, representing a CAGR of 3.0% during the period. It is expected that by 2027, the production and consumption volume of coal gas in Henan province will reach 82.6 and 54.8 billion m^3, respectively. In the past, the coal gas generated during the coking process was not fully used, and some of which were discharged into the atmosphere. Currently, with the increasing awareness of energy conservation and environmental protection among coking enterprises, the utilisation of coal gas has been further optimised, and the coal gas produced has been recycled or further processed into high value-added products such as hydrogen gas and LNG to improve overall operating profitability.

Production and Consumption Volume of Coal Gas (Henan Province), 2018 – 2027E



Source: (1) Frost & Sullivan Report, (2) National Bureau of Statistics, (3) China Energy Statistical Yearbook, and (4) Interviews with industry experts by Frost & Sullivan.

Note: The consumption volume of coal gas in Henan province refers to the end consumption volume of coal gas, which excludes the self-consumed volume of the coal gas manufacturing factories.

Analysis of Coal Gas Market Drivers and Developing Trends

Supportive policy

With the progress of the industry and the guidance of national policies, China's coal gas industry is gradually developing towards the direction of environmental protection, low-carbon and energy conservation. In April 2022, the Ministry of Ecology and Environment of the PRC issued the "Implementation Plan for Environmental Impact Assessment and Pollutant Discharge Permits during the 14th Five-Year Plan period" (《「十四五」環境影響評價與排污許可工作實施方案》), which stated strictly implementation of capacity substitution and reduction measures in the environmental assessment and approval of steel, coking and other industrial projects in key areas. The standardised coal gas industry driven by policies will ensure the safe, environmentally friendly, high-quality and reliable supply of coal gas and promote the sustainable development of the industry.

Stable development of the coking industry

As a high-temperature reducing agent and fuel, coke provides important raw materials for metallurgy, chemicals, construction materials and other industries. Through the introduction of advanced coking furnace technology and environment-friendly equipment, the production capacity and quality of coking have been improved while reducing the negative impact on the environment. The continuous adjustment and optimisation of China's energy structure has continuously improved the energy utilisation efficiency and environmental protection of the coking industry.

The utilisation efficiency of coal gas will be further improved

Recently, the recycling of coal gas has received increasing attention, and the comprehensive recycling is in line with China's industrial policies focusing on energy conservation strategies. In the future, coking enterprises are expected to increase their efforts in exploring the potential of coal gas utilisation, such as the production of refined chemical products or coal gas through the processing of coking by-products from recycling and reuse. Through the configuration of advanced equipment and the development of new technologies, the utilisation efficiency of coal gas will be gradually improved.

Environmental protection requirements promote the conversion of coal gas into low carbon energy such as hydrogen gas

As coal processing generates a large amount of waste water and waste gas, industries related to coal have been regarded as industries with high energy consumption and heavy pollution. Under the call of using low carbon energy and protecting the environment, many enterprises, especially small and medium-sized enterprises, have to eliminate backward production capacity. Under such circumstances, the coal gas industry will pay more attention to the conversion of coal gas into other low carbon energy such as hydrogen gas, so as to meet the requirements of environmental protection and energy conservation as well as to improve the level of energy utilisation.

Analysis of Barriers to Enter into the Coal Gas Market

Concession barrier: In order to improve the operational efficiency of municipal public utilities, China has established a nationwide concession system for public utilities. The "Measures for the Management of Urban Gas in Henan province" (《河南省城鎮燃氣管理辦法》), issued by the Henan government, stipulated that relevant gas authorities shall screen pipeline gas investment or operation enterprises through competition mechanism such as bidding and tendering, and sign a concession agreement in accordance with the provisions. Leading coal gas enterprises with advanced technology, operation and management experience as well as strong capital have a competitive advantage in the market competition, thus obtaining long-term stable concession rights and forming market dependency.

Technology barrier: Coal gas production involves a series of technologies and production processes that have a significant impact on production, quality and safety of coal gas. Established coal gas enterprises have undergone a lengthy development process to improve production and processing techniques and develop and introduce supporting technologies. New entrants may struggle to master such technologies and processes in a short term due to limited time and resources.

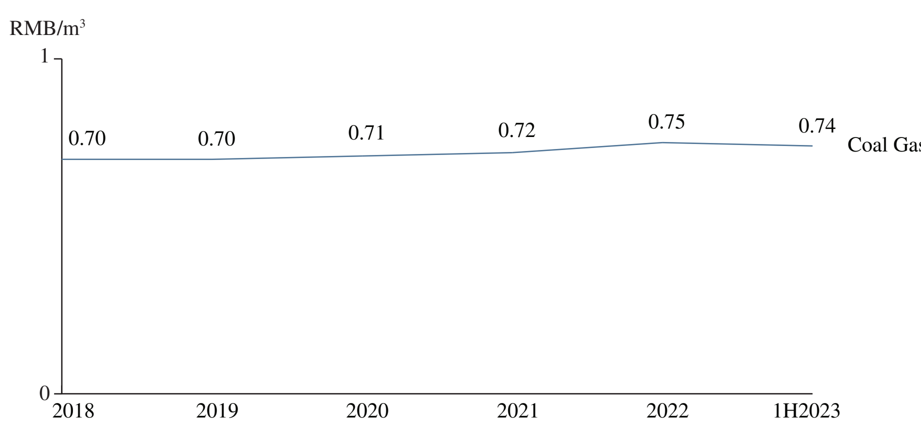
Capital barrier: Due to the relatively long construction period and the high procurement cost of plant and equipment, the coal gas industry requires more capital than other industries, especially at the start-up stage. In addition, substantial capital is needed for the R&D and innovation in key technologies related to extraction, processing, conversion and utilisation of coal gas, including equipment procurement, laboratory construction and talent training. New entrants need sufficient capital strength to overcome capital barriers.

Emission control barrier: In November 2021, the State Council issued the "Opinions on Deepening the Fight Against Pollution Prevention and Control" (《關於深入打好污染防治攻堅戰的意見》), which stated that the scale of coal-to-oil and gas production capacity should be reasonably controlled. Due to increasingly stringent emission control standards, certain existing coking enterprises, especially small- and medium-sized enterprises, must shut down production capacity to meet emission requirements. New entrants may struggle to meet the emission standards set by the Chinese government and may not obtain government approval for production.

Price Analysis of Coal Gas

Since crude coking coal gas, which is one of the coking by-products of the coking process, needs to be delivered through pipelines, most crude coking coal gas producers often give priority to 1) self-use, followed by 2) sale to nearby subsidiaries for further processing. Therefore, the crude coking coal gas market is relatively closed, and the price mainly reflects the internal selling price within a group. The price of crude coking coal gas in Henan province in general ranged from RMB0.4-0.6/m^3 with an increasing trend during 2020-2022 and 1H2023. Meanwhile, in order to promote the sustainable development of the coal gas market and ensure the fundamental gas demand of residential and industrial users, the price of coal gas in Henan province also remained relatively stable.

Prices of Coal Gas (Henan Province), 2018–1H2023



Source: (1) Frost & Sullivan Report, and (2) Interviews with industry experts by Frost & Sullivan.

Note: The price in the chart refers to the ex-factory price. The price above is excluding VAT.

Pricing Methodology on Coal Gas

As for the pricing method of gas, the Regulations on the Administration of Urban Gas (《城鎮燃氣管理條例》) stipulate that the selling price of gas shall be reasonably determined and adjusted in a timely manner on the basis of the cost of gas, operating cost and the level of local economic and social development. The price administrative authority of the local people's government at or above the county level shall seek the opinions of the users of piped gas, the operators of piped gas and the relevant parties when determining and adjusting the selling price of piped gas.

Competitive Landscape of the Coal Gas Market in Jiyuan City

Competitive Landscape of the Coal Gas Market in Henan Province

Since the crude coking coal gas market is relatively closed and companies mainly use crude coking coal gas for their own production or sale to nearby subsidiaries, there is no specific competition among different companies in Henan Province.

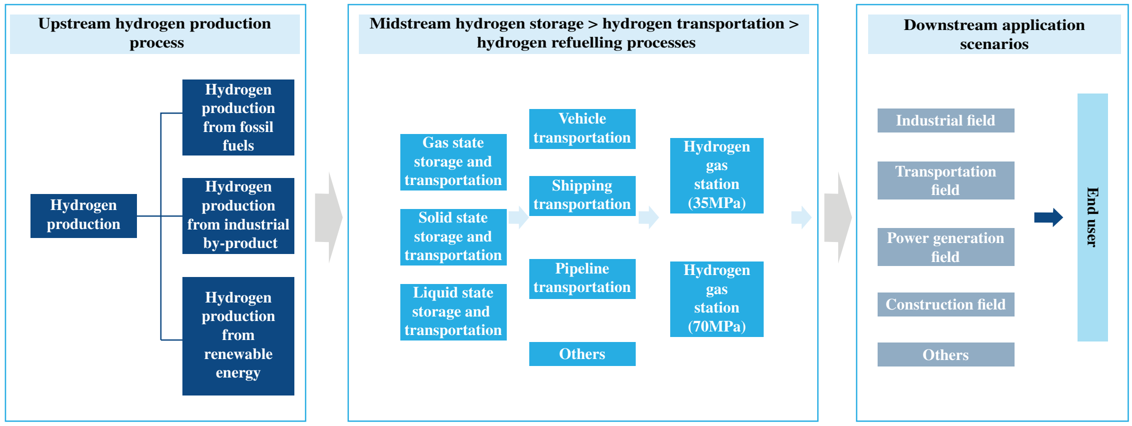
The current concession agreement Jinning Energy entered into with the local government of Jiyuan city, whereby Jinning Energy was granted the exclusive right to transport coal gas to the industrial enterprises and residential users in the vicinity of Huancheng Road (環城路) and the residents of Du Village (杜村) in Chengliu town (承留鎮), Jiyuan city, is valid until April 2033. Therefore, there is no direct competitor within the operating area of the concession agreement.

OVERVIEW OF THE HYDROGEN ENERGY INDUSTRY IN CHINA

Overview of Hydrogen Energy Industry

Hydrogen stands as a prominent secondary energy source, boasting a range of advantages such as its lightweight nature, efficient thermal conductivity, ample reserves, recyclability, high calorific value, superior combustion performance, environmental friendliness, and diverse forms of utilisation. The pivotal divergence between hydrogen energy and traditional fossil energy lies in the fact that hydrogen, serving as an energy carrier, is not procured through natural extraction but rather synthesized via artificial chemical processes. Consequently, the production of hydrogen serves as a foundational component of harnessing hydrogen energy. Presently, hydrogen predominantly originates from fossil fuels and industrial by-products. Hydrogen can be transported in various forms – gas, liquid, and solid – largely dictated by the chosen storage methods.

The hydrogen energy industry chain is categorized into several components, including upstream hydrogen production, midstream hydrogen storage, transportation and refuelling, and downstream applications.



Industry Landscape of the Hydrogen Energy Market in China

- ***Types of hydrogen***

The types of hydrogen available in the market include grey hydrogen, blue hydrogen, and green hydrogen.

Grey hydrogen refers to hydrogen produced from fossil fuels (e.g., natural gas, coal, etc.) or industrial by-products. Based on the fossil-fuel dominated energy structure in China, in particular coal, grey hydrogen has relatively high availability in China. Due to the advantages of low production cost and mature technology, grey hydrogen is currently the most common hydrogen in China (97% of total). In 2022, fossil fuel (78%) was the main source to produce hydrogen, followed by industrial by-products (19%). The production of grey hydrogen produces some carbon emissions because it involves the combustion of fossil fuels.

Blue hydrogen refers to hydrogen produced from fossil fuels in combination with CCUS (Carbon Capture, Utilisation and Storage) technology. CCUS technology can achieve low or zero carbon emission in the overall hydrogen production process, but it still relies on fossil fuels as raw materials. Meanwhile, the current cost of CCUS technology is relatively high, so it has not yet been applied on a large scale.

Green hydrogen refers to hydrogen mainly produced from renewable energy sources (e.g., solar, wind, etc.) through electrolysis of water, with no carbon emission. At present, the production of green hydrogen is generally more costly than that of grey and blue hydrogen, which limits the large-scale application of green hydrogen. Currently, most of the green hydrogen in China is produced in areas with abundant renewable energy resources, such as Inner Mongolia, Hebei Province, etc.

- ***Hydrogen storage***

There are three main types of hydrogen storage methods: gaseous, liquid, and solid. Hydrogen can be stored as gas by high pressure compression, which is the main storage method currently, with the advantages of fast filling and discharging, simple structure of containers and low cost. Liquid hydrogen storage has not yet been widely used in China, and solid hydrogen storage is still in the early stage of research. China has seen pilot application of solid hydrogen storage in distributed power generation. With further development of hydrogen storage techniques, approaches such as multi-phase hydrogen storage and high-pressure hydrogen storage will be increasingly applied in the future.

- ***Hydrogen transport and distribution***

Depending on the different storage methods, hydrogen can be transported in gaseous, liquid and solid forms. The transportation of gaseous hydrogen through long-haul trailers and pipelines for long-distance distribution is currently the main method of hydrogen transportation. Thanks to its advantages of large hydrogen delivery capacity, low energy consumption and low cost, pipeline transportation is ideal for large-scale and long-distance hydrogen transportation, but with huge one-time investment for constructing pipelines. Liquid hydrogen can be transported by liquid hydrogen tanks. Liquid hydrogen storage and transportation can improve hydrogen transport efficiency and the supply capacity of each hydrogen refuelling station. In addition, hydrogen can by transported by the liquid media such as ammonia and liquid organic hydrogen carriers (LOHC) that are effective for relatively smaller volume and shorter distance. Solid hydrogen should be stored and transported by low-pressure, high-density solid hydrogen storage tanks made of lightweight hydrogen storage materials (such as magnesium-based materials), but this method is still in the pilot study stage.

- ***Downstream Application of Hydrogen Energy***

Industrial field, transportation field, power generation field and construction field are the major downstream application scenarios of hydrogen energy, of which industrial scenario is currently the dominant application of hydrogen energy. Benefiting from the continued development of China's industry sector, hydrogen energy products, as important industrial raw material, already have a stable and mature demand market. In particular, chemical engineering is the main application scenario of hydrogen energy in the industrial field, including petroleum refining, ammonia synthesis manufacturing, methanol manufacturing, etc. Almost all large-scale petroleum refineries in China have on-site hydrogen production equipment. The production of chemical products such as synthetic ammonia and methanol is mainly based on coal chemical industry in China. Most factories use the method of coal gasification to produce hydrogen and then produce different chemical products. Looking forward, the rapid growth of the hydrogen fuel cell industry will drive the application of hydrogen energy in more diverse scenarios such as transportation.

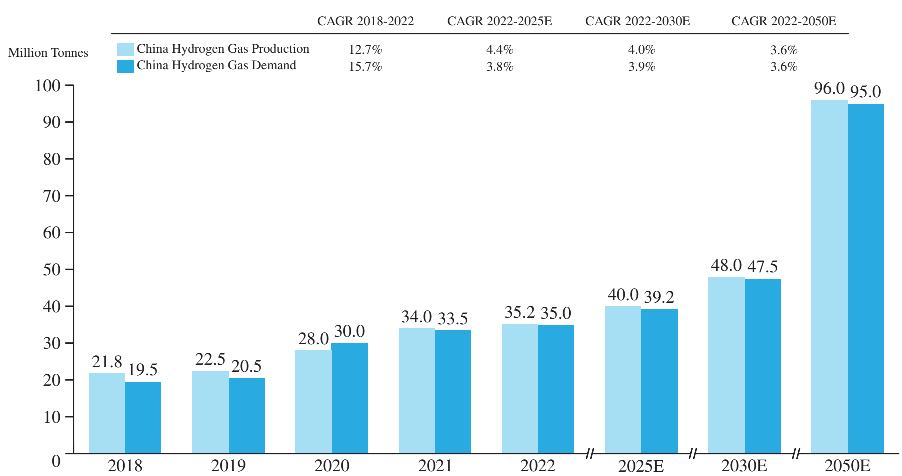
Analysis of Market Size of Hydrogen Gas

In recent years, China's hydrogen gas production has exhibited consistent growth. In 2022, the hydrogen gas production volume was 35.2 million tonnes, solidifying China's position as the world's largest hydrogen gas production market. Leveraging its energy profile characterized by "abundant coal, limited oil and gas resources" ("富煤貧油少氣"), China predominantly relies on coal and industrial by-products to produce grey hydrogen.

Between 2018 and 2022, the demand for hydrogen gas in China experienced a gradual uptick, with the industrial production emerging as a major application scenario of hydrogen consumption. Notably, hydrogen energy finds widespread application in diverse industries such as petrochemicals, electronics, metal processing, and glass manufacturing. Hydrogen energy benefits from government-backed policies aimed at energy transformation and environmental preservation, further fostering its development.

As a zero-emission transportation solution, hydrogen fuel cell vehicles have garnered considerable attention from the Chinese government. The authorities have introduced a series of supportive measures to encourage the research, development, production, and adoption of hydrogen energy vehicles. With the ongoing enhancement of hydrogen refuelling infrastructure and the continuous introduction of hydrogen fuel cell vehicle offerings by major manufacturers, the transportation sector's demand for hydrogen gas is poised for growth in China. By 2050, the projected hydrogen gas demand is anticipated to reach around 95.0 million tonnes, reflecting a CAGR of 3.6% from 2022 to 2050.

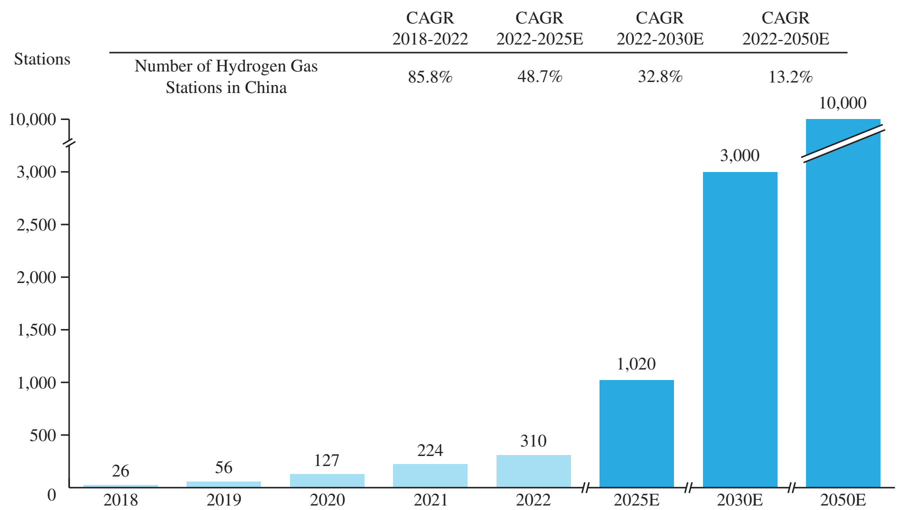
Production and Demand Volume of Hydrogen Gas (China), 2018-2050E



Source: (1) Frost & Sullivan Report, (2) China National Coal Association, (3) China Hydrogen Alliance, and (4) Interviews with industry experts by Frost & Sullivan.

The number hydrogen gas stations in China increased from 26 in 2018 to 310 in 2022, demonstrating a remarkable CAGR of 85.8%. With proactive efforts from industry leaders and robust governmental backing, the trajectory indicates that the number of hydrogen gas stations in China is poised to continue its steady expansion. The projection foresees China's hydrogen gas station count surpassing 1,000 by 2025, reaching 3,000 by 2030, and exceeding 10,000 by 2050. This extensive network will provide a robust foundation for the development of hydrogen fuel cell vehicles and will play a pivotal role in driving China's energy transformation and sustainable development.

Number of Hydrogen Gas Stations (China), 2018-2050E



Source: (1) Frost & Sullivan Report, and (2) Interviews with industry experts by Frost & Sullivan.

Analysis of Hydrogen Energy Market Drivers and Developing Trends

Favourable policies to support the development of hydrogen energy industry

To regulate and bolster the hydrogen fuel cell vehicle sector, the Chinese government has introduced a range of incentive policies in recent years. The "Notice on the Demonstrated Application of Fuel Cell Vehicles," (《關於開展燃料電池汽車示範應用的通知》) issued in September 2020, outlined guidelines for hydrogen fuel cell vehicle demonstration clusters. This policy rewarded eligible clusters for researching and demonstrating core technology, fostering a strategic model for hydrogen fuel cell vehicle development. Beijing-Tianjin-Hebei city cluster, Shanghai city cluster, Guangdong city cluster, Hebei city cluster, and Henan city cluster were approved as pilot demonstration city clusters since August 2021, each releasing their own implementation rules. The "Opinions of the Central Committee of the Communist Party of China and the State Council on Fully and Accurately Implementing the New Development Concept and Effectively Achieving Carbon Peaking and Carbon Neutrality", (《中共中央、國務院關於全面準確貫徹新發展理念切實實現碳達峰碳中和的意見》) issued in October 2021, called for the coordinated advancement of the complete hydrogen energy chain encompassing "production, transportation and storage". The document underscored the necessity of advancing the construction of hydrogen gas stations and large-scale implementation pertaining to hydrogen energy production, storage, and utilisation. In March 2022, the "Mid-to-long-term Plan for the Development of Hydrogen Energy Industry (2021-2035)" (《氫能產業發展中長期規劃(2021-2035年)》) provided a "1 + N" policy framework, clarifying strategic hydrogen energy positioning and key developmental tasks.

The Henan government also attached great importance on the development of the hydrogen energy industry. The Henan city cluster is one of such five demonstration city clusters with Zhengzhou city as the leading city. According to the "Implementation Plan for

Fuel Cell Demonstration Application in Zhengzhou City Cluster" (《鄭州城市群燃料電池示範應用實施方案》) and relevant requirements of the provincial government, during the four-year demonstration period, the Henan city cluster shall promote 4,445 fuel cell vehicles and construct 82 hydrogen gas stations, forming a complete industrial value chain. In April 2023, the "14th Five-Year Plan for the Development of New Energy and Renewable Energy in Henan Province" (《河南省新能源和可再生能源發展「十四五」規劃》) emphasized scientific hydrogen energy planning, competitive industry chain advantages, broadened application scenarios, and technological innovation. Such favourable policies propel China's hydrogen energy industry construction and commercial growth.

Cost advantage of hydrogen production industry in China

China is a significant global hydrogen producer, leveraging a cost advantage by deriving hydrogen from industrial by-products. These by-products involve extracting hydrogen from residues produced during various industrial processes. Sectors such as oil refining, chemicals, steel, and coal generate substantial amounts of these by-products. Utilising hydrogen from these by-products offers a cost-efficient solution. Chinese hydrogen producers can tap into these resources for hydrogen extraction, purification, and compression, thereby lowering production costs and boosting overall economic efficiency. In addition, at the same time, the process of extracting hydrogen from industrial by-products is relatively environmentally friendly as this process does not introduce other carbon sources except energy power, which dose not generate significant carbon emissions. In addition, the Chinese government actively encourages the development of hydrogen produced from industrial by-products. The "Mid-to-long-term Plan for the Development of Hydrogen Energy Industry (2021-2035)" (《氫能產業發展中長期規劃(2021-2035年)》) released in 2022 proposed to 1) establish a hydrogen energy supply system based on the nearby utilisation of industrial by-product hydrogen and renewable energy hydrogen production by 2025; and 2) encourage areas with coking industry clusters to give priority to utilising hydrogen produced from industrial by-products.

Continuous progress of commercialisation of hydrogen energy

Hydrogen energy industry grows rapidly, the scalability of hydrogen production facilities becomes prominent. Innovations in production technology, such as advanced water electrolysis, optimised steam reforming, and catalyst development, further enhances the environmental value of hydrogen energy. With the expansion of the hydrogen fuel cell vehicle market, hydrogen-related infrastructure will also continue to improve, especially hydrogen gas stations, which will continuously evolve to enhance efficiency, reduce refuelling time, and offer user convenience. The integration of evolving production technology, coordinated industry chain advancements, and improved infrastructure accelerates hydrogen energy's commercial progress. This enhanced infrastructure opens avenues for commercial applications, fostering sustainable growth in the hydrogen energy sector.

Continuing advances in hydrogen production, transportation and storage technologies

The ongoing evolution of the hydrogen economy is further propelled by continuing advancements in hydrogen production, transportation, and storage technologies. Grey hydrogen from traditional fossil fuels currently maintains its dominance, but a shift is taking place. Blue hydrogen, utilising CCUS technology, is emerging as a spotlight contender. Nonetheless, the promising path lies in green hydrogen, sourced from water electrolysis powered by renewables. This green variant benefits from both maturing technology and decreasing renewable costs. Looking ahead, the trajectory for low-carbon hydrogen is promising, with an expanding market presence. In the field of storage and transportation, with the further development of hydrogen storage technology, approaches such as multi-phase hydrogen storage and high-pressure hydrogen storage will be increasingly applied in the future. At present, China generally transports 35MPa high-pressure gaseous hydrogen by tube trailers. In the future, with the continuous growth of downstream demand for high-pressure hydrogen and the continuous advancement of hydrogen storage and transportation technology, gaseous storage and transportation technology above 70Mpa level as well as low-temperature liquid hydrogen storage may become the main mode of storage and transportation, and accelerate the penetration of hydrogen energy.

Analysis of Entry Barriers of the Hydrogen Energy Market

Technology barrier: The technology barriers within the hydrogen energy industry encompass various domains, spanning hydrogen production, storage, transportation, refuelling, application technology, and infrastructure construction. For instance, hydrogen's characteristics, such as its low density and high explosive nature, necessitate overcoming challenges in storage and transportation. Moreover, transmitting hydrogen through pipelines entails considerations like material selection and safety precautions, adding complexity to the equation. Consequently, the development of safer and more efficient hydrogen storage and transportation technologies poses a substantial barrier. Additionally, the versatile nature of hydrogen energy's applications across different fields demands constant technological innovation and adaptive development tailored to each specific domain. As a result, there exist technological barriers to enhancing the maturity and economic efficiency of hydrogen energy utilisation. For new entrants into the industry, challenges related to technology and experience may arise.

Capital barrier: The hydrogen Energy industry requires continuous technology R&D and innovation to improve key technologies such as production, storage, transportation and utilisation of hydrogen. These R&D activities require financial support, including setting up laboratories, hiring R&D personnel, purchasing equipment and materials, etc. In addition, the hydrogen energy industry requires the construction of sound infrastructure facilities, including hydrogen production equipment, storage and transmission equipment, hydrogen gas stations, etc. The construction of these infrastructure requires significant capital investment. In particular, the construction cost of hydrogen gas stations is relatively high, which involves the cost of land acquisition, equipment installation, safety supporting measures, etc. Large-scale production and commercialisation are subject to market risks and operational risks. New entrants do not have sufficient capital reserves, creating a capital barrier.

Production barrier: Hydrogen production requires a high level of technology and equipment, and different production methods require professional technology and equipment to achieve efficient and sustainable hydrogen production. These technologies and equipment may require significant investment and expertise in engineering. Besides, the production of hydrogen requires a corresponding supply of raw materials and it is a challenge to ensure the stability and sustainability of the supply of raw materials, especially in the face of competition or fluctuations in supply and demand. Some leading enterprises in the industry have the advantage of production cost by deploying the overall industrial chain and making use of their own industrial by-products to produce hydrogen. At the same time, through the close physical layout of the complete industrial chain, it forms a closed-loop business, which has the advantages of economies of scale and resource optimisation, and can effectively reduce production costs and improve competitive advantages.

Customer barrier: Leading hydrogen energy enterprises in the industry have established stable relationship and cooperation with customers in related industries such as large energy users and main manufacturers, and have good reputation and rich project experience. In addition, demand for hydrogen may vary between industries and customers. New entrants need to understand and meet the needs of different customers and provide customised solutions. This may require more resources and efforts, including technical adaptation, product customisation and marketing. At the same time, downstream customers have higher requirements for the stability and reliability of the supply of hydrogen energy and related products. The new entrants need to establish an efficient supply chain system to ensure timely supply and reliable quality of hydrogen to meet customer needs.

Analysis of Hydrogen Price and Hydrogen Gas Stations' Cost

The cost of hydrogen production in China is affected by factors such as raw material cost, energy cost, production equipment cost, transportation cost and carbon emission management cost. In 2022, according to different technology routes, the cost of hydrogen production is low for grey hydrogen, at RMB9-15/kg.

In terms of the price of hydrogen, since hydrogen in China is currently mainly grey hydrogen produced from industrial by-products, its price is affected by the price of fossil fuels such as coal. From 2018 to 2020, the ex-factory price of hydrogen in Henan Province was relatively stable, maintaining a level of around RMB13/kg. From 2021 to 2022, affected by the rise in coal prices, the ex-factory price of hydrogen has increased, reaching a level of about RMB17/kg. The ex-factory price of high-purity hydrogen is mainly affected by the demand in downstream markets such as hydrogen fuel cells. As the development of the hydrogen fuel cell vehicle market gradually takes off, the demand for high-purity hydrogen is gradually rising. In 2022, the ex-factory price of high-purity hydrogen in Henan Province was RMB23/kg.

Hydrogen gas station is an important infrastructure to ensure the operation of fuel cell vehicles. As the terminal of the entire hydrogen supply chain, its cost is also included in the cost of hydrogen used. The cost structure of hydrogen gas stations varies depending on factors such as land costs, equipment costs, operation model and technology.

In the future, with the industrialisation of the hydrogen energy industry and the advancement of hydrogen production, storage and transportation technology, the average retail price of high-purity hydrogen of hydrogen gas station in China is RMB40-70/kg (without subsidies) in 2022.

Competitive Landscape of the High-purity Hydrogen Gas Market in Henan Province

At present, due to technological and production constraints in obtaining high-purity hydrogen gas, as well as the early stage of development for hydrogen fuel cell vehicles and hydrogen gas stations in Henan province, the supply of high-purity hydrogen gas in the region was 10,700 tonnes in 2022. In the same year, there were 5-10 major suppliers of high-purity hydrogen gas in Henan province. These suppliers are primarily concentrated in the coking industry hub. They choose to produce hydrogen gas from crude coking coal gas, leveraging their regional context and industrial characteristics. This approach allows them to efficiently utilise abundant upstream crude coking coal gas, employing extraction and purification technologies to generate industrial-grade and high-purity hydrogen. Subsequently, they distribute these products to neighbouring chemical enterprises, new energy public transportation systems (hydrogen gas stations), power plants, and other downstream customers through pipelines and tube vehicles. In the coming years, as the hydrogen energy industry in Henan province advances and downstream demand for high-purity hydrogen gas increases, it is anticipated that high-purity hydrogen gas suppliers in Henan province will enhance their purification processes, expand production capacities, and forge closer collaborations with downstream customers. These collective efforts will drive the evolution of hydrogen energy infrastructure in Henan province and foster the practical application of hydrogen energy within diverse transportation sectors.

OVERVIEW

We are subject to regulatory requirements relating to the production and operation of gas and hazardous chemicals. In addition, the Company is also extensively regulated in many aspects, including foreign investment access, environmental protection, land, planning, engineering construction, fire prevention, occupational disease protection, labour and social security, taxation, foreign exchange, H Shares circulation, and overseas securities issuance and listing. This section sets out summaries of the principal PRC laws and regulations which we believe are relevant to our business and operations.

LAWS AND REGULATIONS RELATING TO THE PRODUCTION OF BENZENE-BASED CHEMICALS AND ENERGY PRODUCTS

According to the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》), which was promulgated by the State Council on January 26, 2002 and latest revised on December 7, 2013, hazardous chemicals refer to highly toxic chemicals and other chemicals that are toxic, corrosive, explosive, flammable or combustion-supporting and hazardous to the human body, facilities and environment. The PRC shall exercise control over the hazardous chemicals listed in the Catalogue of Hazardous Chemicals (《危險化學品目錄》). Benzene-based chemicals, LNG and hydrogen produced by us are hazardous chemicals. A hazardous chemical production enterprise shall obtain a work safety permit for hazardous chemicals in accordance with the provisions of the Regulations on Work Safety Permits (《安全生產許可證條例》) before commencing production. Enterprises that produce hazardous chemicals listed in the catalogue of industrial products subject to the production licencing system of the PRC shall obtain a production licence for industrial products in accordance with the PRC Administrative Measures on the Production Licenses of Industrial Products (《中華人民共和國工業產品生產許可證管理條例》). Enterprises engaged in the production of hazardous chemicals shall also register the hazardous chemicals with the institution responsible for the registration of hazardous chemicals.

In addition, according to the Interim Provisions on the Supervision and Administration of Major Hazardous Sources of Hazardous Chemicals (《危險化學品重大危險源監督管理暫行規定》), which was promulgated by the State Administration of Work Safety ("**SAWS**") on August 5, 2011 and amended on May 27, 2015, entities engaged in the production, storage, use and operation of hazardous chemicals (the "**Hazardous Chemicals Entities**") shall, in accordance with the standards of the Identification of Major Hazardous Sources of Hazardous Chemicals (《危險化學品重大危險源辨識》), identify major hazardous sources of the hazardous chemicals production, operation, storage and use devices, facilities or places of the Hazardous Chemicals Entities, and assess the level of major hazardous sources. Within 15 days after the completion of the safety assessment report or the safety evaluation report of major hazardous sources, the Hazardous Chemicals Entities shall submit the completed application form for the filing of major hazardous sources, together with the filing materials of major hazardous sources, to the production safety supervision and administration authority of the local people's government at the county level for filing.

Pursuant to the Administrative Regulations on Precursor Chemicals (《易制毒化學品管理條例》) promulgated by the State Council on August 26, 2005 and latest revised on September 18, 2018, the PRC implements a classified administration and licencing system for the production, operation, purchase, transportation, import and export of precursor chemicals. Precursor chemicals are classified into three categories. The first category is the main raw material that can be used for drug production, and the second and third categories are the chemical preparations that can be used for drug production. The toluene we produce is a precursor chemical falling within the scope of the third category. Enterprises producing precursor chemicals falling within the scope of the third category shall, within 30 days from the date of production, file the type and quantity of the products produced with the work safety supervision and administration authority of the people's government of the city with districts where they are located.

LAWS AND REGULATIONS RELATING TO GAS OPERATION

According to the Regulations on the Administration of Urban Gas (《城鎮燃氣管理條例》) promulgated by the State Council on November 19, 2010 and revised on February 6, 2016, gas refers to gas fuel used as fuel and meets certain requirements, including natural gas (including coal-bed methane), liquefied petroleum gas and artificial gas. The competent construction authority of the State Council is responsible for the administration of gas nationwide, while the gas administrative authority of the local people's government at or above the county level is responsible for the administration of gas within its own administrative region. The PRC implements a licence system for gas operations and prohibits individuals from engaging in piped gas operations. Enterprises that meet the requirements of the Regulations on the Administration of Urban Gas shall obtain a gas operation licence from the gas administration authority of the people's government at or above the county level. Production and import of natural gas and liquefied petroleum gas, transmission of natural gas by pipelines other than urban gas stations, use of gas as raw materials for industrial production, production and use of biogas and straw gas are not subject to this regulation.

As for the pricing method of gas, the Regulations on the Administration of Urban Gas stipulate that the selling price of gas shall be reasonably determined and adjusted in a timely manner on the basis of the cost of purchase of gas, operating cost and the level of local economic and social development. The price administrative authority of the local people's government at or above the county level shall seek the opinions of the users of piped gas, the operators of piped gas and the relevant parties when determining and adjusting the selling price of piped gas.

As for the construction and operation of hydrogen gas stations, the PRC has not yet formulated a unified management method. According to the Interim Measures for the Administration of Automobile Hydrogen Gas Stations in Zhengzhou (《鄭州市汽車加氫站管理暫行辦法》) promulgated by the Municipal People's Government of Zhengzhou on July 15, 2022, the competent authority of urban gas in Zhengzhou is responsible for the supervision and management of the city's automobile hydrogen gas stations. The management committees of development zones in Zhengzhou, the people's governments of districts and counties and their competent authorities of urban gas are responsible for the management of automobile hydrogen gas stations in their respective administrative regions. The operation of automobile hydrogen gas stations is governed by the licencing system in accordance with the Regulations on the Administration of Urban Gas. Enterprises engaged in the operation of automobile hydrogen refuelling stations are required to obtain a gas operation license (automobile gas stations < hydrogen >). In order to apply for the gas operation license, the hydrogen gas station to be constructed by the enterprise shall comply with the development plan of the automobile hydrogen gas station in the region where it is located, and the enterprise shall meet the following conditions, including but not limited to: (1) it shall have stable hydrogen gas sources that meet national standards; (2) it shall in possession of enterprise business licence and gas cylinder filling license; (3) it shall have a fixed place of business and office premises that meet fire and other safety conditions; (4) facilities for hydrogen transmission and distribution, storage, filling and supply are in compliance with relevant national standards and fire safety requirements; (5) it shall have a sound management system and safety management system; (6) it shall have a sound emergency plan for safety accidents; and (7) there are emergency rescue organisations and emergency repair personnel, instruments, equipment and transportation vehicles suitable for the scale of hydrogen refuelling.

According to the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) promulgated by the State Council on March 11, 2003 and revised on January 24, 2009, the entity of filling mobile pressure vessels and gas cylinders shall be licenced by the special equipment safety supervision and administration authority of the province, autonomous region or municipality directly under the central government of the PRC before engaging in filling activities. In order to obtain the filling license, the entity shall meet the statutory conditions in terms of personnel, filling equipment, testing methods, premises and plants, safety facilities, management systems, etc.

LAWS AND REGULATIONS RELATING TO REFINED OIL OPERATION

According to the Measures for the Administration of the Refined Oil Market (《成品油市場管理辦法》) promulgated by the Ministry of Commerce of the PRC ("**MOFCOM**") on December 4, 2006 and invalidated on July 1, 2020, the PRC implements a licencing system for refined oil operations. Enterprises applying for the qualification of retail operation of refined oil shall apply to the competent commerce authority of the people's government at the municipal level (cities with districts, the same hereinafter) of the place where they are located. After the examination by the competent commerce authority of the people's government at the municipal level, the authority shall report to the competent commerce authority of the people's government at the provincial level to decide whether to grant the retail business licence of refined oil. On December 3, 2019, the MOFCOM issued the Circular of Improving the Reform of the Management of the "Delegating Power, Delegating Control and Providing Services" to the Circulation of Refined Petroleum (《關於做好石油成品油流通管理"放管服"改革工作的通知》) (the "**Circular**"). The Circular provides that the approval and management of the retail business qualification of refined oil shall be transferred to the municipal people's government, and the municipal people's government shall determine the specific implementation authority, which shall be responsible for the approval and industry management.

Refined oil is also a hazardous chemical. According to the Administrative Measures on Operating Permits for Hazardous Chemicals (《危險化學品經營許可證管理辦法》) promulgated by the SAWS on July 17, 2012 and amended on May 27, 2015, the PRC implements a licencing system for the operation of hazardous chemicals, including storage operation. No entity or individual is allowed to operate hazardous chemicals without a license. Prior to obtaining the licence, hazardous chemical operation enterprises must meet all statutory conditions in terms of business premises, personnel training, rules and regulations, emergency plans and rescue equipment.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT ACCESS

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), promulgated by the National People's Congress ("**NPC**") on March 15, 2019 and implemented on January 1, 2020, establishes the management system of pre-access national treatment and negative list for foreign investment in the PRC. "Pre-access national treatment" refers to the treatment given to foreign investors and their investments at the stage of investment access not lower than that given to domestic investors and their investments; "negative list" refers to the special administrative measures for access of foreign investment in specific fields as prescribed by the PRC; the PRC gives national treatment to foreign investment outside the negative list. In addition, the Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020, further stipulates that the PRC shall, according to the needs of national economic and social development, formulate a catalogue of encouraged foreign-invested industries, and specify the specific industries, fields and regions in which foreign investors are encouraged and guided to invest.

Currently, the investment activities of foreign investors within the territory of the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》)(the "**Negative List**") and the Catalogue of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraged Catalogue**") promulgated by the MOFCOM and the National Development and Reform Commission in 2022. Our "hydrogen production from chemical by-products" and "construction and future operation of hydrogen gas stations" fall within the scope of the "Encouraged Catalogue" and are encouraged by the PRC government; other businesses that we are currently engaged in do not fall within the scope of the "Negative List" and are not subject to investment restrictions.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental protection for construction projects

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the National People's Congress ("**NPC Standing Committee**") on October 28, 2002 and latest amended on December 29, 2018, the PRC implements classified management according to the degree of impact of construction projects on the environment. For construction projects that may cause significant environmental impact, the construction entity is required to prepare an environmental impact report; for construction projects that may cause slight environmental impact, the construction entity is required to prepare an environmental impact report form; for construction projects that have small environmental impact and do not require environmental impact assessment, the construction entity shall fill in an environmental impact registration form.

Pursuant to the Administrative Regulations on Environmental Protection for Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and revised on July 16, 2017, for a construction project that requires the preparation of an environmental impact report or an environmental impact report form, the construction entity shall submit the environmental impact report or an environmental impact report form to the competent environmental protection administrative authority with the power for examination and approval before the commencement of construction, and upon the completion of the construction project, the construction entity shall inspect the environmental protection facilities ancillary to the construction project and prepare an acceptance report. A construction project shall not be put into operation or use if the environmental protection facilities have not been inspected or accepted.

Pollutant discharge permits

According to the Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (《固定污染源排污許可分類管理名錄》) promulgated by the Ministry of Ecology and Environment on December 20, 2019 and came into effect on the same day, the PRC implements key management, simplified management and registration management of pollutant discharge permits based on factors such as the amount of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment of the pollutant discharging entities. For pollutant discharging entities subject to registration management, applications for pollutant discharge permits are not required.

According to the Regulations on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》), which was promulgated by the State Council on January 24, 2021 and came into effect on March 1, 2021, enterprises and other production operators that implement pollutant discharge licencing management (the "**pollutant discharging entities**") shall apply for pollutant discharge permits, and shall not discharge pollutants without obtaining the pollutant discharge permits. Pollutant discharging entities are classified into key management and simplified management according to the amount of pollutants discharged and the degree of impact on the environment. The pollutant discharge permit is valid for five years. If a pollutant discharging entity intends to continue to discharge pollutants, it shall submit an application for renewal to the approving authority 60 days before the expiration of the pollutant discharge permit.

LAWS AND REGULATIONS RELATING TO LAND, PLANNING AND ENGINEERING CONSTRUCTION

Land

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the NPC Standing Committee on June 25, 1986 and latest amended on August 26, 2019, and the Regulations for the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on December 27, 1998 and latest revised on July 2, 2021, the land of the PRC is either State-owned or collectively-owned. Except for land which is legally owned by the State or has been expropriated as State-owned according to law, all of which is collectively-owned. The State-owned land use rights may be used by third parties through grant, allocation, lease, capital contribution and other forms. Third parties who have obtained the State-owned land use rights may legally use, profit from and dispose of the State-owned land use rights within the statutory use term and planned use scope. When a construction project requires the temporary use of State-owned or collectively-owned land, it shall be approved by the competent authority of natural resources of the people's government at or above the county level, and the land user shall sign a contract on the temporary use of land with the competent authority of natural resources or rural collective economic organisations or villagers' committees according to the ownership of the land and pay land compensation as agreed in the contract. Permanent buildings cannot be built on the land for temporary use, and the term of use of the land shall generally not exceed two years.

Planning

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the NPC Standing Committee on October 28, 2007 and latest amended on April 23, 2019, if the construction of buildings, structures, roads, pipelines and other projects is carried out in the planning area of a city or a town, the construction entity or individual shall apply to the competent authority of urban and rural planning of the people's government of the city or county or the people's government of the town as determined by the people's government of the province, autonomous region or municipality directly under the central government of the PRC for a construction project planning permit. Where the construction of township enterprises, rural public facilities and public welfare undertakings is carried out in the planning area of a town or a village, the construction entity or individual shall apply to the people's government of the town, and the people's government of the town shall report to the competent authority of urban and rural planning of the people's government of the city or county for examination and issuance of a rural construction planning permit. The construction entity shall carry out the construction in accordance with the planning conditions and submit the relevant completion acceptance information to the urban and rural planning authority within six months after the completion acceptance.

Engineering construction

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the NPC Standing Committee on November 1, 1997 and latest amended on April 23, 2019, prior to the commencement of construction work, the construction entity shall apply to the construction administrative authority of the people's government at or above the county level where the project is located for a construction permit in accordance with the relevant provisions of the State, except for small-scale projects under the quota as determined by the construction administrative authority. A construction project shall be delivered for use only after it has passed the acceptance examination. A construction project shall not be delivered for use without acceptance or with unqualified acceptance.

LAWS AND REGULATIONS RELATING TO FIRE PREVENTION

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "**Fire Prevention Law**"), which was promulgated by the NPC Standing Committee on April 29, 1998 and latest amended on April 29, 2021, the fire protection design or construction of a construction project must conform to the national fire protection technical standards. For special construction projects stipulated by the housing and urban-rural development authorities, the construction entity shall submit the fire protection design documents to the housing and urban-rural development authorities for review; for other construction projects, when applying for the construction permit or applying for the approval of the construction commencement report, the construction entity shall provide fire protection design drawings and technical materials that meet the construction needs. According to the requirements of the Fire Prevention Law, the Ministry of Housing and Urban-Rural Development of the PRC issued the Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) on April 1, 2020, and further clarified that the fire protection design review and fire protection acceptance system shall be implemented for special construction projects, while the fire protection acceptance filing spot check system shall be implemented for other construction projects.

LAWS AND REGULATIONS RELATING TO OCCUPATIONAL DISEASES

According to the Law on the Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》) promulgated by the NPC Standing Committee on October 27, 2001 and latest amended on December 29, 2018, employers shall establish and improve the responsibility system for the prevention and control of occupational diseases, strengthen the management of the prevention and control of occupational diseases, improve the level of prevention and control of occupational diseases, and assume responsibility for the harm of occupational diseases generated by their entities. In addition, according to the Provisions on the Administration of Occupational Health at Work Sites (《工作場所職業衛生管理規定》) promulgated by the National Health Commission on December 31, 2020, for construction projects newly built, reconstructed or expanded, technical transformation and technology introduction projects that may cause occupational disease hazards, the construction entity shall conduct pre-evaluation of occupational disease hazards, design of occupational disease protection facilities, evaluation of the control effect of occupational disease hazards and corresponding review in accordance with the national regulations on the supervision and management of occupational disease protection facilities for construction projects, namely "simultaneous design, construction, production and use", and organise the acceptance of occupational disease protection facilities.

LAWS AND REGULATIONS ON LABOUR AND SOCIAL SECURITY

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》) promulgated by the NPC Standing Committee on July 5, 1994 and latest amended on December 29, 2018, and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the NPC Standing Committee on June 29, 2007 and amended on December 28, 2012, labour contracts in written form shall be executed to establish labour relationships between employers and employees. Employees are entitled to equal employment, choice of occupation, labour remuneration, rest and vacation, labour safety and health protection, vocational skills training, social insurance and benefits, and labour dispute resolution.

Meanwhile, according to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》 promulgated by the NPC Standing Committee on October 28, 2010 and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and revised on March 24, 2019, and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and latest revised on March 24, 2019, an employer shall open a social insurance account and a housing provident fund account within 30 days from the date of its employment and shall pay basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and a housing provident fund for its employees. An employer who fails to contribute may be fined and ordered to make up the deficit within a stipulated time limit.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise income tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**") promulgated by the NPC on March 16, 2007 and latest amended on December 29, 2018, a domestic enterprise established within the territory of the PRC or established under the laws of a foreign country (region) but with an actual management entity located within the territory of the PRC, is considered a resident enterprise. A resident enterprise shall pay enterprise income tax at the rate of 25% on its income deriving from both inside and outside the territory of the PRC. The State will give preferential treatment of enterprise income tax to industries and projects that are supported and encouraged for development. High and new technology enterprises are entitled to a preferential enterprise income tax rate of 15%.

Pursuant to the EIT Law and the Notice of the MOF and the SAT on the Issues Concerning the Implementation of the Catalogue of Resources for Comprehensive Utilisation Entitling Enterprises to Income Tax Preferences (《財政部、國家稅務總局關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》), where an enterprise utilising the resources as listed in the Catalogue of Resources for Comprehensive Utilisation Entitling Enterprises to Income Tax Preferences (資源綜合利用企業所得稅優惠目錄) (the "**Catalogue**") as its major raw materials and its income derived from the production of products within the Catalogue in compliance with the relevant state or industrial standards, only 90% of the income derived therefrom shall be accounted for as taxable income of the enterprise in that year.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and latest revised on November 19, 2017, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairs and replacement services, the sale of services, intangible assets, immovables and the importation of goods within the territory of the PRC are taxpayers of value-added tax, and shall pay value-added tax in accordance with the provisions of these Regulations. The VAT rates are 17%, 11%, 6% and 0% respectively. The VAT rate for small-scale taxpayers is 3%, unless otherwise stipulated by the State Council. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) jointly promulgated by the Ministry of Finance and the State Administration of Taxation on 4 April 2018, the VAT rates of 17% and 11% originally applicable shall be adjusted to 16% and 10% respectively from May 1, 2018. According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on March 20, 2019, from April 1, 2019, the VAT rate of 16% originally applicable shall be adjusted to 13%, and the VAT rate of 10% originally applicable shall be adjusted to 9%.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996 and latest amended on August 5, 2008, is currently the principal foreign exchange control regulation of the PRC. This regulation applies to the foreign exchange receipts and payments and foreign exchange operations of domestic institutions and individuals of the PRC, as well as the foreign exchange receipts and payments and foreign exchange operations of overseas institutions and individuals of the PRC. Under this regulation, Renminbi is generally freely convertible for current accounts, such as trade in goods, trade in services and payment of gains, but not freely convertible for capital accounts, such as equity investments, loans, investment in securities, unless prior approval or registration is obtained.

The Circular on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated by the State Administration of Foreign Exchange ("**SAFE**") on December 26, 2014, is currently the principal foreign exchange administration regulation of the PRC. According to the Circular, a domestic enterprise shall, within 15 working days after the completion of the issuance of the overseas listing, register the overseas listing with the Foreign Exchange Bureau at the place where it is registered. The proceeds from the issuance of overseas listing by a domestic company may be remitted to the corresponding domestic account or deposited in an overseas account, and the use of the proceeds shall be consistent with the content of the prospectus and other public disclosure documents.

Pursuant to the Notice of the SAFE on Reforming and Regulating the Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE on June 9, 2016, income of the foreign exchange under the capital account that is subject to discretionary settlement (including foreign exchange capital, foreign debts and funds repatriated from overseas listing, etc.) may handle foreign exchange settlement at banks based on the actual business needs of the domestic institutions. The proportion of discretional foreign exchange settlement of income under the capital account of a domestic institution is temporarily determined as 100%. The SAFE may adjust the above ratio in a timely manner based on international balance of payments.

According to the Notice of the SAFE on Optimising Foreign Exchange Administration to Support Foreign Business Development (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated by the SAFE on April 10, 2020, qualified enterprises are allowed to make domestic payments by using income under capital accounts such as capital funds, foreign debts and overseas listing, without the need to provide proof of authenticity to the banks in advance on a case-by-case basis, provided that the use of funds is authentic and in compliance with regulations and the current requirements for the administration of the use of income under capital accounts. The relevant banks conduct post-transaction spot checks on such businesses in accordance with relevant requirements.

LAWS, REGULATIONS ON CIRCULATION OF H SHARES

"Full circulation" refers to the listing and circulation of the unlisted domestic shares of an H-share company (including the unlisted domestic shares held by domestic shareholders before overseas listing, the unlisted domestic shares issued in the PRC after overseas listing and the unlisted shares held by foreign shareholders) on the stock exchange. On November 14, 2019, the China Securities Regulatory Commission ("**CSRC**") issued the Guidelines on Applying for "Full Circulation" of Unlisted Domestic Shares of H-Share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) (the "**Guidelines**"). According to the Guidelines, shareholders of unlisted domestic shares can independently negotiate to determine the number and proportion of shares to apply for circulation, and entrust H-share companies to submit an application for "full circulation", subject to compliance with relevant laws and regulations as well as policy requirements on State-owned asset management, foreign investment and industry supervision.

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures for Overseas Listing**") issued by the CSRC on February 17, 2023 and relevant guidelines, where a domestic company directly issues and lists its securities overseas, shareholders holding its unlisted domestic shares are allowed to, after filing, convert the above-mentioned shares into overseas listed shares in accordance with the law and listed and circulated in overseas trading venues. When a domestic company submits an application to the CSRC for record of direct overseas issuance and listing, it may submit an application for "full circulation" at the same time.

LAWS AND REGULATIONS RELATING TO OVERSEAS SECURITIES ISSUANCE AND LISTING

The CSRC issued the CSRC Filing Rules on February 17, 2023. The CSRC Filing Rules are effective from March 31, 2023. This marks the completion of a comprehensive reform of the regulatory system for the direct or indirect issuance of securities by domestic companies in overseas markets and the listing and trading of their securities in overseas markets.

According to the Trial Measures for Overseas Listing, domestic companies seeking to issue and list securities in overseas markets directly or indirectly should fulfil the filing procedures and report relevant information to the CSRC. A domestic company is not allowed to issue and list securities overseas if it has any of the following circumstances: (1) the listing and financing of which is expressly prohibited by PRC laws, administrative regulations or relevant provisions; (2) the competent authorities of the State Council have determined, in accordance with the law, that the overseas issuance and listing of such domestic company may jeopardise national security; (3) the domestic company or its controlling shareholders and de facto controllers have committed any criminal acts of corruption, bribery, misappropriation of property, misappropriation of property and disrupting the order of socialism in the last three years; (4) the domestic company is currently under investigation for suspected criminal offenses or major violations of laws and regulations and no conclusion has yet been reached; or (5) there is a major ownership dispute in respect of the shareholdings held by the controlling shareholders of the domestic company or other shareholders controlled by the controlling shareholders and/or de facto controllers.

As advised by our PRC Legal Advisers, we are not prohibited from securities offering and listing overseas according to the Trial Measures for Overseas Listing. In addition, for an initial public offering or listing in an overseas market, the domestic issuer shall submit the filing documents to the CSRC within three working days after such application of overseas offering and listing is submitted. Our filing application made pursuant to the Trial Measures for Overseas Listing was accepted by the CSRC on 5 September 2023, and the CSRC issued the notification of completion of the filing procedures on 20 October 2023 in connection with the Global Offering and the submission of the application to list our H Shares on the Stock Exchange in accordance with the Trial Measures for Overseas Listing.

According to the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) jointly promulgated by the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023 and came into effect on March 31, 2023, where a domestic company provides or publicly discloses any files or materials involving state secrets or work secrets of state agencies to the relevant securities companies, securities service agencies, overseas regulatory agencies and other entities and individuals, or provides or publicly discloses any files or materials involving state secrets or work secrets of state agencies through their overseas listing entities, it shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level. Where a domestic company provides securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals with accounting files or copies of accounting files, it shall perform corresponding procedures in accordance with relevant regulations of the State. The working papers formed in the Chinese mainland by securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic companies shall be retained in the Chinese mainland. Where such documents need to be transferred or transmitted to outside the Chinese mainland, the approval procedure shall be carried out in accordance with the relevant regulations of the State.

LAWS AND REGULATIONS RELATING TO CYBERSECURITY AND DATA PROTECTION

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**") promulgated by the NPC Standing Committee on November 7, 2016 and implemented on June 1, 2017, the PRC implemented the cybersecurity classified protection regime. Network operators shall fulfil cybersecurity protection-related obligations; protect their networks against disruption, damage or unauthorized access; and prevent data leakage, theft or tampering based on the requirements under the cybersecurity classified protection regime. When an event occurs in relation to data security, network operators shall notify the person whose data has been collected and report to the relevant competent authorities in a timely manner. Besides, the collection and use of personal information shall be conducted in a legal, proper and open manner with the consent of the individual, and the rules, purpose, method and scope of the use of personal information must be expressly specified by network operators.

After the promulgation of the Cybersecurity Law, on May 2, 2017, the CAC issued the Measures for Security Reviews of Network Products and Services (Trial) (《網絡產品和服務安全審查辦法(試行)》), which was subsequently replaced by the Cybersecurity Review

Measures (2020) (《網絡安全審查辦法(2020)》) (the "**Cybersecurity Review Measures (2020)**"). The Cybersecurity Review Measures (2020) was issued by the CAC and other relevant administrative departments jointly on April 13, 2020 and became effective on June 1, 2020.

On June 10, 2021, the NPC Standing Committee promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**"), which came into effect on September 1, 2021. The Data Security Law mainly sets out specific provisions on the establishment of a basic system for data security management, including data categorization and classification management system, risk assessment system, monitoring and warning mechanism and emergency response mechanism. In addition, it also clarifies the data security protection obligations of organizations and individuals that carry out data activities and implement data security protection responsibilities.

On August 20, 2021, the NPC Standing Committee promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which came into effect on November 1, 2021 and is an improvement to PRC legal system in respect of privacy protection. The Personal Information Protection Law is applicable to: (i) activities of processing personal information in China's mainland; (ii) activities of processing domestic personal information outside China's mainland for the purpose of providing products or services to domestic individuals as well as analysing or evaluating the conduct of domestic individuals.

Recent Regulatory Developments Relating to Cybersecurity and Data Protection

On 28 December 2021, the Cyberspace Administration of China (the "**CAC**"), the CSRC and other relevant administrative departments jointly issued the Cybersecurity Review Measures (2021) (《網絡安全審查辦法(2021)》) (the "**Cybersecurity Review Measures (2021)**"), which became effective on 15 February 2022 and replaced the above-mentioned Cybersecurity Review Measures (2020). The Cybersecurity Review Measures (2021) provides that a critical information infrastructure operator purchasing network products and services and network platform operators carrying out data processing activities which affect or may affect national security, and a network platform operator with more than one million users' personal information aiming to list overseas must apply for cybersecurity review. In addition, the relevant PRC governmental authorities have discretion to initiate cybersecurity review if they determine certain data processing activities affect or may affect national security.

On 14 November 2021, the CAC published the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Regulations**"), which covers a wide range of cyber data security issues and applies to not only the data processing activities using the internet in Mainland China and the supervision and management of data security, but also overseas processing activities of data from individuals and organisations in Mainland China prescribed by the Draft Regulations. It was reiterated in the Draft Regulations that a data processing operator with more than one million users' personal information aiming to list overseas must apply for cybersecurity review. In addition, the Draft Regulations further stipulates that an application for cybersecurity review shall be made by a data processing operator if it (i) is a network platform operator which is in possession of information related to national safety, economic development and public interests which is undergoing merger, restructuring or separation or otherwise affect or might affect national security; (ii) is contemplating a listing in Hong Kong and will or might affect national security; and (iii) is undertaking any data processing activities which will or might affect national security.

Save for cybersecurity review, it sets out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of network platform operators, supervision and management, and legal liabilities. Major aspects of the Draft Regulations have been covered by the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》) and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》).

As advised by our PRC Legal Advisers, as (i) the Group is neither a critical information infrastructure operator nor network platform operator; (ii) the Group does not handle personal information of more than one million users; and (iii) the Group does not involve in data processing activities which may affect national security, according to the Cybersecurity Review Measures (2021) and the Draft Regulations (shall it be if it is formally promulgated and put into effect, same to the below), our Listing is not subject to cybersecurity review.

We have, in accordance with the relevant laws and regulations on cybersecurity, data and personal information protection of the PRC, taken corresponding measures to ensure safety of data collection, processing, storage, use, transmission and elimination in the operation and management of the Group and prevent unauthorized or illegal access or use of data. Our PRC Legal Advisers are of the view that we have not violated the relevant provisions of the Cybersecurity Review Measures (2021) and the Draft Regulations in material and substantive aspects, and the Cybersecurity Review Measures (2021) and the Draft Regulations would not have a material adverse impact on the Group's business operations, financial conditions or the proposed Listing. Considering that the legislation, enforcement and judicial system on data protection and cybersecurity in the PRC are still under development, we will closely monitor future regulatory developments and take appropriate measures in a timely manner.

OVERVIEW

We are a supplier of hydrogenated benzene-based chemicals and energy products in Henan province, primarily focusing on the production and processing of (i) hydrogenated benzene-based chemicals, which principally include pure benzene, toluene and xylene; and (ii) energy products comprising LNG and coal gas. Our history can be traced back to November 2012 when our Predecessor was established as a limited liability company in the PRC to principally engage in the processing of crude benzene and the production and sale of hydrogenated benzene-based chemicals.

In May 2014, the Jinma Group and Luoyang Refinery set up a joint venture company, Jinjiang Refinery, a company principally engaged in the production and sale of hydrogen. As part of the Reorganisation, Jinma Energy transferred its equity interest in Jinjiang Refinery to Jinma Qingneng, our wholly-owned subsidiary. Our cooperation with Jinjiang Refinery in the production of hydrogen is one of the cornerstones of our future plans for our hydrogen business.

Over the years of development, we have built up a robust product portfolio covering key types of hydrogenated benzene-based chemicals mainly including pure benzene, toluene and xylene, and energy products comprising LNG and coal gas. According to Frost & Sullivan, based on the revenue in 2022, we were (i) the largest pure benzene supplier in Henan province with a market share of 18.6%, with the market size of pure benzene in Henan province accounting for 3.4% of the market share in China, and (ii) the third largest LNG supplier in Henan province with a market share of 4.9%, with the market size of LNG in Henan province accounting for 1.8% of the market share in China. Our stable business operation and proven track record have enabled us to continuously expand our production capacity for different quality hydrogenated benzene-based chemicals and energy products and to pursue our hydrogen business.

BUSINESS MILESTONES

The following is a summary of our key business development and milestones:

Date	Event
November 2012	Our Predecessor was established
February 2013	We commenced the processing of hydrogenated benzene-based chemicals with an annual processing capacity of approximately 96,900 tonnes
May 2014	Shanghai Jinma established a joint venture company, Jinjiang Refinery, a company principally engaged in the production and sale of hydrogen

Date	Event
May 2016	Jinrui Energy was established to principally engage in the production and sale LNG, and Jinrui Gas was established to principally engage in the sale of LNG
December 2016	Jinma Energy acquired 51% equity interest in Jinning Energy, a company principally engaged in the processing and sale of coal gas
March 2018	We commenced the production of LNG with an annual production capacity of 100 million m^3 (equivalent to approximately 72,000 tonnes)
March 2020	Our annual processing capacity of hydrogenated benzene-based chemicals was increased to approximately 200,000 tonnes (measured in terms of the processing capacity of crude benzene) following the upgrade and enhancement of equipment and technology
September 2021	We invested in the expansion of annual production capacity of hydrogenated benzene-based chemicals of 200,000 tonnes (measured in terms of the processing capacity of crude benzene). Following such expansion, our annual production capacity of hydrogenated benzene-based chemicals is expected to reach 400,000 tonnes (measured in terms of the processing capacity of crude benzene)
April 2023	We completed construction of a gas station with hydrogen refuelling facilities in Jiyuan High-Tech Industrial Chemical Park, with a designed refuelling capacity of 1,000 kg of hydrogen per 12 hours and constructed refuelling capacity of 500 kg of hydrogen per 12 hours
September 2023	We completed construction of hydrogen filling facilities with a filling capacity of 6,000 m^3 per hour
October 2023	We commenced trial production of our expanded production capacity of hydrogenated benzene-based chemicals which reached a total of 400,000 tonnes (measured in terms of the processing capacity of crude benzene)

Date	Event
October 2023	We completed construction of a gas station with hydrogen refuelling facilities in Zhengzhou High-Tech Industrial Development Zone, with a designed refuelling capacity of 4,000 kg of hydrogen per 12 hours and constructed refuelling capacity of 2,000 kg of hydrogen per 12 hours

CORPORATE HISTORY

Our Predecessor and Our Company

Our Company was formed through the conversion of our Predecessor into a joint stock company with limited liability on 28 July 2023.

Our Predecessor was established as a limited liability company in the PRC on 23 November 2012 with an initial registered capital of RMB100 million and was owned as to 40.5% by Jinma HK, 36% by Maanshan Steel, 13.5% by Jiangxi PXSteel and 10% by Jinma Xingye, respectively.

On 18 May 2015, Jinma Energy entered into an equity transfer agreement with Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye to acquire 40.5%, 36%, 13.5% and 10% of the registered capital of our Predecessor from Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye, respectively. The total consideration was RMB104.51 million and was determined with reference to independent valuation. Such consideration was settled by Jinma Energy increasing its registered capital and issuing such capital pro-rata to Jinma HK, Maanshan Steel, Jiangxi PXSteel and Jinma Xingye, respectively. Upon completion of the acquisition on 26 May 2015, Jinma Energy became the sole shareholder of our Predecessor.

On 9 June 2023, for the proposed Listing and to fulfil the requirements of the relevant PRC laws and requirements, Jinma Energy entered into an equity transfer agreement with Shanghai Jinma for the sale of 1% equity interest in our Predecessor to Shanghai Jinma at the consideration of RMB3.5 million. The consideration was determined with reference to the net asset value of our Predecessor as at 31 May 2023. Following the completion of the equity transfer on 14 June 2023, our Predecessor was held as to 99% by Jinma Energy and 1% by Shanghai Jinma.

On 28 July 2023, our Company was converted from a limited liability company into a joint stock company. With reference to the audited net asset value of our Predecessor as at 31 May 2023, our share capital was increased from RMB100 million to RMB335 million, divided into 335,000,000 Shares at a par value of RMB1.00. Immediately after the completion of the Reorganisation as set out in "– Reorganisation" below, our share capital was increased to RMB716,730,000, divided into 716,730,000 Shares at a par value of RMB1.00, and our Company was owned as to 99.53% by Jinma Energy and 0.47% by Shanghai Jinma.

Our Group is principally engaged in the production, processing and sale of (i) hydrogenated benzene-based chemicals, principally including pure benzene, toluene and xylene; and (ii) energy products, comprising LNG and coal gas, as more particularly detailed in "Business" in this prospectus.

Our Subsidiaries and Joint Venture Company

Our Subsidiaries

Jinrui Energy

Jinrui Energy was established on 24 May 2016 in the PRC, with an initial registered capital of RMB51 million and Jinma Energy was its sole equity holder.

On 12 December 2016, Jinma Energy entered into a capital increase agreement with Sichuan Kongfen Equipment (Group) Co., Ltd.* (四川空分設備(集團)有限責任公司) ("**Sichuan Kongfen**") and Zhengzhou Fuxiang Vehicle Sales Services Co., Ltd.* (鄭州福祥汽車銷售服務有限公司) ("**Zhengzhou Fuxiang**") for the increase of capital of Jinrui Energy. Following the completion on 29 December 2016, Jinrui Energy became Jinma Energy's non-wholly-owned subsidiary with a registered capital increased to RMB100 million, and was owned as to 71% by Jinma Energy, 19% by Sichuan Kongfen and 10% by Zhengzhou Fuxiang. Other than being holders of certain interest in Jinrui Energy, Sichuan Kongfen and Zhengzhou Fuxiang were Independent Third Parties.

On 5 November 2021, Sichuan Kongfen entered into an equity transfer agreement with Jiyuan Jintai Energy Technology Co., Ltd.* (濟源金泰能源科技有限公司) ("**Jintai Energy**"), being an Independent Third Party, to transfer the 19% equity interest in Jinrui Energy to Jintai Energy at a consideration of RMB20 million. Following the completion of the equity transfer on 5 November 2021, Jinrui Energy was owned to 71% by Jinma Energy, 19% by Jintai Energy, and 10% by Zhengzhou Fuxiang.

On 16 May 2022, Zhengzhou Fuxiang entered into an equity transfer agreement with Yugang Coking to transfer the 10% equity interest in Jinrui Energy to Yugang Coking at the consideration of RMB12 million. Following the completion of the equity transfer on 16 May 2022, Jinrui Energy was owned as to 71% by Jinma Energy, 19% by Jintai Energy, and 10% by Yugang Coking.

On 26 June 2023, as part of the Reorganisation, our Predecessor entered into an equity transfer agreement with Yugang Coking to acquire the 10% equity interest in Jinrui Energy from Yugang Coking at a consideration of RMB20 million. Such consideration was determined with reference to the unaudited net asset value of Jinrui Energy as at 31 May 2023. Following the completion of the relevant registration procedures of such equity transfer on 14 August 2023 and immediately before the Global Offering, Jinrui Energy was held as to 81% by our

Company and 19% by Jintai Energy. For details of such acquisition, please see "– Reorganisation – 2. Acquisition of 10% equity interest in Jinrui Energy from Yugang Coking and injection of the equity interests in Jinrui Energy and Jinning Energy by Jinma Energy into the Company" in this section.

On 12 August 2023, Jinma Energy and our Company entered into equity transfer agreements, pursuant to which Jinma Energy agreed to transfer its respective equity interests in Jinrui Energy and Jinning Energy to our Company at a total consideration of RMB201,061,043, which was determined with reference to the respective carrying value of the long term investments of Jinrui Energy and Jinning Energy as of 31 May 2023 in Jinma Energy's accounts. Such consideration was settled by our Company issuing and Jinma Energy subscribing for new Shares, and the accounting of a contribution by Jinma Energy to the capital reserve of our Company. Following the completion of the equity transfer of the interest in Jinrui Energy on 14 August 2023 and immediately before the Global Offering, Jinrui Energy was held as to 81% by our Company and 19% by Jintai Energy, and became a non-wholly-owned subsidiary of our Company. For details of such equity transfer and increase of our registered capital, please see "– Reorganisation – 2. Acquisition of 10% equity interest in Jinrui Energy from Yugang Coking and injection of the equity interests in Jinrui Energy and Jinning Energy by Jinma Energy into the Company" in this section.

Jinrui Energy is principally engaged in the production and sale of LNG.

Jinrui Gas

Jinrui Gas was established on 24 May 2016 in the PRC with an initial registered capital of RMB25.5 million and Jinma Energy was its sole equity holder.

On 9 August 2016, Jinma Energy entered into an equity transfer agreement with Jinrui Energy (which was then a wholly-owned subsidiary of Jinma Energy) pursuant to which Jinma Energy transferred 100% interest in Jinrui Gas to Jinrui Energy at nil consideration. As both Jinrui Energy and Jinrui Gas were then Jinma Energy's wholly-owned subsidiaries the relevant transfer was an internal transfer and was made at nil consideration. Following the completion of the equity transfer on 15 August 2016, Jinrui Gas became a wholly-owned subsidiary of Jinrui Energy.

Jinrui Gas is principally engaged in the retail sale of LNG through its self-operated oil and gas stations. Jinrui Gas continues to be Jinrui Energy's wholly-owned subsidiary following the Reorganisation.

Ouya Gasoline Station

Ouya Gasoline Station was established on 26 April 2012 in the PRC with an initial registered capital of RMB500,000, which was held by Wang Ouya (王歐亞) and Wang Yafei (王亞非), all being Independent Third Parties, as to 80% and 20%, respectively.

Following certain equity transfers after its establishment, Ouya Gasoline Station was owned as to 60% by Li Yanming (李延明) and 40% by Zhang Li (張麗), two Independent Third Parties.

On 18 February 2019, Jinrui Gas entered into an equity transfer agreement with Li Yanming to acquire 60% equity interest in Ouya Gasoline Station at the consideration of RMB7.8 million. On the same day, Jinrui Gas entered into an equity transfer agreement with Zhang Li to acquire 40% equity interest in Ouya Gasoline Station to Jinrui Gas at the consideration of RMB5.2 million. Following the completion of the equity transfers on 19 February 2019, Jinrui Gas became the sole equity holder of Ouya Gasoline Station.

Ouya Gasoline Station was principally engaged in the retail of refined oil at its oil station operated by a third party and was acquired with the objective of improving our Group's downstream sale to retail customers. Ouya Gasoline Station continues to be held as to 100% by Jinrui Gas following the Reorganisation.

Jinning Energy

Jinning Energy was established on 2 July 2007 in the PRC, with an initial registered capital of RMB10 million, which was held by Nanjing He'an Trading Co., Ltd.* (南京和安商貿有限公司), Zhong Dachun (鍾達春) and Duan Zhong (段鍾), all being Independent Third Parties, as to 60%, 30% and 10%, respectively.

After the establishment of Jinning Energy, there were various changes in its equity holders, and on 22 December 2016, Jinma Energy entered into an equity transfer agreement with the then 10 individual equity holders of Jinning Energy for the acquisition of a total of 51% interest in Jinning Energy at the total consideration of RMB62,220,000 which was determined with reference to independent valuation. Following the completion of such acquisition on 29 December 2016, Jinning Energy became Jinma Energy's non-wholly-owned subsidiary and was owned as to 51% by Jinma Energy and 49% by Henan Jinsu Shiye Co., Ltd.* (河南省金塑實業有限公司) ("**Henan Jinsu**"), an Independent Third Party (other than being a holder of certain interest of Jinning Energy at the material time).

On 3 April 2020, Henan Jinsu entered into an equity transfer agreement with Shenzhen Yuren Guangrun Trading Co., Ltd.* (深圳裕仁廣潤貿易有限公司) ("**Shenzhen Yuren**"), an Independent Third Party, to transfer the 39% equity interest in Jinning Energy to Shenzhen Yuren at the consideration of RMB3,900,000. Following the completion of the equity transfer on 14 April 2020, Jinning Energy was held as to 51% by Jinma Energy, 39% by Shenzhen Yuren, and 10% by Henan Jinsu.

On 27 September 2021, Shenzhen Yuren entered into an equity transfer agreement with Jiyuan Run'an Materials Co., Ltd.* (濟源市潤安物資有限公司) ("**Run'an Materials**"), an Independent Third Party, to transfer 39% equity interest in Jinning Energy to Run'an Materials at the total consideration of RMB3,900,000. Following the completion of the equity transfer on 29 September 2021, Jinning Energy was held as to 51% by Jinma Energy, 39% by Run'an Materials, and 10% by Henan Jinsu.

On 12 August 2023, Jinma Energy and our Company entered into equity transfer agreements, pursuant to which Jinma Energy agreed to transfer its respective equity interests in Jinrui Energy and Jinning Energy to our Company at a total consideration of RMB201,061,043, which was determined with reference to the respective carrying value of the long term investments of Jinrui Energy and Jinning Energy as of 31 May 2023 in Jinma Energy's accounts. Such consideration was settled by our Company issuing and Jinma Energy subscribing for new Shares, and the accounting of a contribution by Jinma Energy to the capital reserve of our Company. Following the completion of the equity transfer of the interest in Jinning Energy on 15 August 2023 and immediately before the Global Offering, Jinning Energy became our non-wholly-owned subsidiary and was held as to 51% by us, 10% by Henan Jinsu and 39% by Run'an Materials. For details of such equity transfers and increase of our registered capital, please see "– Reorganisation – 2. Acquisition of 10% equity interest in Jinrui Energy from Yugang Coking and injection of the equity interests in Jinrui Energy and Jinning Energy by Jinma Energy into the Company" in this section.

Jinning Energy is principally engaged in the processing and sale of coal gas.

Jinma Qingneng

Jinma Qingneng was established on 18 February 2021 in the PRC with an initial registered capital of RMB200 million, which was held by Jinma Energy and Shanghai Hyfun Energy Technology Co., Ltd.* (上海氫楓能源技術有限公司) ("**Shanghai Hyfun**"), an Independent Third Party, as to 80% and 20%, respectively.

On 17 October 2022, Shanghai Hyfun entered into an equity transfer agreement with Jinma Energy to transfer the 20% equity interest in Jinma Qingneng to Jinma Energy. The transfer was made at the nil consideration as (i) Jinma Qingneng had not commenced operations since its establishment, and (ii) Shanghai Hyfun had not paid its share of initial registered capital and Jinma Energy shall pay up the initial registered capital for the 20% equity interest after the completion of the equity transfer. Following the completion of the equity transfer on 17 October 2022, Jinma Energy became the sole equity holder of Jinma Qingneng.

On 16 August 2023, Jinma Energy and our Company entered into an equity transfer agreement, pursuant to which Jinma Energy agreed to transfer its equity interest in Jinma Qingneng to our Company at a consideration of RMB72,358,570.4 which was determined with reference to the carrying value of the long term investment of Jinma Qingneng as of 31 July 2023 in Jinma Energy's accounts. Such consideration was settled by our Company issuing and Jinma Energy subscribing for new Shares. Following the completion of the capital contribution and transfer on 17 August 2023, Jinma Qingneng became our wholly-owned subsidiary. For details of such capital contribution and transfer, please see "– Reorganisation – 3. Injection of equity interest in Jinma Qingneng by Jinma Energy into the Company and acquisition of Coke Granule Coal Gas Facilities from Jinma Energy" in this section.

As disclosed in "Business – Future Plans For Hydrogen Business – Current and Future Initiatives for Hydrogen Business" in this prospectus, Jinma Qingneng is expected to be principally engaged in the retail sale of hydrogen through its self-operated gas station. As at the Latest Practicable Date, Jinma Qingneng is principally engaged in the sale of hydrogen through its self-operated gas station.

Our Joint Venture Company

Jinjiang Refinery

Jinjiang Refinery was established on 14 May 2014 in the PRC with an initial registered capital of RMB100 million, which was held by Shanghai Jinma and Luoyang Refinery as to 49% and 51%, respectively.

On 16 March 2015, Jinma Energy entered into an equity transfer agreement with Shanghai Jinma for the acquisition of a 49% interest in Jinjiang Refinery at the consideration of RMB49 million which was determined based on the relevant registered capital of Jinjiang Refinery and also Shanghai Jinma's initial investment in respect thereof. Following the completion of such acquisition on 8 April 2015, Jinjiang Refinery became owned as to 49% by Jinma Energy and 51% by Luoyang Refinery.

On 29 July 2023, as part of the Reorganisation, Jinma Energy and Jinma Qingneng entered into an equity transfer agreement to transfer 49% equity interest in Jinjiang Refinery to Jinma Qingneng at nil consideration. Following the completion of the equity transfer on 31 July 2023, Jinjiang Refinery was held as to 49% by Jinma Qingneng and 51% by Luoyang Refinery. For details of such equity transfer, please see "– Reorganisation – 1. Gratuitous transfer of 49% equity interest in Jinjiang Refinery by Jinma Energy to Jinma Qingneng" in this section.

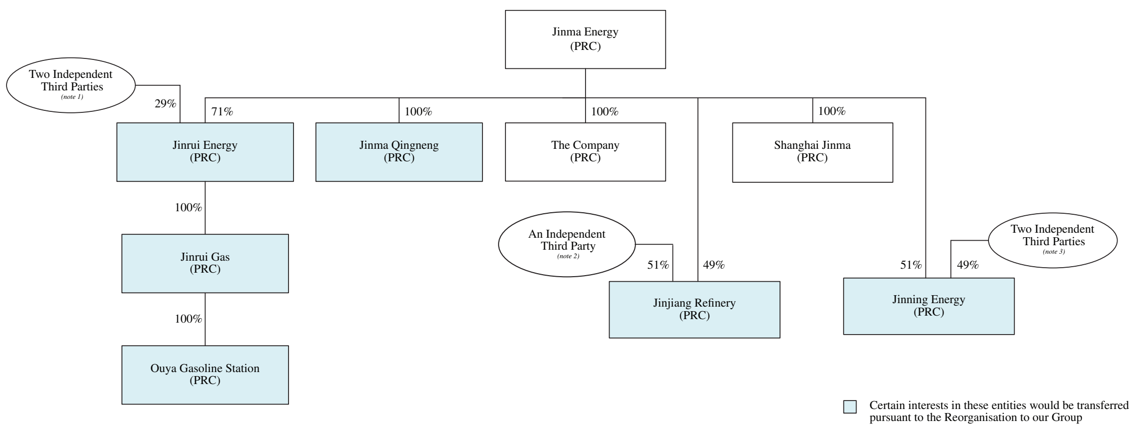
Jinjiang Refinery is principally engaged in the production and sale of hydrogen. Jinjiang Refinery continues to be held by Jinma Qingneng as to 49% following the Reorganisation.

ACQUISITION DURING THE TRACK RECORD PERIOD

On 23 September 2020, we entered into an asset transfer agreement with Jiyuan City Lilin Town Jidong Oil Station (濟源市梨林鎮濟東加油站), an Independent Third Party, to acquire a oil station in Jidong (now known as Lilin Oil Station (梨林加油站)) and its assets for a consideration of RMB8.5 million. The relevant consideration has been settled and the said acquisition was completed on 4 January 2021. Operations under such station form part of our trading of diesel and gasoline operations as detailed in the section headed "Business – Sales and Marketing" in this prospectus.

THE REORGANISATION

The following chart illustrates our corporate and ownership structure immediately prior to the Reorganisation:



Notes:

As at the Latest Practicable Date (unless otherwise specified):

1. Immediately prior to the Reorganisation, Jintai Energy, an Independent Third Party (other than being a holder of certain interest of Jinrui Energy), was the holder of a 19% interest of Jinrui Energy. Yugang Coking, an Independent Third Party (other than being a holder of certain interest in Jinrui Energy and an associate of a substantial shareholder of Jinning Energy), was the holder of a 10% of interest of Jinrui Energy.

2. Luoyang Refinery, an Independent Third Party, was the holder of a 51% interest of Jinjiang Refinery since its incorporation.

3. Henan Jinsu, an Independent Third Party (other than being a holder of certain interest of Jinning Energy, and an associate of a substantial shareholder of Jinrui Energy), was the holder of a 10% interest of Jinning Energy. Run'an Materials, an Independent Third Party (other than being a holder of certain interest of Jinning Energy), was the holder of 39% of interest of Jinning Energy.

The companies comprising our Group underwent a reorganisation to rationalise our corporate structure in preparation for the Listing. The Reorganisation involved the following steps:

1. Gratuitous transfer of 49% equity interest in Jinjiang Refinery by Jinma Energy to Jinma Qingneng

Immediately prior to the Reorganisation, Jinjiang Refinery was held as to 49% by Jinma Energy, and 51% by Luoyang Refinery, and was accounted for as a joint venture of Jinma Energy. Jinjiang Refinery is principally engaged in the production and sale of hydrogen.

On 29 July 2023, Jinma Energy and Jinma Qingneng entered into an equity transfer agreement, pursuant to which Jinma Energy agreed to transfer its 49% equity interest in Jinjiang Refinery to Jinma Qingneng at nil consideration. The transfer was made at nil consideration as Jinma Qingneng was a wholly-owned subsidiary of Jinma Energy prior to the transfer and the transfer was in essence an internal reorganisation of Jinma Energy. As an internal reorganisation of the enterprises under common control, there are no prohibitive provisions in the existing applicable PRC laws and regulations against the transfer of 49% equity interest in Jinjiang Refinery by Jinma Energy to Jinma Qingneng at nil consideration, and accordingly, as advised by the PRC Legal Advisers, the aforementioned transfer has been properly and legally settled and completed.

On 31 July 2023, the aforesaid equity transfer was registered with the Jiyuan Administration for Market Regulation, being the relevant competent PRC governmental authority, and the transfer of the equity interest in Jinjiang Refinery to Jinma Qingneng was completed.

As advised by the PRC Legal Advisers, the said equity transfer ("**Step 1 Reorganisation**") has been properly and legally settled and completed, and all permits, authorisations, approvals and consents necessary for such equity transfer have been obtained from the relevant PRC authorities where applicable.

Following the completion of the Step 1 Reorganisation, Jinjiang Refinery was held as to 49% by Jinma Qingneng, and 51% by Luoyang Refinery, and was accounted for as a joint venture of Jinma Qingneng.

2. Acquisition of 10% equity interest in Jinrui Energy from Yugang Coking and injection of the equity interests in Jinrui Energy and Jinning Energy by Jinma Energy into the Company

(A) Acquisition of 10% equity interest in Jinrui Energy from Yugang Coking

Immediately prior to the Reorganisation, Jinrui Energy was held as to 71% by Jinma Energy, 19% by Jintai Energy, and 10% by Yugang Coking, and was accounted for as a subsidiary of Jinma Energy. Jinrui Energy is principally engaged in the production and sale of LNG. In order to further consolidate our interest in Jinrui Energy in addition to the 71% equity interests in Jinrui Energy that has been injected by Jinma Energy into our Company as further disclosed in "– Reorganisation – 2. (B) Injection of the equity interests in Jinrui Energy and Jinning Energy by Jinma Energy into the Company" in this section below, the Board had decided to acquire the 10% equity interest in Jinrui Energy from Yugang Coking.

On 26 June 2023, our Predecessor entered into an equity transfer agreement with Yugang Coking for our Company to acquire 10% equity interest in Jinrui Energy held by Yugang Coking at a consideration of RMB20 million. Such consideration was determined after arm's length negotiations with reference to the unaudited net asset value of Jinrui Energy as at 31 May 2023. By 22 August 2023, the relevant consideration payable by our Company to Yugang Coking has been settled by cash.

(B) Injection of the equity interests in Jinrui Energy and Jinning Energy by Jinma Energy into our Company

Jinrui Energy is principally engaged in the production and sale of LNG and Jinning Energy is principally engaged in the processing and sale of coal gas. In order to inject the equity capital of Jinrui Energy and Jinning Energy, being operators of the relevant energy products business into our Group in preparation for the Spin-off and Listing, Jinma Energy entered into the equity transfer agreements with our Company to transfer its respective equity interests in such companies to our Company.

Immediately prior to the equity transfers,

(i) Jinrui Energy was held as to 71% by Jinma Energy, 19% by Jintai Energy, and 10% by our Company, and was accounted for as a non-wholly-owned subsidiary of Jinma Energy; and

(ii) Jinning Energy was held as to 51% by Jinma Energy, 10% by Henan Jinsu, and 39% by Run'an Materials, and was accounted for as a non-wholly-owned subsidiary of Jinma Energy.

On 12 August 2023, Jinma Energy and our Company entered into equity transfer agreements, pursuant to which Jinma Energy agreed to transfer its respective equity interests in Jinrui Energy and Jinning Energy to our Company at a total consideration of RMB201,061,043, which was determined with reference to the respective carrying value of the long term investments of Jinrui Energy and Jinning Energy as of 31 May 2023 in Jinma Energy's accounts. Such consideration shall be settled by our Company issuing and Jinma Energy subscribing for 201,060,000 new Shares at RMB1 per Share (pursuant to which the registered capital of our Company shall be increased by a total amount of RMB201.06 million), with the remainder of the consideration accounted as a contribution by Jinma Energy to the capital reserve of our Company.

On 14 August 2023, the aforesaid increase of registered capital of our Company was registered with the Jiyuan Administration for Market Regulation, being the relevant competent PRC governmental authority, and was completed accordingly.

On 14 August 2023, the aforesaid equity transfer by Yugang Coking to our Company (as disclosed in "– Reorganisation – 2. (A) Acquisition of 10% equity interest in Jinrui Energy from Yugang Coking" in this section) and the aforesaid equity transfer of interest in Jinrui Energy by Jinma Energy to our Company (as disclosed in "– Reorganisation – 2. (B) Injection of the equity interests in Jinrui Energy and Jinning Energy by Jinma Energy into the Company" in this section) were registered with the Jiyuan Administration for Market Regulation, being the relevant competent PRC governmental authority, and accordingly, the said equity transfers have been completed.

Further, on 15 August 2023, the aforesaid equity transfer of interest in Jinning Energy by Jinma Energy to our Company (as disclosed in "– Reorganisation – 2. (B) Injection of the equity interest in Jinrui Energy and Jinning Energy by Jinma Energy into the Company" in this section) were registered with the Jiyuan Administration for Market Regulation, being the relevant competent PRC governmental authority, and accordingly, the said equity transfer has been completed.

As advised by the PRC Legal Advisers, the aforesaid equity transfers and increase of our registered capital as disclosed in "– Reorganisation – 2. (A) Acquisition of 10% equity interest in Jinrui Energy from Yugang Coking" in this section and "– Reorganisation – 2. (B) Injection of the equity interests in Jinrui Energy and Jinning Energy by Jinma Energy into the Company" in this section (together, the "**Step 2 Reorganisation**") have been properly and legally settled and completed, and all permits, authorisations, approvals and consents necessary for such transfers and capital increase have been obtained from the relevant PRC authorities where applicable.

Following the completion of the Step 2 Reorganisation,

(i) Jinrui Energy is held as to 81% by our Company and 19% by Jintai Energy, and is accounted for as a non-wholly-owned subsidiary of our Company. Jinrui Gas and Ouya Station, being wholly-owned subsidiaries of Jinrui Energy, are also accounted for as indirect subsidiaries of our Company;

(ii) Jinning Energy is held as to 51% by our Company, 10% by Henan Jinsu, and 39% by Run'an Materials, and is accounted for as a non-wholly-owned subsidiary of our Company; and

(iii) Our share capital was increased to RMB536,060,000, divided into 536,060,000 Shares at a par value of RMB1.00. Jinma Energy's interests in our Company has increased from 99% to 99.38%, and our Company became held as to 99.38% by Jinma Energy and 0.62% by Shanghai Jinma.

3. Injection of equity interest in Jinma Qingneng by Jinma Energy into the Company and acquisition of Coke Granule Coal Gas Facilities from Jinma Energy

(A) Injection of equity interest in Jinma Qingneng by Jinma Energy into the Company

Following completion of Step 1 Reorganisation, Jinma Qingneng became the holder of 49% equity interest in Jinjiang Refinery, which is in turn principally engaged in the production and sale of hydrogen. In order to inject the equity interests of Jinma Qingneng and Jinjiang Refinery, being operators of the relevant energy products business into our Group in preparation for the Spin-off and the Listing, Jinma Energy entered into an equity transfer agreement with our Company to transfer its equity interest in Jinma Qingneng to our Company.

Immediately prior to the equity transfer, Jinma Qingneng was a wholly-owned subsidiary of Jinma Energy.

On 16 August 2023, Jinma Energy and our Company entered into an equity transfer agreement, pursuant to which Jinma Energy agreed to transfer its equity interest in Jinma Qingneng to our Company at a consideration of RMB72,358,570.4, which was determined with reference to the carrying value of the long term investment of Jinma Qingneng as of 31 July 2023 in Jinma Energy's accounts. Such consideration shall be settled by our Company issuing and Jinma Energy subscribing for 72,350,000 new Shares at RMB1 per Share (pursuant to which the registered capital of our Company shall be increased by a total amount of RMB72.35 million), with the remainder of the consideration accounted as a contribution by Jinma Energy to the capital reserve of our Company.

(B) Acquisition of Coke Granule Coal Gas Facilities from Jinma Energy

On 10 August 2023, our Company entered into an asset transfer agreement with Jinma Energy, pursuant to which our Company agreed to acquire from Jinma Energy the Coke Granule Coal Gas Facilities at a consideration of RMB108,326,300, which was determined with reference to the appraised value of such facilities as at 31 July 2023 as assessed by an independent valuer. The consideration shall be settled by our Company issuing and Jinma Energy subscribing for 108,320,000 new Shares at RMB1 per Share (pursuant to which the registered capital of our Company shall be increased by a total amount of RMB108.32 million), with the remainder of the consideration accounted as a contribution by Jinma Energy to the capital reserve of our Company.

On 16 August 2023, the aforesaid asset transfer (as disclosed in "Reorganisation – 3. (B) Acquisition of Coke Granule Coal Gas Facilities from Jinma Energy" in this section) (the "**Step 3B Transfer**") was completed.

On 17 August 2023, the aforesaid equity transfer (as disclosed in "– Reorganisation – 3. (A) Injection of equity interest in Jinma Qingneng by Jinma Energy into the Company" in this section) (the "**Step 3A Transfer**") and the increase of our registered capital in respect of the Step 3A Transfer and Step 3B Transfer were registered with the Jiyuan Administration for Market Regulation, being the relevant competent PRC governmental authority, and the Step 3A Transfer and the aforementioned increase of registered capital were completed.

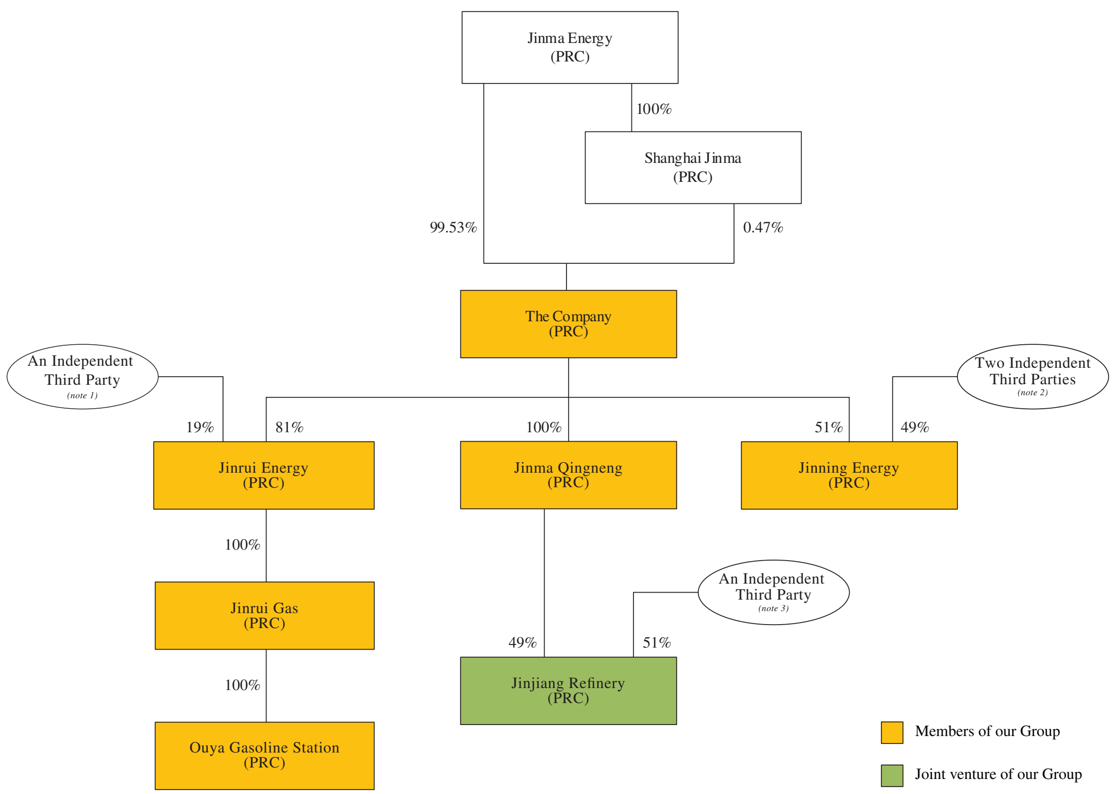
As advised by the PRC Legal Advisers, the aforesaid transfer and increase of our registered capital (the "**Step 3 Reorganisation**") have been properly and legally settled and completed, and all permits, authorisations, approvals and consents necessary for such transfers and capital increase have been obtained from the relevant PRC authorities where applicable.

Following the completion of the Step 3 Reorganisation:

(i) Jinma Qingneng became a wholly-owned subsidiary of our Company, and Jinjiang Refinery has been accounted for as a joint venture of our Company; and

(ii) Our share capital was increased to RMB716,730,000, divided into 716,730,000 Shares at a par value of RMB1.00. Jinma Energy's interests in our Company has increased from 99.38% to 99.53%, and our Company became held as to 99.53% by Jinma Energy and 0.47% by Shanghai Jinma.

The following chart summarises our structure after the Reorganisation, but immediately before the Global Offering:



Notes:

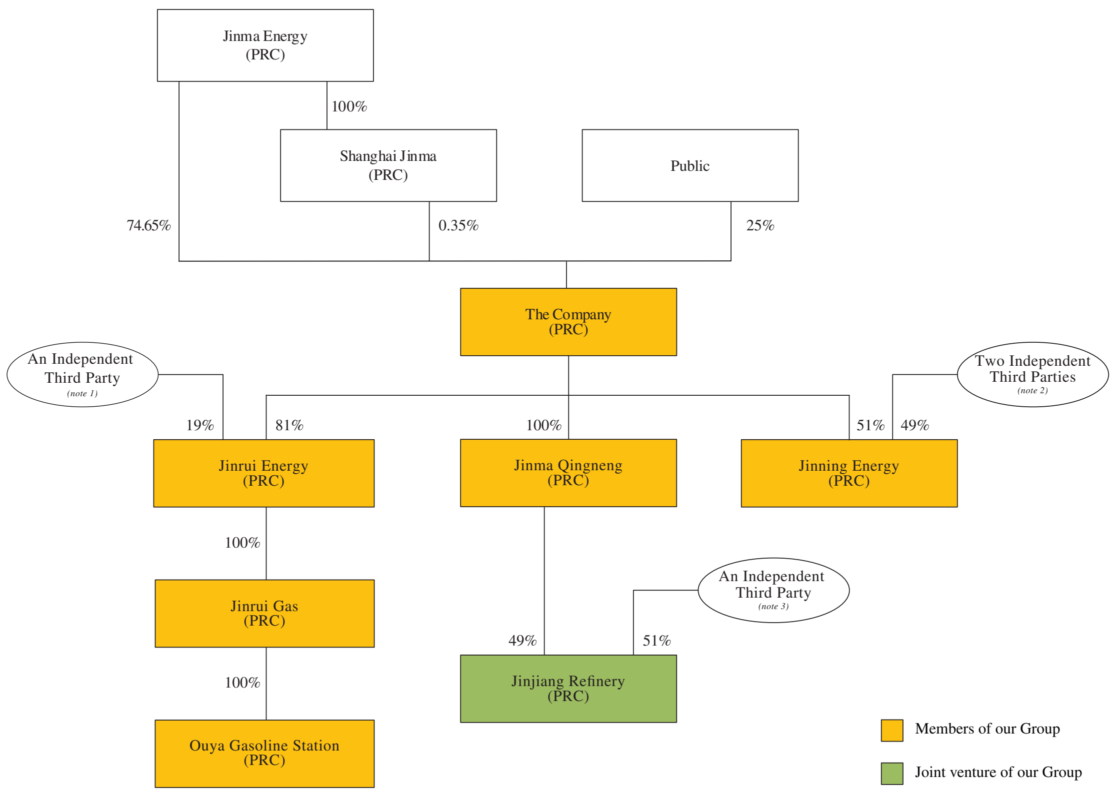
As at the Latest Practicable Date:

1. Jintai Energy, an Independent Third Party (other than being a holder of certain interest in Jinrui Energy), was the holder of a 19% interest of Jinrui Energy.

2. Henan Jinsu, an Independent Third Party (other than being a holder of certain interest of Jinning Energy), was the holder of a 10% interest of Jinning Energy. Run'an Materials, an Independent Third Party (other than being a holder of certain interest of Jinning Energy), was the holder of 39% of interest of Jinning Energy.

3. Luoyang Refinery, an Independent Third Party, was the holder of a 51% interest of Jinjiang Refinery since its incorporation.

The following chart summarises our structure immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes: Please see the corresponding notes in the second chart in "– *The Reorganisation*" above.

SPIN-OFF OF OUR GROUP FROM JINMA ENERGY

Our Listing will constitute a spin-off from Jinma Energy, our Controlling Shareholder. The proposal in relation to the Spin-off was submitted by Jinma Energy to the Stock Exchange for approval pursuant to Practice Note 15 of the Listing Rules, and the Stock Exchange has confirmed that Jinma Energy may proceed with the Spin-off. The board of directors of Jinma Energy believes that the Spin-off is beneficial to both Jinma Energy and our Company for the following reasons, among others:

(1) the Spin-off will result in a clear segregation from the Jinma Group of our Group's business which has an emphasis on the production and processing of hydrogenated benzene-based chemicals and energy products and we are taking steps to expand our energy business to include hydrogen. Such segregation is expected to improve the operational and financial efficiency of the Jinma Group as a whole, and will additionally improve corporate governance in each of its business lines;

(2) in particular, our Group will be able to rely on a more focused source of capital for operation of our energy business and for our further drive down the new energy value chain, which is expected to be one with great potential and prospects in light of the PRC government's strong commitment to its "dual carbon goals";

(3) our Group will be able to attract new investors seeking investment opportunities specifically in the hydrogenated benzene-based chemicals and energy products businesses;

(4) investors will be able to appraise our Group and the Jinma Group separately, in terms of their respective business strategies, functional exposure, risks and returns in making investment decisions. Each of our Group and the Jinma Group will be able to more specifically target their respective investor bases;

(5) after the Spin-off, we will be provided with a direct equity financing platform which is expected to benefit the long-term expansion and growth of our Group. The Jinma Group's sources of funding will at the same time be diversified;

(6) the shareholders of Jinma Energy will be given the opportunity to realise the value of their investment in the Jinma Group under a separate standalone platform; and

(7) our brand value and market influence will be enhanced.

OVERVIEW

We are a supplier of hydrogenated benzene-based chemicals and energy products in Henan province, primarily focusing on the production and processing of (i) hydrogenated benzene-based chemicals, which principally include pure benzene, toluene and xylene; and (ii) energy products comprising LNG and coal gas. According to Frost & Sullivan, based on revenue in 2022, we were (i) the largest pure benzene supplier in Henan province with a market share of 18.6%, with the market size of pure benzene in Henan province accounting for 3.4% of the market share in China; and (ii) the third largest LNG supplier in Henan province with a market share of 4.9%, with the market size of LNG in Henan province accounting for 1.8% of the market share in China.

Our Business Segments

During the Track Record Period, we were principally engaged in the production, processing and sale of (i) hydrogenated benzene-based chemicals, principally including pure benzene, toluene and xylene; and (ii) energy products, comprising LNG and coal gas. We have established a diversified customer base and our major customers are (i) in respect of hydrogenated benzene-based chemical products, nylon and fertilisers manufacturers, refined oil manufacturers and other chemical companies; (ii) in respect of LNG, industrial users, trading customers as well as retail customers at oil and gas stations operated by us; and (iii) in respect of coal gas, certain industrial enterprises including Jinjiang Refinery which separates the hydrogen content of coal gas for production of hydrogen and residential users situated in the same industrial park (i.e. the Jiyuan High-Tech Industrial Chemical Park) in which our Group is based and neighbouring areas.

In order to respond to the PRC government's commitment to encourage the development of circular economy and "dual carbon goals (雙碳目標)" and the need to adapt to green and low-carbon transformation, we are taking steps to expand our energy business to include hydrogen.

The following table provides a breakdown of our revenue by business segment:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Hydrogenated benzene-based chemicals	584,718	54.2	1,065,598	72.0	1,313,836	58.3	658,701	61.0	647,289	60.2
Energy products*(Note 1)*	419,786	38.9	278,228	18.8	747,415	33.2	347,909	32.3	333,450	31.0
Trading*(Note 2)*	66,929	6.2	134,800	9.1	181,181	8.0	67,375	6.2	89,666	8.3
Others*(Note 3)*	7,800	0.7	968	0.1	12,101	0.5	4,997	0.5	5,603	0.5
Total revenue	**1,079,233**	**100.0**	**1,479,594**	**100.0**	**2,254,533**	**100.0**	**1,078,982**	**100.0**	**1,076,008**	**100.0**

Notes:

1. Energy products comprised LNG and coal gas. For details, see "Our Business Model" in this section.

2. Trading mainly involves the trading of LNG and refined oil.

3. Others mainly includes the sale of steam.

Our Production

As at the Latest Practicable Date, we have hydrogenated benzene-based chemicals production capacity of 400,000 tonnes (measured in terms of the processing capacity of crude benzene) per annum, LNG production capacity of 100 million m^3 (equivalent to approximately 72,000 tonnes) per annum and a coal gas processing capacity of 845 million m^3 per annum. Our production facilities are situated in Jiyuan city, Henan province and all the production and processing facilities are constructed in the Jiyuan High-Tech Industrial Chemical Park, with a total site area of approximately 372,000 sq.m.. Our production facilities are designed to be interconnected through pipelines, allowing us to deliver raw materials and products directly and effectively through pipelines among different production and processing facilities. Such direct transportation channel enables us to save transportation costs and reduce inventory, thereby achieving operational efficiency. For instance, we can directly attain crude coking coal gas from the Jinma Group in its coking coal production process through direct pipelines for further processing.

We are highly committed to optimal resource utilisation and environmental protection throughout the entire production cycle. We have adopted multiple environmental measures such as waste gas recycling, centralised treatment of waste residue and waste water recycling so as to mitigate the environmental impact of our business. These measures have enabled us to achieve minimal or no discharge of wastewater, meet emission standards for waste gas and noise. Meanwhile, we can reuse the heat dissipated during the production process and recover waste water, which can be reused after proper treatment. We are committed to developing and deploying new and proprietary technologies to improve the utilisation efficiency of energy and resources as well as to reduce the environmental impact of the production processes. We attained the certification of three systems of occupational healthy, safety and quality in 2022.

Our Performance

For FY2020, FY2021, FY2022 and 1H2023, our revenue was RMB1,079.2 million, RMB1,479.6 million, RMB2,254.5 million and RMB1,076.0 million, respectively, with a CAGR of 44.5% from FY2020 to FY2022. Our gross profit for FY2020, FY2021, FY2022 and 1H2023 was RMB101.6 million, RMB153.1 million, RMB287.7 million and RMB106.4 million, respectively, with a CAGR of 68.3% from FY2020 to FY2022. During the same period, our gross profit margin was 9.4%, 10.3%, 12.8% and 9.9%, respectively, and our net profit margin was 4.1%, 5.4%, 8.6% and 6.1%, respectively.

MACRO ADVANTAGES

Adequate and stable supply of raw materials and the establishment of a strong customer base safeguard our sustainability and economy of production and operation

Our Controlling Shareholder is a large-scale coking coal producer in Henan province, and our Group's production of energy products stems from the methane and hydrogen contained in the crude coking coal gas supplied by the Jinma Group. Leveraging our Controlling Shareholder's large coking coal production scale, it can maintain an adequate and stable supply of the coking by-products to us as our principal raw material, thereby avoiding abnormal shutdowns or disruptions to our operations.

In addition, in August 2023, we acquired the Coke Granule Coal Gas Facilities from the Jinma Group for the production of Coke Granule Coal Gas from coke granules by heating small coke granules in an oxygen environment. Currently, the coke granules to coal gas capacity of the Coke Granule Coal Gas Facilities is 560 million m^3, with a hydrogen content of approximately 230 million m^3. We intend to enhance the Coke Granule Coal Gas Facilities by adding a carbon monoxide plus steam synthesis unit to the existing Coke Granule Coal Gas Facilities. After such enhancement, it is expected that we can produce hydrogen directly by the Coke Granule Coal Gas Facilities and the coke granules to hydrogen capacity is expected to reach approximately 420 million m^3. For details, see "Future Plans for Hydrogen Business – Our gas stations with hydrogen refuelling facilities and hydrogen filling facilities – Initiatives to secure supply of raw materials for producing hydrogen" in this section.

As a result, we are able to secure sufficient raw material source for the production of hydrogenated benzene-based chemicals and energy products, which in turn enables us to have sufficient and stable supply of our products. Our production facilities are all situated in the same industrial park as our Controlling Shareholder and other upstream suppliers. Our production facilities are interconnected by a pipeline network, allowing delivery of raw materials and products through pipelines among these facilities, without the need for vehicle transportation (not affected by weather or traffic) or remote pipelines. We have mastered the technology of coal gas pipeline transportation and obtained the concession right. We have built four low-pressure external coal gas supply pipelines with more than 30 kilometers for the supply of coal gas to more than 10 enterprises within the vicinity. The calorific value of the coal gas that we supply is stable and the self-owned pipeline which directly connected to the customers helps to reduce transportation costs and enables deep binding with customers. In 2023, our coal gas concession right has been successfully renewed for a term of 10 years to 2033.

Transportation costs are high for LNG, and according to Frost & Sullivan, there is a gap in the local supply based on the difference between production and consumption in Henan province, and we possess the advantage of local proximity and stability of supply. Therefore, we have a strong customer base and have maintained long-term and stable cooperation relationship with our major customers and have become their key supplier. A good symbiosis with large-scale coke producers has been developed in Jiyuan city, therefore our downstream chemical companies have also established business operations within the vicinity to form a cluster effect for the consideration of transportation cost. We sell coal gas to industrial and residential users situated in the Jiyuan High-Tech Industrial Chemical Park and neighbouring area through our pipelines. Given the inherent technical difficulties in the transportation of coal gas, we believe our pipelines directly connecting our facilities with our customers' gives us competitive edge over suppliers without such pipelines in securing the customers within the vicinity.

HYDROGENATED BENZENE-BASED CHEMICAL BUSINESS

Segment advantages

Product quality: Our hydrogenated benzene-based chemicals are basic chemical raw materials and an essential part of the chemical industry chain. Controlling processing costs and maintaining product quality are fundamental for the long-term profitability of our Group. Our pure benzene has stable quality and fully meets customers' demands. Pingmei Shenma, our largest customer of pure benzene, is a state-owned enterprise group with coal mining, washing and processing and sale of chemical nylon as its main business. According to the Frost & Sullivan Report, Pingmei Shenma is one of the top 50 coal enterprises according to the 2022 China Top 50 Coal Enterprise list released by the China Coal Industry Association, and ranks ninth in the PRC and first in Henan province in terms of revenue. Pingmei Shenma has stringent requirements for the quality of pure benzene, and since our cooperation, there has never been a case of substandard products. In March 2023, we were awarded with the Excellent Supplier Certificate by Pingmei Shenma.

Production management: We commenced our production in 2013. During the Track Record Period, we have never had a material production accident that led to a production shutdown, nor have we encountered any occurrence of material environmental or safety incidents.

Capacity and production: We increased our production capacity to 120,000 tonnes (measured in terms of the processing capacity of crude benzene) in 2017 through technical upgrading, and then further increased the annual production capacity to 200,000 tonnes (measured in terms of the processing capacity of crude benzene) in 2020 through expansion and technical upgrading. The quality of our products has been stable during the Track Record Period, and our production costs have continued to decrease as such production capacity improves. We have constructed an additional hydrogenated benzene-based chemical production line with a production capacity of approximately 200,000 tonnes (measured in terms of the processing capacity of crude benzene) per annum in Jiyuan High-Tech Industrial Chemical Park, which commenced trial production in October 2023. As a result, a hydrogenated benzene-based chemical production capacity of a total of 400,000 tonnes (measured in terms of the processing capacity of crude benzene) per annum is achieved, thus realising the scale benefit, further reducing the costs and increasing efficiency and enhancing our Group's industry position. Our Group will then be in a better position to further expand the development of the hydrogenated benzene-based chemical industry chain and explore new materials.

Location advantage: Situated at the junction of Shanxi and Henan provinces helps to ensure the supply of crude benzene as raw materials and the sale of pure benzene by relying on the abundant coking resources in the two provinces. We believe that such proximity allows us to source raw materials in a timely manner at a lower transportation costs.

Market landscape: According to Frost & Sullivan, the consumption of pure benzene in Henan province amounted to 0.78 million tonnes in 2022, with a local supply-demand gap of 0.19 million tonnes. In 2022, in terms of revenue, we had a market share of 18.6% of the pure benzene market in Henan province (with the market size of pure benzene in Henan province accounting for 3.4% of the market share in China), ranking as the largest supplier, with a clear advantage. We were awarded with the title of Intelligent Factory of Henan Province (河南省智能工廠) and received an ISO45001:2018 certificate in respect of its occupational health and safety management system for its production of hydrogenated benzene-based chemicals, an ISO14001:2015 certificate in respect of its environmental management system for its production of hydrogenated benzene-based chemicals as well as an ISO9001:2015 certificate regarding its quality management system for its production of hydrogenated benzene-based chemicals in 2022 and the Quality Benchmark of Henan Province (河南省質量標桿) in 2023.

Segment development strategies

We will continue to invest in production efficiency and safety, and environmental protection, including (1) the installation of a tank cleaning system, which could improve the air quality; (2) safeguarding the pressure stability of the hydrogenation system which helps to stabilise productivity and save electricity through the hydrogenation system pressure control; and (3) handing over control to the centralised control system, reduce on-site personnel operations and mitigate risk factors during the production through high pressure discharge safety control.

We will continue to upgrade our production facilities to maintain our market position in the hydrogenated benzene-based chemicals industry. In line with the industrial upgrading and the national dual carbon development strategies, and with a view to accelerating our penetration into the entire industry chain, to meet the growing demand of downstream customers, and to deepen the binding of cooperative relationships, we will continue to increase our market share, expand our footprint in the industry, develop new materials, explore new markets and customers, as well as enhance the gross profit margin of our business. We are exploring the production of new materials, raw materials for degradable plastics and other fields for our benzene-based business in the future. For instance, we are in the process of assessing the feasibility of producing downstream products.

LNG BUSINESS

Segment advantages

Production management: We began our production in 2018. Jinrui Energy received an ISO45001:2018 certificate in respect of its occupational health and safety management system for its production of LNG, an ISO14001:2015 certificate in respect of its environmental management system for its production of LNG as well as an ISO9001:2015 certificate regarding its quality management system for its production of LNG. During the Track Record Period, we have never had a material production accident resulting in a production shutdown, nor have we encountered any occurrence of material environmental or safety incidents.

Production efficiency: In light of the enhancement plans for sustained productivity, energy conservation, emission reduction and efficiency elevation, the utilisation rate of the LNG production capacity has exceeded 90% in 2022 under the circumstances that the supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, started to be abundant.

Production volume: We commenced our production in 2018 and have an LNG facility with production capacity of 100 million m^3 (equivalent to approximately 72,000 tonnes) per annum. In addition to the LNG sales to the downstream industrial enterprises, we have successfully expanded our LNG sales to retail scenarios. As at the Latest Practicable Date, we have constructed and operated a network of four LNG gas stations to serve logistics customers, heavy truck and bus customers as well as other retail customers.

Market landscape: According to Frost & Sullivan, the LNG consumption in Henan province amounted to 1.4 million tonnes in 2022, with a local supply-demand gap of 1.0 million tonnes, and more than 70% of the LNG consumption was dependent on the supply of LNG from other provinces and overseas. In 2022, we had a market share of 4.9% in Henan province in terms of LNG revenue (with the market size of LNG in Henan province accounting for 1.8% of the market share in China in terms of revenue), ranking as the third largest LNG supplier in Henan province with a clear advantage.

Location advantage: Situated at the junction of Shanxi and Henan provinces which enjoys prominent location advantage, we are adjacent to the national railway network, major highways and expressways in North China. Meanwhile, extreme weather and highway traffic restrictions during holidays could result in a reduced inflow of resources from within and outside the province. Also, the scale of our production operations enables us to achieve the economies of scale which allows us to produce quality products at a competitive cost and ensures optimal operations of our integrated business. Relying on large-scale and stable supply and high product quality, we have established a well-known brand name and reputation in Henan province and the surrounding areas to consistently meet our customers' supply requirements.

Segment development strategies

Improve the efficiency and stability of production and reduce production costs.

In August 2023, we acquired the Coke Granule Coal Gas Facilities from the Jinma Group. We intend to enhance the Coke Granule Coal Gas Facilities by adding a carbon monoxide plus steam synthesis unit to the existing Coke Granule Coal Gas Facilities to improve the efficiency and capacity of hydrogen production. After such enhancement, the carbon content of coal gas is thereby elevated, thus increasing LNG production efficiency while enhancing reactor temperature and steam production. We may save electricity consumption by increasing frequency converters of desulphurisation-liquid cycle pumps, frequency converters of cycle water pumps, transforming variable gas flow of gas compressors and using waste heat of circulating water; saving the consumption of catalysts and other materials by further purifying the coal gas and prolonging the service life of valuable catalysts; strengthening the equipment management and launching renovation and recycling projects in order to achieve further cost savings.

OUR BUSINESS MODEL

During the Track Record Period, we were principally engaged in the production and/or processing and sale of (i) hydrogenated benzene-based chemicals, which principally include pure benzene, toluene and xylene; and (ii) energy products comprising LNG and coal gas.

The table below sets out a breakdown of our revenue by hydrogenated benzene-based chemicals, energy products and other products for the Track Record Period.

	FY2020		FY2021		FY2022		1H2022		1H2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Hydrogenated benzene-based chemicals										
– Pure benzene	451,692	41.9	870,960	58.8	1,016,067	45.1	521,649	48.3	490,981	45.7
– Toluene	55,361	5.1	59,496	4.0	106,725	4.7	48,818	4.5	42,029	3.9
– Xylene	41,540	3.8	80,793	5.5	100,572	4.5	46,434	4.3	68,832	6.4
– Other benzene-based chemicals*(Note 1)*	36,125	3.4	54,349	3.7	90,472	4.0	41,800	3.9	45,447	4.2
Subtotal	**584,718**	**54.2**	**1,065,598**	**72.0**	**1,313,836**	**58.3**	**658,701**	**61.0**	**647,289**	**60.2**

	FY2020		FY2021		FY2022		1H2022		1H2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Energy products										
– LNG*(Note 2)*	180,409	16.7	15,438	1.0	428,250	19.0	192,694	17.9	166,527	15.5
– Coal gas	239,377	22.2	262,790	17.8	319,165	14.2	155,215	14.4	166,923	15.5
Subtotal	**419,786**	**38.9**	**278,228**	**18.8**	**747,415**	**33.2**	**347,909**	**32.3**	**333,450**	**31.0**
Trading*(Note 3)*	66,929	6.2	134,800	9.1	181,181	8.0	67,375	6.2	89,666	8.3
Others*(Note 4)*	7,800	0.7	968	0.1	12,101	0.5	4,997	0.5	5,603	0.5
Total revenue	**1,079,233**	**100.0**	**1,479,594**	**100.0**	**2,254,533**	**100.0**	**1,078,982**	**100.0**	**1,076,008**	**100.0**

Notes:

1. Other benzene-based chemicals mainly include heavy benzol and non-aromatic hydrocarbons.

2. Sale of LNG includes sale of CNG. CNG is produced by our Group and accounted for an insignificant percentage of our revenue during the Track Record Period. Our revenue from sale of LNG decreased by RMB165.0 million from RMB180.4 million in FY2020 to RMB15.4 million in FY2021, primarily due to the decrease in sales volume of LNG, from over 59,000 tonnes sold in FY2020 to over 3,000 tonnes sold in FY2021, resulting from the reduction in the supply of crude coking coal gas (which is the principal raw material for coal gas for the production of LNG) from the Jinma Group caused by the retirement of two older coking furnaces in 2020 in response to China's environmental protection policies. Our revenue from sale of LNG increased by RMB412.8 million from RMB15.4 million in FY2021 to RMB428.3 million in FY2022 primarily due to the increase in (i) sales volume of LNG from around 3,000 tonnes sold in FY2021 to around 70,000 tonnes sold in FY2022 attributable to the increase in supply of crude coking coal gas from the Jinma Group resulting from the full operation of its new coking furnaces with production capacity of 1.8 million tonnes at the beginning of FY2022; and (ii) average selling price of LNG by 30.3% compared to the average selling price in FY2021, which was generally in line with the increase in market price of LNG primarily driven by geopolitical conflict in FY2022. In FY2022, the geopolitical conflict between Russia and Ukraine led to the decrease in supply of natural gas from Russia. Thus, market prices for natural gas reached its recent peak in FY2022.

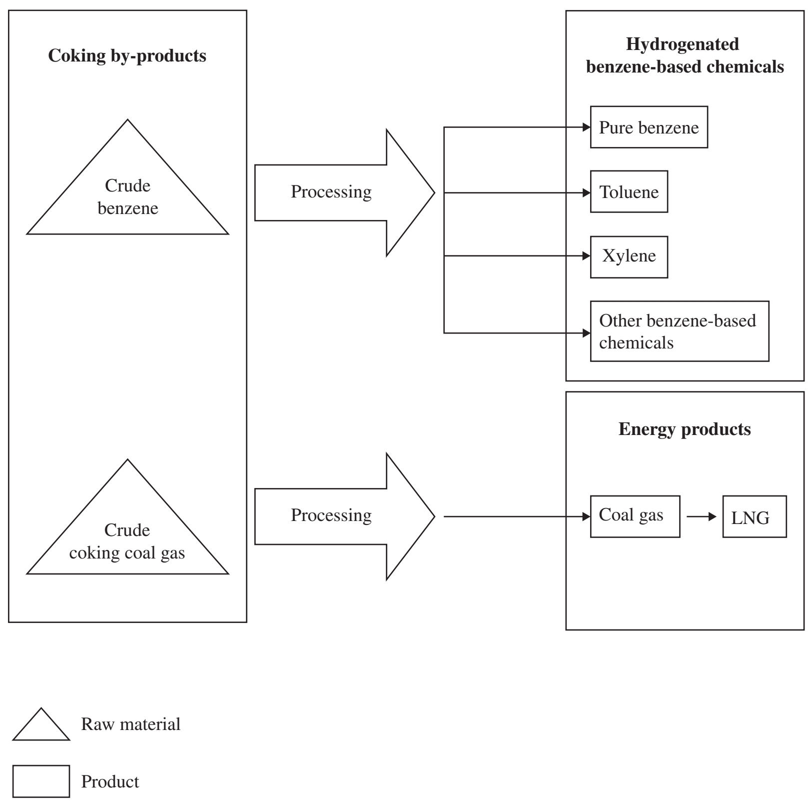
3. Trading mainly involves the trading of LNG and refined oil.

4. Others mainly includes the sale of steam.

During FY2020, FY2021 and FY2022, our total revenue was RMB1,079.2 million, RMB1,479.6 million and RMB2,254.5 million, respectively, representing a CAGR of 44.5% from 2020 to 2022. Our total revenue remained relatively stable from RMB1,079.0 million for 1H2022 to RMB1,076.0 million for 1H2023.

OUR PRODUCTS

The following diagram depicts the major products that we produced and processed as at the Latest Practicable Date:



The following sets out further information on each of our hydrogenated benzene-based chemicals and energy products:

Hydrogenated Benzene-based Chemicals

We mainly produce our hydrogenated benzene-based chemicals through our Company. For FY2020, FY2021, FY2022 and 1H2023, our revenue from the sale of hydrogenated benzene-based chemicals was RMB584.7 million, RMB1,065.6 million, RMB1,313.8 million and RMB647.3 million, respectively, representing 54.2%, 72.0%, 58.3% and 60.2%, respectively, of our total revenue for the same periods, which contributed to the largest proportion of our revenue for the same periods.

Hydrogenated benzene-based chemicals are produced through hydrogenation, namely the adding of hydrogen in the presence of catalyst, of crude benzene. As at the Latest Practicable Date, our integrated series of hydrogenated benzene-based chemicals mainly consist of pure benzene, toluene and xylene. The principal customers of our hydrogenated benzene-based chemicals include nylon and fertilisers manufacturers, refined oil manufacturers and other chemical companies.

The following table sets forth a breakdown of our revenue by segment during the Track Record Period:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Hydrogenated benzene-based chemicals										
Pure benzene	451,692	41.9	870,960	58.8	1,016,067	45.1	521,649	48.3	490,981	45.7
Toluene	55,361	5.1	59,496	4.0	106,725	4.7	48,818	4.5	42,029	3.9
Xylene	41,540	3.8	80,793	5.5	100,572	4.5	46,434	4.3	68,832	6.4
Other benzene-based chemicals *(Note 1)*	36,125	3.4	54,349	3.7	90,472	4.0	41,800	3.9	45,447	4.2
Total	**584,718**	**54.2**	**1,065,598**	**72.0**	**1,313,836**	**58.3**	**658,701**	**61.0**	**647,289**	**60.2**

Note:

1. Other benzene-based chemicals mainly include heavy benzol and non-aromatic hydrocarbons.

Pure Benzene. Pure benzene is a colourless, toxic and highly flammable liquid. It is primarily used as an industrial solvent, a precursor for manufacturing nylon, dyes, plastics, drugs, explosives and synthetic rubber. For FY2020, FY2021, FY2022 and 1H2023, 77.2%, 81.7%, 77.3% and 75.9%, respectively, of our total revenue from the sales of hydrogenated benzene-based chemicals were generated by the sale of pure benzene.

Toluene. Toluene is a colourless, water-insoluble liquid. It is primarily used in manufacturing sweeteners, drugs and dyes, and can also be used as a solvent. For FY2020, FY2021, FY2022 and 1H2023, 9.5%, 5.6%, 8.1% and 6.5%, respectively, of our total revenue from the sales of hydrogenated benzene-based chemicals were generated by the sale of toluene.

Xylene. Xylene a colourless, flammable and water-insoluble liquid. It is primarily used in manufacturing pesticides, paint thinner, paints and varnishes and can be used as solvent. For FY2020, FY2021, FY2022 and 1H2023, 7.1%, 7.6%, 7.7% and 10.6%, respectively, of our total revenue from the sale of hydrogenated benzene-based chemicals were generated by the sale of xylene.

In addition to pure benzene, toluene and xylene, we also produced other benzene-based refined chemicals such as heavy benzol and non-aromatic hydrocarbons.

The following table sets forth a breakdown of our revenue by customer type for hydrogenated benzene-based chemicals during the Track Record Period:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Hydrogenated benzene-based chemicals										
– Nylon and fertilisers manufacturers	441,328	75.5	865,241	81.2	1,014,501	77.2	521,649	79.2	490,981	75.8
– Refined oil manufacturers	110,576	18.9	151,655	14.2	223,935	17.1	105,338	16.0	115,558	17.9
– Other chemical companies	32,814	5.6	48,702	4.6	75,400	5.7	31,714	4.8	40,750	6.3
Total	**584,718**	**100.0**	**1,065,598**	**100.0**	**1,313,836**	**100.0**	**658,701**	**100.0**	**647,289**	**100.0**

During the Track Record Period, our revenue generated from each of the types of customers for hydrogenated benzene-based chemicals remained relatively stable.

Average selling price and sales volume

The following table sets out the average selling price (net of VAT) and sales volume of our major hydrogenated benzene-based chemicals during the Track Record Period according to our internal records:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	Average selling price(Note)	**Sales volume**	**Average selling price**(Note)	**Sales volume**	**Average selling price**(Note)	**Sales volume**	**Average selling price**(Note)	**Sales volume**	**Average selling price**(Note)	**Sales volume**
	RMB/ tonne	*'000 tonnes*	*RMB/ tonne*	*'000 tonnes*	*RMB/ tonne*	*'000 tonnes*	*RMB/ tonne*	*'000 tonnes*	*RMB/ tonne*	*'000 tonnes*
Pure benzene	3,434.8	132	6,200.4	140	7,171.2	142	7,363.6	71	6,290.1	78
Toluene	3,237.7	17	4,432.8	13	6,505.4	16	6,234.5	8	6,410.6	7
Xylene	3,279.9	13	4,940.7	16	6,473.8	16	6,172.7	8	6,352.8	11

Note: Calculated by dividing the revenue of each relevant product by the sales volume of such product.

Our average selling price of hydrogenated benzene-based chemicals showed an increasing trend from FY2020 to FY2022, mainly due to (i) the increase in price of crude oil which affects the price of crude benzene, the principal raw material of our hydrogenated benzene-based chemicals. For details, see "Industry Overview – Overview of Refined Chemicals derived from Coal Chemical Coking Industry in China – Price analysis of raw materials and products for benzene-based chemicals" in this prospectus; (ii) the recovery in demand after the COVID-19;

and (iii) the geopolitical conflict between Russia and Ukraine, whereas our average selling price of hydrogenated benzene-based chemicals showed a decreasing trend from 1H2022 to 1H2023, following the gradual implementation of government measures to ensure a stable price and supply of coal.

During the Track Record Period, we sold heavy benzol to the Jinma Group. The amounts of the average selling prices of heavy benzol that we sold to the Jinma Group are comparable to those of heavy benzol that we sold to Independent Third Party customers. In addition, the fluctuations of average selling prices of heavy benzol that we sold to the Jinma Group during the Track Record Period are generally in line with those of heavy benzol that we sold to Independent Third Party customers.

Energy Products

During the Track Record Period, our energy products comprised LNG and coal gas.

LNG. LNG is an odourless, colourless, non-corrosive and non-toxic natural gas which can be converted into liquid by compressing and cooling it to -161.5°C. It comprises mostly of methane and a small percentage of ethane, oxygen and nitrogen. We produce LNG through the methanation of coal gas. LNG can be used as a fuel for vehicles and industrial use. We mainly produce LNG through Jinrui Energy. We also procure LNG from third-party LNG suppliers in general if (i) the price spread against the selling price is considered favourable to the Group; or (ii) our production volume for LNG is unable to meet the demand for LNG, for example, shortage of LNG in FY2021 when supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, from the Jinma Group to us decreased as a result of the retirement of two older coking furnaces in 2020 by the Jinma Group in response to China's environmental protection policies. The selling price of LNG (including that of our Group and third-party suppliers) is generally determined with reference to prevailing market price, proximity of location between the sellers and purchasers and supply and demand dynamics.

During the Track Record Period, we mainly sold our LNG to industrial users, trading customers and retail customers at oil and gas stations operated by us. For FY2020, FY2021, FY2022 and 1H2023, 16.7%, 1.0%, 19.0% and 15.5%, respectively, of our total revenue was generated by the sale of LNG. We have an LNG storage tank of 8,000 m^3 at our production base at the Jiyuan High-Tech Industrial Chemical Park.

During the Track Record Period, we operated six integrated oil and gas stations*(Note 1)*, among which four of them are equipped with LNG refuelling facilities in Jiyuan city, Henan province. In addition to the LNG produced by us, we also procured LNG and refined oil from other suppliers and offer to our retail customers at oil and gas stations operated by us. As at the Latest Practicable Date, we operated five integrated oil and gas stations, among which four of them are equipped with LNG refuelling facilities in Jiyuan city, Henan province.

The following table sets forth a breakdown of our revenue by customer type for LNG during the Track Record Period:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
LNG										
– Industrial users	50,683	28.1	1,447 *(Note 2)*	9.4	119,592	27.9	37,102	19.3	55,493	33.3
– Trading customers	98,388	54.5	13,991 *(Note 2)*	90.6	299,675	70.0 *(Note 3)*	155,592	80.7 *(Note 3)*	105,498	63.4 *(Note 3)*
– Retail customers at oil and gas stations operated by us	31,338	17.4	–	–	8,983	2.1	–	–	5,536	3.3
Total	**180,409**	**100.0**	**15,438** *(Note 2)*	**100.0**	**428,250**	**100.0**	**192,694**	**100.0**	**166,527**	**100.0**

Notes:

1. We commenced operation of Ouya oil station in 2019. Subsequently, upon considering (i) the results of operation of Ouya oil station in 2021; (ii) the relatively intense competition among oil and gas stations in Jiyuan city; and (iii) the overall costs and benefits of operating and leasing Ouya oil station, our Directors are of the view that as the financial performance of Ouya oil station was not as satisfactory as that of the other oil and gas stations operated by us in 2021, it is more commercially beneficial to lease Ouya oil station. We leased Ouya oil station to an Independent Third Party from 1 January 2022 to 31 December 2024.

2. Our revenue for the sale of LNG decreased from FY2020 to FY2021 primarily due to the decrease in sales volume of LNG resulting from the reduction in the supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, from the Jinma Group caused by the retirement of two older coking furnaces in 2020 in response to China's environmental protection policies.

3. During the outbreak of the COVID-19 especially in FY2022, there was a surge in the market price of LNG in Jiyuan city which allowed us to yield higher profits by selling LNG to our trading customers. As a result, the proportion of our revenue for the sale of LNG to trading customers increased from 54.5% in FY2020 to 70.0% in FY2022, particularly in 1H2022, reaching 80.7%. Due to the recovery after the COVID-19 in 1H2023, our revenue for the sale of LNG to trading customers resumed to normal, accounting for 63.4% of our revenue for the sales of LNG in 1H2023. Our revenue generated from industrial users for LNG remained relatively stable during the Track Record Period.

The following table sets forth a breakdown of (i) the number of LNG customers by customer type; (ii) average sales of LNG by customer type; and (iii) churn rate of LNG customers during the Track Record Period:

	FY2020	FY2021	FY2022	1H2023
Number of LNG customers(Note 1)				
– Industrial users	102	9	82	49
– Trading customers	23	4	16	10
Total revenue generated from LNG customers *(RMB'000)*				
– Industrial customers	50,683	1,447(Note 3)	119,592	55,493
– Trading customers	98,388	13,991(Note 3)	299,675	105,498
– Retail customers at oil and gas stations operated by us	31,338	–	8,983	5,536
Average revenue generated from LNG customers(Note 1) *(RMB'000)*				
– Industrial users	497	161(Note 3)	1,458	1,133
– Trading customers	4,278	3,498(Note 3)	18,730	10,550
Churn rate (%)(Note 1)(Note 2)	39.5(Note 4)	92.0(Note 4)	23.1(Note 4)	46.9(Note 4)

Notes:

1. Retail customers at oil and gas stations operated by us are either not meaningful or applicable to be included in the calculations of the number of LNG customers, average revenue generated from LNG customers and churn rate due to their retail nature.

2. Churn rate refers to the percentage of LNG customers that had business with us in that year and depart from our business in the following year.

3. Our total and average revenue for the sale of LNG decreased from FY2020 to FY2021 primarily due to the decrease in sales volume of LNG resulting from the reduction in the supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, from the Jinma Group caused by the retirement of two older coking furnaces in 2020 in response to China's environmental protection policies.

4. The relatively high churn rate for FY2021 was a result of the loss of LNG customers (excluding retail customers at oil and gas stations operated by us) primarily due to the decrease in sales volume of LNG resulting from the reduction in the supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, from the Jinma Group caused by the retirement of two older coking furnaces in 2020 in response to China's environmental protection policies. The relatively low churn rate for FY2022 was a result of the high retention rate of our relatively low number of LNG customers in FY2021. Save for the churn rates of our LNG customers for FY2021 and FY2022, our churn rate of LNG customers for each year/period during the Track Record Period was generally around 40% or more, since LNG is a commodity that can be easily sold within the LNG market at the prevailing market price, rendering us a price taker in the LNG market.

For FY2020, FY2021, FY2022 and 1H2023, revenue generated from our five largest LNG customers[Note] accounted for 35.8%, 25.2%, 67.4% and 71.0% of our total revenue generated from LNG customers[Note], respectively, and for 7.0%, 1.6%, 15.0% and 11.3% of our total revenue. For the risk associated with our reliance on our major customers, see "Risk Factors – Risks Relating to Our Business and Industry – We rely on a limited number of major customers and suppliers and we do not generally enter into long-term sales contracts with our customers and suppliers" in this prospectus.

Our Directors consider that the concentration risk among our five largest LNG customers does not materially and adversely affect our business prospects due to the following grounds:

(1) LNG is a commodity that we can easily sell to customers in the market at prevailing market price, which is evidenced by our relatively high churn rate of around 40% or more for each year/period during the Track Record Period and the relatively fragmented LNG market in Henan province with the top five LNG suppliers accounted for 25.1% of the total market size in terms of revenue in 2022; and

(2) the percentage of our revenue generated from our five largest LNG customers[Note] to our total revenue for each year/period during the Track Record is relatively lower when compared to that to our total revenue generated from LNG customers[Note].

Our operated stations

Jinrui station

Beiguanzhuang station

Note: Revenue generated from the sale of LNG recognised under both energy products segment and trading segment is included as there are instances that we record sales from the same LNG customer under both energy products segment and trading segment.

Huling station

Liandong station

Lilin station (formerly known as Jidong oil station)

The following table sets out certain basic information regarding our stations in operation as at the Latest Practicable Date:

	Station	Location	Approximate site area (sq.m.)	Product/service	Major equipment	Year of commencement of operation
1.	Jinrui oil and gas station (金瑞油氣綜合站)	West of South Extension Line of West 1st Ring Road, South of Lihu Road, Jiyuan City	4,100	Sale of LNG and refined oil	Two double-gun submersible diesel engines, one 4-gun dual-product submersible gasoline engines, four LNG filling machines, one LNG storage tank of 60 m^3, two gasoline storage tanks of 30 m^3 each and two diesel storage tanks of 30 m^3 each	2018
2.	Beiguanzhuang oil and gas station (北官莊油氣綜合站)	East of the Line of the South Erguang Expressway, Jiaoke Road, Wulongkou Town, Jiyuan City	11,900	Sale of LNG and refined oil	Six double-gun fuel dispensers, two gasoline storage tanks of 30 m^3 each, two diesel storage tanks of 30 m^3 each, four LNG filling machines and one LNG storage tank of 60 m^3	2018

	Station	Location	Approximate site area (sq.m.)	Product/service	Major equipment	Year of commencement of operation
3.	Huling oil and gas station (虎嶺油氣綜合站)	Southeast corner of the intersection of South Ring Road and Huling Line 1, Jiyuan City	8,000	Sale of LNG, refined oil and CNG and provision of electric vehicle charging services	Two gasoline storage tanks of 30 m^3 each, two diesel storage tanks of 30 m^3 each, one LNG storage tank of 60 m^3, one set of 8 m^3 CNG gas storage cylinder, five double-pump double-gun fuel dispensers with supporting oil and gas recovery system, two CNG gas dispensers, one LNG double-gun liquid dispenser, six 120KW direct current integration double-gun charging piles	2019 (Sales of LNG, refined oil and CNG) 2022 (Electric vehicle charging services)

	Station	Location	Approximate site area (sq.m.)	Product/service	Major equipment	Year of commencement of operation
4.	Liandong oil and gas station (蓮東油氣綜合站)	North of East Jiaoke Road, Liandong Village, Wulongkou, Jiyuan City	4,800	Sale of LNG(Note), and refined oil	Two gasoline storage tanks of 30 m^3 each, two diesel storage tanks of 30 m^3 each, four single-gun fuel dispensers, two double-gun fuel dispensers, oil and gas recycling device, two LNG filling machines and one LNG storage tank of 60 m^3	2019
5.	Lilin oil station (formerly known as Jidong oil station) (梨林加油站)	Huoyi Road South, Wuligou New Village, Lilin Town, Jiyuan City	2,025	Sale of diesel and gasoline	One 30 m^3 ethanol gasoline double-deck storage tank, three diesel fuel double-deck storage tanks of 40 m^3 each and four double-gun double oil self-priming pump dispensers	2021

Note: Sale of LNG at Liandong station has been suspended since April 2022 and up to the Latest Practicable Date in light of the reduced traffic volume of LNG vehicles in the vicinity during COVID-19. Suspension of use of LNG equipment and sales of LNG at Liandong station minimises the risk of LNG leakage and proliferation due to higher pressure inside the LNG storage tank as a result of the reduced demand for LNG for refuelling. Our Directors believe that the suspension of sale of LNG at Liandong station does not materially or adversely affect the business operations of our Group, as LNG vehicles can be conveniently refuelled at the Beiguanzhuang station nearby. As at the Latest Practicable Date, sale of LNG at Liandong station had not been resumed.

Coal Gas. Jinning Energy sources crude coking coal gas from the Jinma Group and is mainly responsible for the processing and sale of coal gas. Coal gas is delivered through pipelines and is primarily used as domestic fuel or industrial fuel, and the carbon monoxide, hydrogen and methane in the coal gas are important chemical raw materials chemicals manufacturing companies.

During the Track Record Period, Jinning Energy sold coal gas to industrial enterprises including Jinjiang Refinery which separates the hydrogen content of coal gas for production of hydrogen and residential users, all of which are situated in the Jiyuan High-Tech Industrial Chemical Park where our Group is based and neighbouring area. For FY2020, FY2021, FY2022 and 1H2023, 22.2%, 17.8%, 14.2% and 15.5%, respectively, of our total revenue was generated by the sale of coal gas.

The following table sets forth a breakdown of our revenue by customer type for coal gas during the Track Record Period:

	FY2020		**FY2021**		**FY2022**		**1H2022**		**1H2023**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Coal gas										
– Industrial enterprises in the same industrial park with our Group and residents in neighbouring areas	159,073	66.5	163,670	62.3	199,081	62.4	95,025	61.2	114,853	68.8
– Jinjiang Refinery	80,304	33.5	99,120	37.7	120,084	37.6	60,190	38.8	52,070	31.2
Total	**239,377**	**100.0**	**262,790**	**100.0**	**319,165**	**100.0**	**155,215**	**100.0**	**166,923**	**100.0**

During the Track Record Period, our revenue generated from each of the types of customers for coal gas remained relatively stable.

Average selling price and sales volume

The following table sets forth the average selling price (net of VAT) and sales volume of each of our energy products during the Track Record Period according to our internal records:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	Average selling price(Note)	Sales volume	Average selling price(Note)	Sales volume	Average selling price(Note)	Sales volume	Average selling price(Note)	Sales volume	Average selling price(Note)	Sales volume
	RMB/tonne (for coal gas in RMB/m³)	*'000 tonnes (for coal gas in million m³)*	*RMB/tonne (for coal gas in RMB/m³)*	*'000 tonnes (for coal gas in million m³)*	*RMB/tonne (for coal gas in RMB/m³)*	*'000 tonnes (for coal gas in million m³)*	*RMB/tonne (for coal gas in RMB/m³)*	*'000 tonnes (for coal gas in million m³)*	*RMB/tonne (for coal gas in RMB/m³)*	*'000 tonnes (for coal gas in million m³)*
LNG	3,058.9	59	4,706.3	3	6,133.5	70	6,297.7	31	4,692.5	35
Coal gas	0.7	338	0.7	368	0.7	432	0.7	217	0.8	203

Note: Calculated by dividing the revenue of each relevant product by the sales volume of such product.

Our average selling price of LNG showed an increasing trend from FY2020 to FY2022 and a decrease from 1H2022 to 1H2023, following the increase in the prevailing market price particularly driven by the geopolitical conflict of Russia and Ukraine. During the Track Record Period, we sold LNG to the Jinma Group under our energy product segment. Save that the amounts of the average selling prices of LNG that we sold to the Jinma Group were higher when the sales volume is lower, the amounts of the average selling prices of LNG that we sold to the Jinma Group are comparable to those of LNG that we sold to Independent Third Party customers. Moreover, since the start of 2023, attributed to the unusually warm winter weather observed in the northern hemisphere, the prominent global markets for natural gas consumption did not attain the anticipated growth of demand. Thus, the prevailing market price of LNG in 1H2023 decreased from its previous high price which was caused by geopolitical conflicts between Russia and Ukraine in FY2022.

Our average selling price of coal gas remained relatively stable from FY2020 to FY2022 and from 1H2022 to 1H2023. During the Track Record Period, we sold coal gas to Jinjiang Refinery and other Independent Third Party customers. The amounts of the average selling prices of coal gas that we sold to Jinjiang Refinery are generally lower than those of coal gas that we sold to other Independent Third Party customers, mainly because Jinjiang Refinery separates the hydrogen content of the coal gas sold by us, instead of applying coal gas in its entirety as a fuel, for its production and sale of hydrogen. Nevertheless, the fluctuations of average selling prices of coal gas that we sold to Jinjiang Refinery during the Track Record Period are generally in line with those of coal gas that we sold to other Independent Third Party customers.

FUTURE PLANS FOR HYDROGEN BUSINESS

Favourable government policies

Powering vehicles by hydrogen, a low carbon fuel, is made possible thanks to the development in fuel cell technology that can be applied in electric vehicles using compressed hydrogen. Hydrogen can be produced from chemical processing of coal or from electrolysis of water derived from renewable energy such as solar energy (by using solar panels) and wind energy (by using wind turbines).

In view of the global effort to combat climate change through the "United Nations Framework Convention on Climate Change" which was enhanced by the "Paris Agreement" as well as the PRC government's strong commitments to its "dual carbon goals (雙碳目標)", namely to reach peak carbon emission by 2030 and to achieve carbon neutrality by 2060, we have been developing and pursuing opportunities in further expanding our existing energy product business.

In 2021, the PRC government launched the first batch of demonstration city clusters and has formulated clear development goals and plans for the fuel cell vehicle market, and a series of detailed incentive plans to stimulate the development of the industry since then. The Henan city cluster is one of such five demonstration city clusters with Zhengzhou city as the leading city. According to the Implementation Plan for Fuel Cell Demonstration Application in Zhengzhou City Cluster* (《鄭州城市群燃料電池示範應用實施方案》) and relevant requirements of the provincial government, during the four-year demonstration period, the Henan city cluster shall promote 4,445 fuel cell vehicles and construct 82 hydrogen gas stations, forming a complete industrial value chain. In addition, there are six types of fuel cell vehicles targeted, namely buses (公交), tractors (牽引車), sanitation vehicles (環衛車), muck trucks (渣土車), light trucks (輕卡車) and cement mixer trucks (水泥攪拌車). According to the Frost & Sullivan, Zhengzhou High-Tech Industrial Development Zone (鄭州高新技術產業開發區) is one of the pilot regions for the development of hydrogen business in Zhengzhou.

Our involvement in hydrogen production

We have already established expertise and experience in hydrogen production and operations, notably through (i) being a manufacturing partner in the joint venture company (namely Jinjiang Refinery), which produces and delivers hydrogen for industrial use through dedicated pipelines connecting Jiyuan city (where it is based) to Luoyang city. Such pipeline is 25 km long in total, 17 km of which is situated in Jiyuan city and 8 km of which is located in Luoyang city. It has a nominal diameter of 500 millimetres, with at least 1.5 metres deep underground, an annual transportation capacity of 100,400 tonnes and a designed in-pipe pressure withstood being 4.0 Mpa; and (ii) our Company had invested in and continued to invest in hydrogen production and purification. We possess hydrogen production facility with a hydrogen production capacity of 24 million m^3 per annum, which completed construction in March 2013 and commenced operation in May 2013, whereby the hydrogen produced is grey hydrogen for hydrogenation of crude benzene for our hydrogenated benzene-based chemicals.

In April 2023, we have completed the upgrade of such equipment for hydrogen purification which could purify hydrogen (including the hydrogen produced by Jinjiang Refinery and us) into high pure hydrogen with a capacity of 48 million m^3 per annum for fuel cell vehicles. The total investment amount involved in our Group's hydrogen production facilities and upgrading of such purification facilities amounted to RMB32.8 million to date.

Background of Jinjiang Refinery

Jinjiang Refinery was a joint venture company established on 14 May 2014 in the PRC, which was held by Jinma Qingneng, our wholly-owned subsidiary, and Luoyang Refinery, an Independent Third Party, as to 49% and 51%, respectively, as at the Latest Practicable Date. We are a manufacturing partner in the joint venture company, and our joint venture partner, Luoyang Refinery is a company incorporated in the PRC with a registered capital of RMB174 million, which, together with its subsidiaries, employs approximately 360 employees and is principally engaged in (i) the production of hydrogen; and (ii) the refinery and sales of petrochemical products.

Luoyang Refinery is, based on publicly available information, owned by nine corporate equity holders, eight of whom are involved in operations along the petrochemical industry chain and the remaining holder is a state-owned enterprise controlled by the State-owned Assets Supervision and Administration Commission of the Luoyang Government (洛陽市人民政府國有資產監督管理委員會) ("**Luoyang SASAC**"), amongst which, the two largest equity holders, Luoyang Chemical Refinery Engineering Co., Ltd. (洛陽煉化工程有限責任公司) ("**LY Refinery Engineering**") and Luoyang City Development Investment Group Company Limited (洛陽城市發展投資集團有限公司 ("**LY City Development**") are holders of 37.01% and 28.74% of the equity capital in Luoyang Refinery, respectively. LY Refinery Engineering's predecessor was the engineering company of the Luoyang Petrochemical Factory of Sinopec Group (中國石化集團洛陽石油化工總廠工程公司), and LY Refinery Engineering, with a registered capital of RMB50 million, employs approximately 400 employees and is principally engaged in the provision of construction and engineering services to the Luoyang Petrochemical Factory. LY Refinery Engineering is held by 13 individuals, with Yang Zhiqiang (楊志強) being the ultimate owner holding 40.0% of the interest therein. LY City Development is an operation platform under the Luoyang SASAC with a registered capital of RMB1,000 million, and is ultimately owned by the Luoyang SASAC as to 90% and the Ministry of Finance of the Henan Province as to 10%.

Based on the confirmation obtained from Luoyang Refinery and to the best knowledge of our Directors, other than (i) Luoyang Refinery being our joint venture partner in Jinjiang Refinery, and (ii) one of the minority equity holders of Luoyang Refinery being one of our suppliers that provided certain engineering and construction related services to our Group during the Track Record Period, Luoyang Refinery and its directors or ultimate beneficial owners do not have any other past or present relationships with our Group, our directors, senior management, employees or any of their respective associates.

The term of the business licence of Jinjiang Refinery is 30 years from May 2014, being its date of establishment. The rights and obligations of Jinma Qingneng and Luoyang Refinery in respect of Jinjiang Refinery are mainly set out in its articles of association. Both equity holders of Jinjiang Refinery are entitled to pre-emptive right in the event that the other equity holder proposes to sell its shares to any third party. The board of directors of Jinjiang Refinery consists of five directors, of which three shall be nominated by Luoyang Refinery and the remaining two shall be nominated by Jinma Qingneng. Board resolutions shall be approved by more than two-thirds of the board. Matters which require approval at board meeting include convening shareholders' meeting, approving Jinjiang Refinery's business plan and investment plan, formulating Jinjiang Refinery's profit distribution plan and loss compensation plan and proposals for merger, division, dissolution or change of company form of Jinjiang Refinery. There shall be a general manager who shall also be the legal representative. The general manager shall be nominated by Luoyang Refinery whose appointment shall be approved by the board of directors of Jinjiang Refinery. The general manager is responsible for, among others, Jinjiang Refinery's production and operation management, the organisation and implementation of Jinjiang Refinery's annual business plan and investment plan and formulating Jinjiang Refinery's management system and policies. The equity holders of Jinjiang Refinery are entitled to the rights and obligations of equity holders as provided in the PRC Company Law (including the rights to dividend). Shareholders' resolutions shall be approved by more than two-thirds of the voting rights held by the equity holders. Matters which require approval at shareholders' meeting include approving Jinjiang Refinery's business plan and investment plan, appointment and change of directors and supervisors who are not employee representatives, remuneration of directors and supervisors, Jinjiang Refinery's annual financial budget plan and final accounts plan, Jinjiang Refinery's profit distribution plan and loss compensation plan and proposals for merger, division, dissolution or change of company form of Jinjiang Refinery.

Jingjiang Refinery's production facilities are located at Jiyuan High-Tech Industrial Chemical Park with a site area of 97,300 sq.m.. During the Track Record Period, the annual production capacity of Jinjiang Refinery was 293 million m^3 (equivalent to approximately 26,300 tonnes) with a utilisation rate of up to 70%. Jinjiang Refinery sources coal gas from us to separate the hydrogen content of coal gas for production of hydrogen for industrial use mainly to Luoyang Refinery. During the Track Record Period, Jinjiang Refinery generated most of its revenue from the sale of hydrogen to Luoyang Refinery for its onward supply to the Luoyang branch company of a petroleum and petrochemical group of China (the "**Major Ultimate Customer**"). The Major Ultimate Customer is one of the fuel-based oil refinery companies with 5 million tonnes per year whose construction was approved by the PRC government during the firth Five-Year Plan. To the best knowledge of the Directors, (i) the purpose of setting up Jinjiang Refinery is mainly for Jinjiang Refinery to ultimately supply hydrogen to the Major Ultimate Customer; (ii) the Major Ultimate Customer of Jinjiang Refinery applies its hydrogen for the hydrogenation of petroleum products; and (iii) Jinjiang Refinery is the sole hydrogen supplier of Luoyang Refinery. While to the best knowledge of the Directors, the Major Ultimate Customer has its own hydrogen production capacity and other sources of hydrogen supply from its group companies, having considered the purpose of setting up Jinjiang Refinery as disclosed above, the stable and long-term relationship between

Jinjiang Refinery and Luoyang Refinery and the market position and scale of operation of the Major Ultimate Customer, the Directors consider that there is considerable demand for the hydrogen produced by Jinjiang Refinery from the Major Ultimate Customer.

According to Frost & Sullivan, hydrogen can be broadly classified into “grey hydrogen”, “blue hydrogen” and “green hydrogen” depending on its production method. “Grey hydrogen” refers to hydrogen produced through the conversion reaction of fossil fuels and releases a certain amount of carbon dioxide during the production process. “Blue hydrogen” refers to hydrogen produced by applying environmental carbon reduction technologies to “grey hydrogen” production process, achieving lower or zero carbon emissions. “Green hydrogen” refers to hydrogen produced through the electrolysis of water using renewable energy sources with no carbon emissions. The hydrogen produced by Jinjiang Refinery is classified as “grey hydrogen”. According to the Medium and Long-term Plan for Hydrogen Energy Industry Development (2021-2035) (氫能產業發展中長期規劃(2021-2035年)) published by the NDRC in March 2022, among others, the demonstration application of hydrogen energy has achieved remarkable results, together with the progress of technologies in hydrogen production, storage and transportation, market competitiveness has been greatly improved, preliminarily forming a hydrogen energy supply system that focuses on industrial by-product hydrogen which, as advised by Frost & Sullivan, includes grey hydrogen and renewable energy hydrogen production. In addition, in areas where industries such as coking gather, priority should be given to the use of industrial by-product hydrogen and nearby consumption should be encouraged to reduce the supply cost of industrial by-product hydrogen.

The hydrogen that Jinjiang Refinery produces can also support our operations. Based on the hydrogen produced by Jinjiang Refinery to be supplied to us, our Company could purify and produce up to 48 million m^3 of high pure hydrogen per annum, which high pure hydrogen could and will be, in turn, be used to refuel hydrogen fuel cells.

Immediately prior to the Reorganisation, Jinjiang Refinery was held as to 49% by Jinma Energy, and 51% by Luoyang Refinery, and was accounted for as a joint venture of the Jinma Group. As part of the Reorganisation, on 29 July 2023, Jinma Energy and Jinma Qingneng entered into an equity transfer agreement to transfer 49% equity interest in Jinjiang Refinery to Jinma Qingneng. Further, on 16 August 2023, Jinma Energy entered into an equity transfer agreement with our Company to transfer its equity interest in Jinma Qingneng to our Company. After the completion of the Reorganisation, Jinjiang Refinery was held as to 49% by Jinma Qingneng and 51% by Luoyang Refinery. As the equity method was applied in relation to the acquisition of Jinjiang Refinery, we did not share any of its results in our profit or loss during the Track Record Period. After the Reorganisation, given that Jinjiang Refinery is only owned as to 49% by us, we have no control over Jinjiang Refinery. See “History, Corporate Structure and Reorganisation – The Reorganisation” in this prospectus for further details.

For information on the financial performance of Jinjiang Refinery, see the Accountants’ Report set out in Appendix I to this prospectus.

In light of the above, the Directors believe that we are well positioned to leverage on our already established energy product business to pursue and develop businesses and strategies in the hydrogen value chain.

Current and Future Initiatives for Hydrogen Business

In order to grasp the opportunities arising from hydrogen business as advocated by the PRC government (such as the PRC government's strong commitments to its "dual carbon goals (雙碳目標)" and the Implementation Plan for Fuel Cell Demonstration Application in Zhengzhou City Cluster* (《鄭州城市群燃料電池示範應用實施方案》), in June 2023, Jinma Energy entered into a cooperation agreement with the Administration Committee, pursuant to which, among others, Jinma Energy shall establish a project company in the Zhengzhou High-Tech Industrial Development Zone. The project company targets to construct 15 gas stations with hydrogen refuelling facilities in Zhengzhou High-Tech Industrial Development Zone in the coming three to five years, so that we can realise the scale effect and enjoy economies of scale. With more hydrogen gas stations constructed, we believe that (i) it will create a cluster effect which enables us to capture more traffic flow and demand in various locations; (ii) it will result in higher utilisation rate of our hydrogen purification facilities which could enable us to achieve higher economies of scale; and (iii) we will have stronger bargaining power in relation to transportation cost of hydrogen through bulk purchase. Jinma Qingneng, our wholly-owned subsidiary, is the project company for constructing hydrogen gas stations. The cooperation agreement with the Administration Committee is on a non-exclusive basis. The table below sets out the salient terms of such cooperation agreement:

Roles and responsibilities of parties	:	In respect of the Administration Committee, it shall, among others, (i) provide assistance to apply for relevant subsidies at the national, provincial and municipal levels for the project company; (ii) assist the project company to obtain relevant hazardous chemicals business licence, business licence and other filing registration; and (iii) provide incentives to the project company and provide subsidies for the leasing of property to the project company if it satisfies certain annual assessment criteria. Jinma Qingneng is responsible for the construction of gas stations with hydrogen refuelling facilities pursuant to the above cooperation agreement.

		In respect of Jinma Energy, it shall, among others, (i) ensure that during the term of the cooperation, the project company shall complete the construction of hydrogen gas stations and meet the operating targets; (ii) it undertakes that, without the consent of the Administration Committee, the project company shall not move away from its place of registration, change its tax obligations in Zhengzhou or reduce its registered capital; (iii) ensure the project company to operate in compliance with applicable laws and regulations.
Dispute resolution	:	In the event of dispute between the parties which cannot be resolved through negotiation, it shall be resolved by litigation in the local court where the Administration Committee is located.
Termination clause	:	The cooperation agreement can be terminated by: (i) agreement by both parties; (ii) in case of default by one party which is not rectified within a certain period of time, the non-defaulting party may terminate the cooperation agreement unilaterally; and (iii) in case of force majeure, either party may terminate the cooperation agreement.

As advised by Frost & Sullivan, as at the Latest Practicable Date, we were the only enterprise which entered into such cooperation agreement in respect of hydrogen gas stations with the Administration Committee in Zhengzhou High-Tech Industrial Development Zone, being one of the pilot regions for the development of hydrogen business in Zhengzhou.

According to the "Notice on the launch of a new batch of fuel cell vehicle demonstration applications" (《關於啟動新一批燃料電池汽車示範應用工作的通知》) issued by the Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Science and Technology, NDRC and National Energy Administration in December 2021, among others, Henan province has been approved as one of the first batch of demonstration city clusters, with an initial demonstration period of four years from 2022 to 2025. As at the Latest Practicable Date, the PRC government has not announced the arrangement or plans after the initial demonstration period. Notwithstanding the above, there are government policies that support the medium and long-term development of hydrogen energy industry in Henan province including Zhengzhou, which could in turn support the demand for hydrogen in the future. The General Office of Henan Provincial People's Government has issued the Medium and Long-Term Development Plan for Hydrogen Energy Industry in Henan Province (2022-2035) (河南省氫能產業發展中長期規劃(2022-2035年) in September 2022. According to such plan, among others, it is expected that by 2035, the scale of hydrogen energy industry will be expanded, quality and efficiency will be improved, the innovation capabilities of key technologies involving the production, storage, transportation and refuelling of hydrogen and hydrogen fuel cells will be basically formed.

According to the relevant policies of the PRC government, during the initial demonstration period, certain kinds of subsidies would be granted to eligible companies in the industry including those engaging in the supply of hydrogen for hydrogen fuel cell vehicles and construction of hydrogen gas stations, and these subsidies are subject to certain conditions, such as hydrogen refuelling capacity, carbon dioxide emission during hydrogen production, hydrogen quality requirement, supply distance of hydrogen and retail price. In respect of the supply of hydrogen for hydrogen fuel cell vehicles, the government subsidies that we will be entitled to per kg are RMB27, RMB24, RMB18 and RMB15 for 2022, 2023, 2024 and 2025, respectively. In respect of the construction of hydrogen gas stations, the government subsidies that we will be entitled to are 30% of the total cost for purchase of equipment and installation, which is capped at RMB5 million, RMB4 million and RMB3 million per station for station commencing operation in 2022, 2023 and 2024-2025, respectively.

Subsequent to the Track Record Period, we have commenced our hydrogen business in November 2023. As at the Latest Practicable Date, we have completed the construction of two gas stations with hydrogen refuelling facilities in Jiyuan High-Tech Industrial Chemical Park and Zhengzhou High-Tech Industrial Development Zone (鄭州高新技術產業開發區) in Zhengzhou, which is expected to commence trial operation in December 2023 and has commenced trial operation in November 2023, respectively. We have also completed the construction of hydrogen filling facilities in Jiyuan High-Tech Industrial Chemical Park.

Our gas stations with hydrogen refuelling facilities and hydrogen filling facilities

Jiyuan High-Tech Industrial Chemical Park hydrogen gas station

Zhengzhou High-Tech Industrial Development Zone hydrogen gas station

Hydrogen filling facilities in Jiyuan High-Tech Industrial Chemical Park

The table below sets out certain information in relation to our gas stations with hydrogen refuelling facilities and hydrogen filling facilities:

Name	Details	Major facilities	Date of completion of construction	Expected commencement date/ Commencement date of trial operation	Total investment/ total capital expenditure *(RMB million)*	Source of funding
Jiyuan High-Tech Industrial Chemical Park hydrogen gas station	Site area of approximately 3,400 sq.m with a designed refuelling capacity of 1,000 kg of hydrogen per 12 hours and constructed refuelling capacity of 500 kg of hydrogen per 12 hours	(1) Two hydrogen refuelling machines; (2) one hydrogen compressor; (3) one set of hydrogen cylinders of a total of 202 kg (with six cylinders); (4) two sets of hydrogen cylinders of a total of 254 kg (with nine cylinders); and (5) one set of nitrogen system with supporting facilities.	April 2023	December 2023	6.2	Internal resources

Name	Details	Major facilities	Date of completion of construction	Expected commencement date/ Commencement date of trial operation	Total investment/ total capital expenditure (RMB million)	Source of funding
Zhengzhou High-Tech Industrial Development Zone hydrogen gas station	Site area of approximately 5,100 sq.m with a designed refuelling capacity of approximately 4,000 kg of hydrogen per 12 hours and constructed refuelling capacity of 2,000 kg of hydrogen per 12 hours	(1) Two hydrogen refuelling machines; (2) two hydrogen compressors; (3) one set of hydrogen cylinders of a total of 202 kg (with six cylinders); (4) two sets of hydrogen cylinders of a total of 508 kg (with 18 cylinders); (5) two sets of hydrogen pre-cooling equipment; and (6) two hydrogen unloading cylinders.	October 2023	November 2023	17.9 (excluding land acquisition cost)	Internal resources
Hydrogen filling facilities in Jiyuan High-Tech Industrial Chemical Park	Site area of approximately 5,400 sq.m with a designed hydrogen filling capacity of 6,000 m^3 per hour	(1) Six compressors; (2) six refilling columns; and (3) one cooling tower.	September 2023	November 2023	33.0	Internal resources

In light of the favourable government policies on the development and use of low carbon energy, particularly hydrogen, for the fuel cell vehicle market and the cooperation agreement with the Administration Committee as disclosed above, as well as a tripartite framework agreement with Henan Yida Min'an Municipal Service Co., Ltd.* (河南一達民安市政服務有限公司) ("**Yida Min'an**"), a state-invested muck truck operator in Henan Province, and Yutong Commercial Vehicle Co., Ltd.* (宇通商用車有限公司) ("**Yutong**"), a hydrogen fuel cell vehicle manufacturer in the PRC, to secure demand for hydrogen refuelling as disclosed below, we also plan to construct six to 10 additional gas stations with hydrogen refuelling facilities in Zhengzhou (including Zhengzhou High-Tech Industrial Development Zone and within the 15 gas stations under the cooperation agreement with the Administration Committee as disclosed above) by the end of 2025 by utilising net proceeds from the Global Offering. With such sizable operational scale of hydrogen gas stations, we may set up an in-house logistics team to deliver hydrogen from Jiyuan to Zhengzhou, whose transportation cost is lower than that charged by third-party logistics service provider. In accordance with the relevant requirements, each hydrogen station shall be operated by at least six personnel. Depending on the expected capacity and scale of operation of the new hydrogen gas stations to be constructed, the number of personnel required might be higher.

The availability of property for the construction of hydrogen gas stations mainly depends on and is subject to negotiation with the government authorities. When opportunity arises, we will consider, among others, the distance from our existing hydrogen gas stations to minimise risks of cannibalisation, the amount of traffic of targeted hydrogen fuel cell vehicles (including the location of application scenario of muck trucks of Yida Min'an, carparks of muck trucks as well as other hydrogen fuel cell vehicles in general) and the market information on potential customers expected to be obtained through our cooperation with Yutong.

The following table sets out certain details of our plan to construct six to 10 additional gas stations with hydrogen refuelling facilities in Zhengzhou (including Zhengzhou High-Tech Industrial Development Zone and within the 15 gas stations under the cooperation agreement with the Committee as disclosed above) by the end of 2025 by utilising net proceeds from the Global Offering:

Expected timeframe for construction	:	Subject to the availability of property as mentioned above, we intend to commence the construction of the first out of such six to 10 additional hydrogen gas stations in the first quarter of 2024 and construct three to five hydrogen gas stations per year in general.
Expected completion date	:	Based on our experience, the construction of a hydrogen gas station will take around three months to complete. Based on the expected timeframe above, all of the six to 10 additional hydrogen gas stations will be constructed by the end of 2025.

Expected capacity and size for each of the hydrogen gas stations to be constructed	:	Depending on the size and location of property available, the expected capacity and scale of operation of the new hydrogen gas stations to be constructed might be larger or smaller, such as ranging from constructed average daily refuelling capacity of 1,000 kg per 12 hours to 3,000 kg per 12 hours for each hydrogen gas station, than those of the hydrogen gas station in Zhengzhou High-Tech Industrial Development Zone, the construction of which is completed in October 2023 with a designed average daily refuelling capacity of 4,000 kg per 12 hours and constructed average daily refuelling capacity of 2,000 kg per 12 hours*(Note)* which is expected to meet the daily usage needs of 80 to 100 hydrogen fuel cell heavy trucks (including muck trucks).

Note: The constructed average daily refuelling capacity is determined with reference to the number of fuel cell muck trucks, namely not more than 1,000, to be manufactured by Yutong and to be purchased by Yida Min'an pursuant to the tripartite framework agreement, whereas the designed average daily refuelling capacity allows us flexibility to expand our constructed refuelling capacity without having to construct an additional hydrogen gas station if demand for hydrogen for fuel cell vehicles increases in the future.

We expect that the total investment cost in respect of the construction of the six to 10 additional hydrogen gas stations to comprise (i) approximately HK$207.1 million (equivalent to approximately RMB190.5 million) for equipment, property and construction, and approximately HK$21.7 million (equivalent to approximately RMB20.0 million) for operation setup costs. The above is based on the current estimation of our Directors and may be affected by a number of factors beyond our control, such as the location and size of premises for construction of hydrogen refuelling stations, whether they will be with hydrogen refuelling facilities only or with other gas and oil refuelling facilities. etc. We intend to apply 85.0% or HK$228.8 million (equivalent to approximately RMB210.5 million) of the net proceeds from the Global Offering for constructing six to 10 gas stations with hydrogen refuelling facilities and the remainder will be funded by our internal resources. See "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus for details.

We anticipate that the construction cost for each hydrogen gas station will range from RMB13 million (assuming a hydrogen gas station with constructed average daily refuelling capacity of 1,000 kg per 12 hours) to RMB24 million (assuming a hydrogen gas station with constructed average daily refuelling capacity of 3,000 kg per 12 hours). A breakdown of the estimated construction cost for each hydrogen gas station is as follows:

	Assuming a hydrogen gas station with constructed average daily refuelling capacity of 1,000 kg per 12 hours	Assuming a hydrogen gas station with constructed average daily refuelling capacity of 3,000 kg per 12 hours
	RMB million	*RMB million*
Purchase of equipment	7.5	17.5
– Hydrogen compressor(s)	3.0	9.0
– Hydrogen refuelling machine(s)	1.0	3.0
– Hydrogen storage facilities	1.7	3.0
– Other equipment	1.8	2.5
Construction of station	5.5	6.5

The table below sets out the intended use of proceeds and cumulative capacity of the new hydrogen gas stations to be constructed:

	For the year ending 2024	2025	Total
Intended use of net proceeds from the Global Offering *(Note)*	HK$114.4 million	HK$114.4 million	HK$228.8 million
Cumulative capacity of the additional six to 10 hydrogen gas stations *(Note)*	Designed average daily refuelling capacity of 16,000 kg per 12 hours and constructed average daily refuelling capacity of 8,000 kg per 12 hours	Designed average daily refuelling capacity of 32,000 kg per 12 hours and constructed average daily refuelling capacity of 16,000 kg per 12 hours	Designed average daily refuelling capacity of 32,000 kg per 12 hours and constructed average daily refuelling capacity of 16,000 kg per 12 hours

Note: The information in the table above is presented assuming that four hydrogen gas stations with a designed average daily refuelling capacity of 4,000 kg per 12 hours and constructed average daily refuelling capacity of 2,000 kg per 12 hours each are to be constructed per year. Depending on the size and location of property available, the expected capacity and scale of operation of the new hydrogen gas stations to be constructed might be larger or smaller. As such, for each of the years ending 31 December 2024 and 2025, (i) the net proceeds from the Global Offering to be utilised might be higher or lower than that stated above; and (ii) the cumulative capacity of the additional six to 10 hydrogen gas stations might be larger or smaller than that stated above.

To the best estimate of our Directors and based on our understanding of, among others, (i) the cost of purchasing hydrogen as we are a manufacturing partner in Jinjiang Refinery which is principally engaged in the production of hydrogen, (ii) the cost of purification of hydrogen as we possess hydrogen purification facilities, (iii) the cost of construction of a hydrogen gas station as we have completed the construction of two hydrogen gas stations in Jiyuan High-Tech Industrial Chemical Park and Zhengzhou High-Tech Industrial Development Zone, (iv) the estimated demand and revenue based on the tripartite framework agreement with Yida Min'an and Yutong and (v) government policies on subsidies available, in respect of our hydrogen gas station in Zhengzhou High-Tech Industrial Development Zone, the breakeven could be achieved within around 6 months from the commencement of operation; and the investment payback period is expected to be around 4.5 years after the commencement of operation. Such breakeven period and investment payback period are determined on the assumptions that, among others: (i) the station will attain optimal utilisation, which is 87.5% of the operational capacity, by 12 months after commencement of operation; (ii) the relevant government subsidies are received upon sales; and (iii) the station is operated on leased property. In respect of the additional six to 10 gas stations with hydrogen refuelling facilities to be constructed by applying the net proceeds from the Global Offering, depending on their size, services and capacity, we estimate that the breakeven period and investment payback period of each of them might be longer or shorter than the estimation above. As the breakeven period refers to the period of time required for the hydrogen gas station to generate revenue to cover the relevant operating costs and expenses on accounting basis, taking into account non-cash items such as depreciation and amortisation expenses, our Directors consider that our future plans for hydrogen business are profitable as all hydrogen gas stations are expected to yield a positive operating profit upon the breakeven period.

We had certain non-compliances in relation to the hydrogen gas station mentioned above, including the commencement of (i) construction before obtaining/completing certain permits and (ii) operation before obtaining certain permits. The main reason for the said non-compliances was that we were not able to commence the application for requisite permits since the relevant land usage has yet to be changed to one that is permitted for the construction and operation of hydrogen gas station, and such change of land usage is beyond our Group's control. Nonetheless, we have conducted an interview with certain relevant departments of the Administration Committee (which are the relevant competent authorities as advised by the PRC Legal Advisers), which confirmed that, among others, (i) notwithstanding that we have not obtained the requisite licences and permits before commencement of construction as well as gas operation permit, we can continue to proceed with the hydrogen gas station operation and will go through the land transfer procedures, project construction and operation-related procedures when the land usage is qualified; and (ii) going forward, if our Group were to construct further gas stations with hydrogen refuelling facilities pursuant to the cooperation agreement with the Administration Committee as disclosed above and that no property with proper land usage is available, we can adopt our current practice in relation to our hydrogen gas station in Zhengzhou Hi-Tech Industrial Development Zone until the relevant land usage has been changed to one that is permitted for the construction and operation of hydrogen gas station. After the land usage has been changed to the construction and operation of hydrogen gas station by the relevant land planning department, we will handle the procedures in relation to the land transfer, project construction and operation, including the application for relevant licence or permit for the operation of hydrogen gas station. In addition, to the extent possible, we will also seek to construct hydrogen gas station on property with proper land usage and fully comply with the relevant laws and regulations and obtain all relevant certificates and/or permits for our construction and operation of hydrogen gas stations going forward. For details, see "– Regulatory Compliance – Failure to obtain (i) certain permits and complete certain filings for the construction and (ii) certain permits for the operation of Zhengzhou hydrogen gas station" in this section.

Going forward, if suitable opportunities arise, we may consider to operate our hydrogen business in neighbouring area(s) and/or province(s) in accordance with supportive government policies.

Initiatives to secure demand for hydrogen

With an aim to secure fuel cell vehicles to purchase hydrogen at our hydrogen gas stations, we have entered into a legally binding tripartite framework agreement with Yida Min'an and Yutong in March 2023, pursuant to which Yida Min'an shall purchase not more than 1,000 fuel cell muck trucks manufactured by Yutong and our Group shall operate gas stations with hydrogen refuelling facilities under an agreed price for use by the muck trucks to be purchased by Yida Min'an. While there is no minimum purchase volume amount by Yida Min'an under the tripartite framework agreement, Yida Min'an and our Group shall be the exclusive cooperation partner with each other. The term of the agreement shall end in December 2025, which is in line with the end of the demonstration period of the first batch of fuel cell vehicles in Henan city cluster without specific renewal terms. As the development of the hydrogen energy industry in the future relies on, among others, the cooperation of entities which require hydrogen fuel cell vehicles, entities which manufacture hydrogen fuel cell vehicles and entities which construct and operate hydrogen gas stations for hydrogen fuel cell vehicles, as well as considering the market positions of Yida Min'an, Yutong and our Group, we believe that it will be beneficial for the three parties to continue to cooperate to maintain and/or develop the hydrogen energy industry.

Besides the potential demand from the cooperation with Yida Min'an and Yutong, according to the "Implementation Plan for Fuel Cell Demonstration Application in Zhengzhou City Cluster" (《鄭州城市群燃料電池示範應用實施方案》) and relevant requirements of the provincial government, the Henan city cluster shall promote 4,445 fuel cell vehicles and construct 82 hydrogen gas stations by the end of 2025, forming a complete industrial value chain. In particular, during the four-year demonstration period, Zhengzhou shall promote 2,100 fuel cell vehicles and construct 40 hydrogen gas stations. In addition, as advised by Frost & Sullivan, as at the Latest Practicable Date, we were the only enterprise which entered into cooperation agreement in respect of hydrogen refuelling stations with the Administration Committee in Zhengzhou High-Tech Industrial Development Zone, being one of the pilot regions for the development of hydrogen business in Zhengzhou, we believe that we are well-positioned to capture the market demand for hydrogen refuelling services in Zhengzhou.

As disclosed above, there are six types of fuel cell vehicles targeted, namely buses (公交車), tractors (牽引車), sanitation vehicles (環衛車), muck trucks (渣土車), light trucks (輕卡車) and cement mixer trucks (水泥攪拌車). Apart from muck trucks which we have entered into tripartite framework agreement with Yida Min'an and Yutong, we also have other customer since the commencement of operation of the Zhengzhou hydrogen gas station in November 2023 and will explore other potential customers such as those involving tractors and cement mixer trucks in order to secure demand for hydrogen at our hydrogen gas stations in the future.

Initiatives to secure supply of raw materials for producing hydrogen

To support the operation of our gas stations with hydrogen refuelling facilities, we shall ensure a sufficient supply of high pure hydrogen for fuel cell vehicles. To this end, we reckon that the two main sources of hydrogen for our hydrogen gas stations will be: (i) the supply of hydrogen produced by Jinjiang Refinery; and (ii) the production of hydrogen from Coke Granule Coal Gas produced from the Coke Granule Coal Gas Facilities after the enhancement by installation of the carbon monoxide plus steam synthesis unit. Our existing purification facilities could purify hydrogen (including the hydrogen produced by Jinjiang Refinery and us) into high pure hydrogen with a capacity of 48 million m^3 per annum for fuel cell vehicles. Subject to the future demand for hydrogen for fuel cell vehicles, we currently do not expect to increase the capacity of our hydrogen purification facilities.

The production of hydrogen by Jinjiang Refinery is in turn subject to the supply of coal gas. During the Track Record Period, Jinjiang Refinery sourced coal gas to separate the hydrogen content of coal gas solely from us, whereas we sourced substantially all of the crude coking coal gas from the Jinma Group. As disclosed in "History, Corporate Structure and Reorganisation – The Reorganisation – 3. Injection of equity interest in Jinma Qingneng by Jinma Energy into the Company and acquisition of Coke Granule Coal Gas Facilities from Jinma Energy – (B) Acquisition of Coke Granule Coal Gas Facilities from Jinma Energy" in this section, to reduce the importance of crude coking coal gas as a raw material and hence our reliance on the Jinma Group, in August 2023, we acquired the Coke Granule Coal Gas Facilities from the Jinma Group. We intend to enhance the Coke Granule Coal Gas Facilities by adding a carbon monoxide plus steam synthesis unit to the existing Coke Granule Coal Gas Facilities. After such enhancement, it is expected that we can produce hydrogen directly by the Coke Granule Coal Gas Facilities and the coke granules to hydrogen capacity is expected to reach 420 million m^3. It is expected that such capacity is sufficient to support our operations of gas stations with hydrogen refuelling facilities. As at the Latest Practicable Date, we have commenced initial planning as well as completed feasibility studies and investment filing report with local government in respect of such enhancement. In addition, in the event of reduction or cessation of government subsidies in relation to our operation of hydrogen gas stations as disclosed above, we believe that the production of Coke Granule Coal Gas by our Coke Granule Coal Gas Facilities could mitigate any increase to our cost of operation. The enhancement is expected to take around two years to complete. Before such completion, it is expected that our main source of hydrogen will be from Jinjiang Refinery. During the Track Record Period, a portion of our coal gas was sold to third parties, namely enterprises situated in the Jiyuan High-Tech Industrial Chemical Park and neighbouring area. Going forward, to ensure sufficient supply of coal gas to Jinjiang Refinery which separates the hydrogen content of coal gas for production of hydrogen to support our operation of gas stations with hydrogen refuelling facilities in the near future, we may consider to adjust downwards the portion of sale of coal gas to third parties if necessary.

There are other industry players involved in the construction of gas stations with hydrogen refuelling facilities in Zhengzhou city and among the 11 gas stations with hydrogen refuelling facilities constructed in Zhengzhou city as at the Latest Practicable Date, none of the operators has its own hydrogen supply. As we are able to procure the supply of hydrogen produced by Jinjiang Refinery, we believe the above would enable us to have a stable local supply of hydrogen at a relatively low cost, which in turn is a competitive advantage over our competitors even though the cooperation agreement with the Administration Committee is on a non-exclusive basis.

OUR PRODUCTION AND PROCESSING FACILITIES

Our production base is situated in Jiyuan City, Henan province in the PRC and occupies a total site area of approximately 372,000 sq.m. as at the Latest Practicable Date. The geographic location of our production base is in close proximity to areas with abundant coal resources as well as our target markets to ensure an adequate and stable supply of coal and sales of our products.

We have developed our production and processing facilities for hydrogenated benzene-based chemicals and energy products in Jiyuan High-Tech Industrial Chemical Park. Our facilities are designed to interconnect through pipelines, allowing direct and efficient delivery of raw materials and products through pipelines among our different production and processing facilities. The direct transmission allows us to save transportation cost and reduce inventory and achieve operational efficiency.

The following table sets out certain basic information relating to our production and processing base as at the Latest Practicable Date:

Production/Processing facilities	Production commencement	Annual capacity *(Note 1)*
Hydrogenated benzene-based chemicals production facilities	May 2013	400,000 tonnes *(Note 2)*
LNG production facilities	March 2018	100 million m^3 *(Note 3)*

Production/Processing facilities	Production commencement	Annual capacity(Note 1)
Coal gas processing facilities	January 2009	845 million m^3(Note 4)
Hydrogen production facilities(Note 5)	May 2013	24 million m^3(Note 6)

Notes:

1. Annual capacity is calculated as at the Latest Practicable Date.

2. Annual capacity of hydrogenated benzene-based chemicals refers to the processing capacity of crude benzene by crude benzene processing facilities, and is estimated based on 8,000 working hours per year, which includes the time required for repair and maintenance in relation to the crude benzene processing facilities.

3. Equivalent to approximately 72,000 tonnes. During the Track Record Period, annual capacity of LNG is estimated based on 8,000 working hours per year, which includes the time required for repair and maintenance in relation to the LNG production facilities.

4. During the Track Record Period, annual capacity of coal gas is estimated based on the annual transportation volume of coal gas through the designated pipelines operating without any material downtime.

5. Hydrogen production facilities refer to the hydrogen production facilities of our Company, whereby the hydrogen produced is grey hydrogen for hydrogenation of crude benzene for our hydrogenated benzene-based chemicals.

6. Equivalent to approximately 2,158 tonnes.

We have established regular maintenance plans for all of our main production and processing facilities. We generally conduct maintenance and repair when our facilities are not in operation to avoid interruption to our production and/or processing.

Production and Processing Facilities and Utilisation

The following table sets out our main production/processing facilities of our products as at the Latest Practicable Date:

Products	Main production/processing facilities
Hydrogenated benzene-based chemicals	20 distillation columns, 12 condensers, two regeneration towers, four hydrogenation reactors, four supplemental hydrogen compressors, five circulating hydrogen compressors, five heating ovens, two raw materials accumulator tanks and two high-pressure separators.

Products	Main production/processing facilities
LNG	Three coke oven gas compressors, one centrifugal compressor, two circulating gas compressors, one high-efficiency desulphurisation towers, three crude de-oiler-denuders, two fine de-oiler-denuders, one crude desulphurisation tank, three benzene desulphurisation towers, two pre-hydrogenation tanks, two hydrogenation tanks, four fine de-sulphurisation tanks, one ultra-fine purifier, three methanation reactors and three dehydration towers.
Coal gas	One wet coal gas storage tank of 100,000 m^3, one dry coal gas storage tank sealed with thin oil of 100,000 m^3, 15 fans and one set of desulphurisation equipment of 50,000 m^3 per hour.

Production capacity and utilisation rate

The table below presents the annual capacity, production or processing volume and utilisation rate for our main production lines for FY2020, FY2021, FY2022 and 1H2023:

	FY2020			FY2021			FY2022			1H2023		
	Annual capacity	**Production/ processing volume**	**Utilisation rate**	**Annual capacity**	**Production/ processing volume**	**Utilisation rate**	**Annual capacity**	**Production/ processing volume**	**Utilisation rate**	**Annual capacity**	**Production/ processing volume**	**Utilisation rate**
	'000 tonnes except for coal gas in million m^3	*'000 tonnes except for coal gas in million m^3*	*%*	*'000 tonnes except for coal gas in million m^3*	*'000 tonnes except for coal gas in million m^3*	*%*	*'000 tonnes except for coal gas in million m^3*	*'000 tonnes except for coal gas in million m^3*	*%*	*'000 tonnes except for coal gas in million m^3*	*'000 tonnes except for coal gas in million m^3*	*%*
Hydrogenated benzene-based chemicals	200.0	180.0	90.0	200.0	190.8	95.4	200.0	197.1	98.6 (Note 4)	100.0 (Note 6)	107.4	107.4 (Note 4)
LNG	72.0	59.0	82.0	72.0	4.7	6.5 (Note 3)	72.0	69.4	96.4 (Note 5)	36.0 (Note 6)	35.6	98.9 (Note 5)
Coal gas	845	520.9	61.6	845	380.1	45.0 (Note 3)	845	605.3	71.6	422.5 (Note 6)	304.7	72.1

Notes:

1. For the basis and assumptions regarding the annual capacity of each type of products, see "Our Production and Processing Facilities" in this section.

2. Utilisation rate is derived by dividing the actual production volume by the estimated annual capacity.

3. According to the 2021 annual report of Jinma Energy, the Jinma Group retired two of its older coking furnaces in 2020 in response to China's environmental protection policies, as such, the supply of crude coking coal gas (which is the principal raw material for coal gas for the production of LNG) to us decreased and hence our utilisation rate for LNG deceased from 82.0% in FY2020 to 6.5% in FY2021 and our utilisation rate for coal gas decreased from 61.6% in FY2020 to 45.0% in FY2021. The supply of crude coking coal gas from the Jinma Group to us resumed to normal at the beginning of FY2022 due to the increase of production capacity of Jinma Energy resulting from full operation of its new furnaces in FY2022.

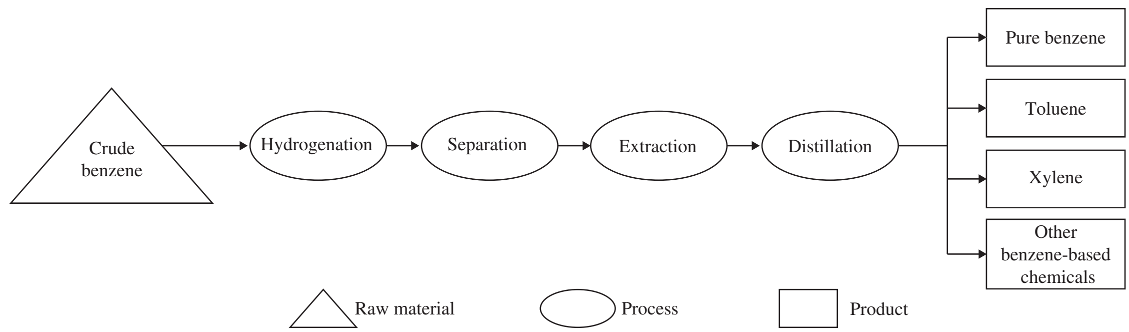
4. Our utilisation rate for hydrogenated benzene-based chemicals increased from 98.6% in FY2022 to 107.4% in 1H2023. The extra capacity was as a result of rescheduling the repair and maintenance work to take place in the fourth quarter of 2023 after the expansion of production capacity of hydrogenated benzene-based chemicals with an additional annual production capacity of 200,000 tonnes (measured in terms of the processing capacity of crude benzene) commences trial production.

5. Despite our high utilisation rates for LNG in FY2022 and 1H2023, our Directors confirm that we currently have no plans to increase our LNG production capacity.

6. The annual capacity for our main production lines for 1H2023 is derived by halving the annual capacity for a full year during the Track Record Period.

PRODUCTION PROCESS

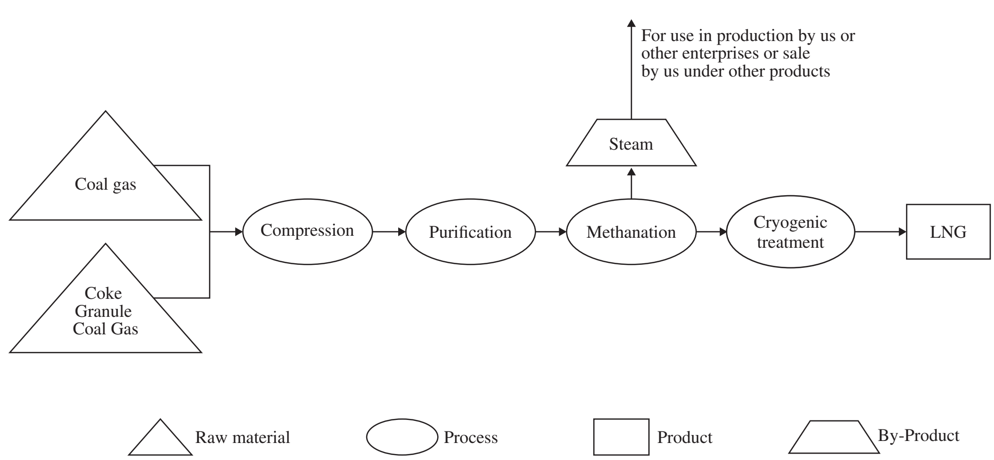
Hydrogenated benzene-based Chemicals



We derive hydrogenated benzene-based chemicals by adding hydrogen in the presence of catalyst to crude benzene. We possess the relevant technology to purify hydrogen and have been producing hydrogenated benzene-based chemicals by treating crude benzene with hydrogen. The impurities contained in the crude benzene react with hydrogen, which are then separated. The residual materials then undergo a series of separation process, mainly, extractive distillation process to separate key products such as pure benzene, toluene, xylene and other hydrogenated benzene-based chemicals, which mainly include heavy benzol and non-aromatic hydrocarbons.

Energy Products

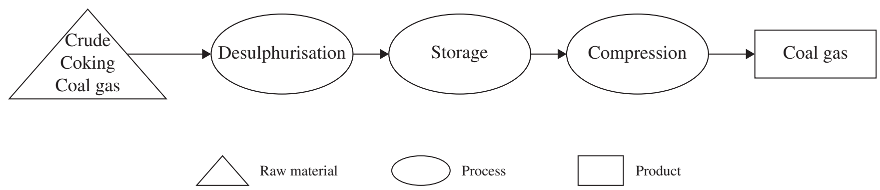
LNG



LNG is liquefied methane and its production begins by increasing the methane content of the input coal gas (i.e. coal gas supplied by Jinning Energy) (60% hydrogen, 25% methane, 9% carbon monoxide and 3% carbon dioxide) to over 95.0%. Methane (CH_4) is produced by chemical reactions among hydrogen (H_2), carbon monoxide and carbon dioxide (CO_2) in coal gas facilitated by specific catalyst under controlled temperature environment. In the process, enormous heat is generated and is recovered for subsequent usage through generation of steam.

The methane concentrated gas is then extracted and liquefied to produce LNG. We are also able to recover and utilise the steam, which is a by-product dissipated in our production process and recover wastewater for re-use after appropriate treatment. We endeavour to develop and deploy new technologies and know-how to improve the energy and resource utilisation efficiency and minimise the environmental impact of our production processes.

Coal gas



Crude coking coal gas undergoes desulphurisation and is being transported to coal gas storage tanks. Upon being compressed, the processing of coal gas is completed, part of which will be used to produce LNG, and part of which will be delivered to industrial and residential users situated in the Jiyuan High-Tech Industrial Chemical Park and neighbouring areas through our pipelines.

Our production processes either (i) do not fall within the industries or the sub-industries which are considered with high energy consumption listed in the project management catalogue issued by the relevant government authorities of Henan province, or (ii) are with energy consumption volume not considered high in such project management catalogue. Based on the letter of confirmation issued by the Development, Reform and Statistics Bureau of Jiyuan City-Industry Integration Demonstration Zone (濟源產城融合示範區發展改革和統計局), the relevant competent authority as advised by the PRC Legal Advisers, the existing productions conducted by the Group are not productions with high energy consumption.

RAW MATERIALS AND SUPPLY

Raw Materials and Procurement Process

The principal raw material for the production of our hydrogenated benzene-based chemicals is crude benzene, whereas the principal raw material for the production of our energy products is crude coking coal gas which will be processed by Jinning Energy to coal gas before delivering to Jinrui Energy and Jinjiang Refinery for the production of LNG and acquisition of hydrogen, respectively.

Crude benzene. During the Track Record Period, we sourced crude benzene from more than 30 suppliers located in Henan and Shanxi provinces, which includes Jinma Energy. We typically enter into annual supply contracts with our suppliers for crude benzene which mainly set out the quality requirement and payment and delivery methods, but the actual quantities and price of the products are based on the orders that we place from time to time. We normally prepay the full amount or a portion of the purchase price. The purchase prices for crude benzene are normally determined based on prevailing market price at the time of purchase. We usually confirm our purchase based on weekly purchase orders due to the rapid changes in the prices of crude benzene.

Crude coking coal gas. During the Track Record Period, we sourced substantially all of the crude coking coal gas and Coke Granule Coal Gas from the Jinma Group. In order to contribute to the clearer delineation of business between us and the Jinma Group, diversify our source of raw materials for the production of LNG, and reducing our reliance on the Jinma Group in the long run, we acquired the Coke Granule Coal Gas Facilities from the Jinma Group in August 2023. The Coke Granule Coal Gas Facilities produce Coke Granule Coal Gas as its main product by heating small coke granules in an oxygen environment. Coke Granule Coal Gas does not need to be further purified and could be stored and subsequently transported and sold to third parties and used by our Group for onward processing into LNG. See "– Relationship with the Jinma Group" in this section and "Relationship with our Controlling Shareholder – Our Controlling Shareholder as one of our Suppliers" in this prospectus for further details.

The table below sets out the average purchase price and purchase volume of crude benzene and crude coking coal gas during each year/period of the Track Record Period:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	Average purchase price(Note 1)	Purchase volume	Average purchase price(Note 1)	Purchase volume	Average purchase price(Note 1)	Purchase volume	Average purchase price(Note 1)	Purchase volume	Average purchase price(Note 1)	Purchase volume
	RMB/tonne (for crude coking coal gas in RMB/m^3)	*'000 tonnes (for crude coking coal gas in m^3)*	*RMB/tonne (for crude coking coal gas in RMB/m^3)*	*'000 tonnes (for crude coking coal gas in m^3)*	*RMB/tonne (for crude coking coal gas in RMB/m^3)*	*'000 tonnes (for crude coking coal gas in m^3)*	*RMB/tonne (for crude coking coal gas in RMB/m^3)*	*'000 tonnes (for crude coking coal gas in m^3)*	*RMB/tonne (for crude coking coal gas in RMB/m^3)*	*'000 tonnes (for crude coking coal gas in m^3)*
Crude benzene	2,690.6	183	4,737.5	188	5,976.4	198	6,010.8	96	5,166.5	105
Crude coking coal gas	0.5	547	0.5	412	0.6(Note 2)	667(Note 2)	0.6(Note 2)	316(Note 2)	0.6(Note 2)	329(Note 2)

Notes:

1. Calculated by dividing the total purchase amount of each relevant raw material by the purchase volume of such raw material.

2. Purchase volume and average purchase price of crude coking coal gas in FY2022, 1H2022 and 1H2023 take into account Coke Granule Coal Gas.

Our average purchase price of crude benzene showed an increasing trend from FY2020 to FY2022, mainly due to (i) the increase in price of crude oil which affects the price of crude benzene, the principal raw material of our hydrogenated benzene-based chemicals. For details, see "Industry Overview – Overview of Refined Chemicals derived from Coal Chemical Coking Industry in China – Price analysis of raw materials and products for benzene-based chemicals" in this prospectus; (ii) the recovery in demand after the COVID-19; and (iii) the geopolitical conflict between Russia and Ukraine, whereas our average purchase price of crude benzene showed a decreasing trend from 1H2022 to 1H2023, following the gradual implementation of government measures to ensure a stable price and supply of coal. During the Track Record Period, we sourced 20% of crude benzene from the Jinma Group and the remaining from other suppliers. The amounts of average purchase prices of crude benzene that we purchased from the Jinma Group are comparable to those of crude benzene that we purchased from third party suppliers during the Track Record Period. Similarly, the fluctuations of the average purchase prices of crude benzene that we purchased from the Jinma Group during the Track Record Period are generally in line with those of crude benzene that we purchased from third party suppliers.

During the Track Record Period, we sourced substantially all of the crude coking coal gas from the Jinma Group. Since crude coking coal gas, which is one of the coking by-products of the coking process, needs to be delivered through pipelines, most crude coking coal gas producers often give priority to (i) self-use, followed by (ii) sale to nearby subsidiaries for further processing. Therefore, the crude coking coal gas market is relatively closed, and the price mainly reflects the internal selling price within a group. According to Frost & Sullivan, it is noted that the price of crude coking coal gas in Henan province in general ranged from RMB0.4-0.6 per m^3 with an increasing trend during 2020-2022 and 1H2023. As our average purchase price of crude coking coal gas was RMB0.5 per m^3 to RMB0.6 per m^3 with an increasing trend during the Track Record Period, such price range was in line with the information obtained by Frost & Sullivan.

Although we usually enter into annual supply contracts, we have established long-term relationships with most of our suppliers. We generally select suppliers based on a number of factors, including their pricing, delivery time, product quality, operating history, track record and location. For potential suppliers, we conduct research on their product quality, production processes and technologies before we source any raw materials from them. We will only commence contractual negotiations with the relevant suppliers if the supplier's products meet our quality standards. We also carefully review each supplier's performance and quality before deciding whether to renew the relevant contract upon expiration. We are able to secure a stable raw materials supply and procure raw materials at competitive market prices as we believe our good trade reputation, large production scale and long-term working relationships with our suppliers make us one of their preferred business counterparties.

Suppliers

We aim to establish long-term relationships with our suppliers with reliable production capabilities and logistics networks. Save as disclosed in "Relationship with the Jinma Group" in this section, we were not dependent on any single supplier for the procurement of our raw materials during the Track Record Period.

According to the 2021 annual report of Jinma Energy, the Jinma Group retired two of its older coking furnaces in the end of 2020 in response to China's environmental protection policies. This led to a decrease in the supply of crude coking coal gas to us, which is a principal raw material for coal gas for the production of LNG, and in turn, resulted in a reduction in our production of LNG in FY2021. The supply of crude coking coal gas from the Jinma Group to us resumed to normal at the beginning of FY2022 due to the increase of production capacity of Jinma Energy resulting from full operation of its new furnaces in FY2022. Due to Jinma Group's retirement of two older coking furnaces in December 2020 in response to China's environmental protection policies, we experienced shortage in the supply of crude coking coal gas in FY2021, which is the principal raw material for coal gas for the production of LNG. Save for the above, we did not experience any material shortage of raw materials or any production delays resulting from shortages of raw materials during the Track Record Period.

We usually enter into annual supply agreements with our suppliers. The table below sets out the typical principal terms of such agreements:

For crude benzene

Rights and obligations of parties involved	We will purchase and the supplier will supply crude benzene in accordance with the required quantity, quality and specifications.
Duration	From 1 month to 1 year.
Pricing	Market price.
Payment	Prepayment.
Delivery	Transported by vehicles arranged by us and the cost of transportation is borne by us.
Measurement	Determined by the supplier.
Acceptance standards	Determined by us.

For crude coking coal gas

Rights and obligations of parties involved	We will purchase and the supplier will supply crude coking coal gas in accordance with the required quantity.
Duration	1 year.

Pricing	Considered with reference to, among others, (1) the price of crude coking coal gas in Henan province in general, which price mainly reflects the internal selling price within a group, given that crude coking coal gas (which is one of the coking by-products of the coking process) needs to be delivered through pipelines, resulting in a relatively closed market with crude coking coal gas producers often giving priority to (a) self-use, followed by (b) sale to nearby subsidiaries for further processing; and (2) the price of coal gas which, as disclosed in "Sales and Marketing – Pricing policy – Coal gas" in this section, is regulated by the concession agreement entered into by Jinning Energy.
Payment	Payment at the end of each month.
Measurement	Monthly metre reading will be conducted by both parties.

In each year/period during the Track Record Period, purchases from our five largest suppliers in each year/period accounted for 60.7%, 49.3%, 65.6% and 68.6% of our total principal purchases, respectively, while purchases from our largest supplier, the Jinma Group, accounted for 44.2%, 23.6%, 39.6% and 38.0% of our total principal purchases, respectively. The tables below set out certain information with respect to our five largest suppliers in each year/period during the Track Record Period:

FY2020

Rank	Five largest suppliers	Principal products purchased by us	Major business type and place of business	Credit period	Transaction amount (RMB'000)	Percentage to our total raw material purchases for FY2020 (%)	Percentage to our total principal purchases(Note 1) for FY2020 (%)	Year of commencing business relationship with our Group	Background
1.	Jinma Group	Crude benzene, crude coking coal gas, utilities and other products including mainly steam and nitrogen	Coke producer and processor of coking by-products, Henan province	Within 1 month	395,418	48.5	44.2	2013	Jinma Energy is a company listed on the Main Board of the Stock Exchange (stock code: 6885) and our Controlling Shareholder. It is established in the PRC on 3 August 2016 and together with its subsidiaries, the Jinma Group.
2.	Shanxi Sunlight Coking Group Co., Ltd* (山西陽光焦化集團股份有限公司) ("**Shanxi Sunlight**")	Crude benzene	Coke producer and processor of coking by-products, Shanxi province	Prepayments	45,335	5.6	5.1	2014	Shanxi Sunlight is established in the PRC on 22 July 1998 and has a registered share capital of RMB587 million as at 30 June 2023. It is a joint stock limited company.
3.	Yugang Coking Group(Note 2)	Crude benzene and crude coking coal gas	Coke producer and sale of coking by-products, Henan province	Prepayments	40,380	4.9	4.5	2013	Yugang Coking is established in the PRC on 22 May 1997 and has a registered share capital of RMB142 million as at 30 June 2023.

Notes:

1. Total principal purchases include raw material purchase, utilities and logistics or transportation services.

2. Yugang Coking is an associate of a substantial shareholder of Jinning Energy and therefore a connected person of the Company.

Rank	Five largest suppliers	Principal products purchased by us	Major business type and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total raw material purchases for FY2020 *(%)*	Percentage to our total principal purchases[Note 1] for FY2020 *(%)*	Year of commencing business relationship with our Group	Background
4.	Shanxi Zhongxin Jinshi Industrial Group Co., Ltd.* (山西中信金石實業集團有限公司) ("**Shanxi Zhongxin**") and Shanxi Zhixin Baoneng Technology Co., Ltd.* (山西至信寶能科技有限公司) ("**Shanxi Zhixin**")[Note 3]	Crude benzene	Coke producer and processor of coking by-products, Shanxi province	Prepayments	36,500	4.5	4.1	2013	Shanxi Zhongxin is established in the PRC on 10 April 2015 and has a registered share capital of RMB141.2 million as at 30 June 2023. It is a limited liability company. Shanxi Zhixin is established in the PRC on 21 March 2018 and has a registered share capital of RMB200 million as at 30 June 2023. It is a limited liability company.
5.	Lingshi Zhongmei Jiuxin Coking Co., Ltd* (靈石縣中煤九鑫焦化有限公司) ("**Lingshi Zhongmei**")	Crude benzene	Coke producer and producer and trader of coking by-products, Shanxi province	Prepayments	24,855	3.0	2.8	2013	Lingshi Zhongmei is established in the PRC on 2 January 2004 and has a registered share capital of RMB50 million as at 30 June 2023. It is a state-owned enterprise and a limited liability company.
				Total	542,488	66.5	60.7		

3. During the Track Record Period, we transacted with Shanxi Zhongxin and Shanxi Zhixin, which are owned by the same ultimate beneficial owner and belong to the same group, with respect to the purchase of crude benzene.

FY2021

Rank	Five largest suppliers	Principal products purchased by us	Major business type and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total raw material purchases for FY2021 *(%)*	Percentage to our total principal purchases*(Note 1)* for FY2021 *(%)*	Year of commencing business relationship with our Group	Background
1.	Jinma Group	Crude benzene, crude coking coal gas, utilities and other products including mainly steam and nitrogen	Coke producer and processor of coking by-products, Henan province	Within 1 month	296,702	24.2	23.6	2013	Jinma Energy is a company listed on the Main Board of the Stock Exchange (stock code: 6885) and our Controlling Shareholder. It is established in the PRC on 3 August 2016 and together with its subsidiaries, the Jinma Group.
2.	Shanxi Zhongxin and Shanxi Zhixin*(Note 3)*	Crude benzene	Coke producer and processor of coking by-products, Shanxi province	Prepayments	103,860	8.5	8.3	2013	Shanxi Zhongxin is established in the PRC on 10 April 2015 and has a registered share capital of RMB141.2 million as at 30 June 2023. It is a limited liability company. Shanxi Zhixin is established in the PRC on 21 March 2018 and has a registered share capital of RMB200 million as at 30 June 2023. It is a limited liability company.

Rank	Five largest suppliers	Principal products purchased by us	Major business type and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total raw material purchases for FY2021 *(%)*	Percentage to our total principal purchases*(Note 1)* for FY2021 *(%)*	Year of commencing business relationship with our Group	Background
3.	Henan Jinlingda Trading Co., Ltd* (河南金令達貿易有限公司) ("**Henan Jinlingda**")	Crude benzene	Wholesale and retail of hardware products including crude benzene, Henan province	Payment upon issuance of invoice	80,246	6.5	6.4	2020	Henan Jinlingda is established in the PRC on 13 November 2018 and has a registered share capital of RMB5 million as at 30 June 2023. It is a limited liability company.
4.	Shanxi Sunlight	Crude benzene	Coke producer and processor of coking by-products, Shanxi province	Prepayments	70,601	5.7	5.6	2014	Shanxi Sunlight is established in the PRC on 22 July 1998 and has a registered share capital of RMB587 million as at 30 June 2023. It is a joint stock limited company.
5.	Shanxi Liheng Coking Co., Ltd* (山西立恒焦化有限公司) ("**Shanxi Liheng**")	Crude benzene	Coke processor and sale of coking by-products, Shanxi province	Prepayments	68,358	5.6	5.4	2013	Shanxi Liheng is established in the PRC on 21 January 2014 and has a registered share capital of RMB100 million as at 30 June 2023. It is a limited liability company.
				Total	619,767	50.5	49.3		

FY2022

Rank	Five largest suppliers	Principal products purchased by us	Major business type and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total raw material purchases for FY2022 *(%)*	Percentage to our total principal purchases*(Note 1)* for FY2022 *(%)*	Year of commencing business relationship with our Group	Background
1.	Jinma Group	Crude benzene, crude coking coal gas, utilities and other products including mainly steam and nitrogen	Coke producer and processor of coking by-products, Henan province	Within 1 month	726,111	40.5	39.6	2013	Jinma Energy is a company listed on the Main Board of the Stock Exchange (stock code: 6885) and our Controlling Shareholder. It is established in the PRC on 3 August 2016 and together with its subsidiaries, the Jinma Group.
2.	Shanxi Zhongxin and Shanxi Zhixin*(Note 3)*	Crude benzene	Coke producer and processor of coking by-products, Shanxi province	Prepayments	166,636	9.3	9.1	2013	Shanxi Zhongxin is established in the PRC on 10 April 2015 and has a registered share capital of RMB141.2 million as at 30 June 2023. It is a limited liability company. Shanxi Zhixin is established in the PRC on 21 March 2018 and has a registered share capital of RMB200 million as at 30 June 2023. It is a limited liability company.

Rank	Five largest suppliers	Principal products purchased by us	Major business type and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total raw material purchases for FY2022 *(%)*	Percentage to our total principal purchases[(Note 1)] for FY2022 *(%)*	Year of commencing business relationship with our Group	Background
3.	Shanxi Sunlight	Crude benzene	Coke producer and processor of coking by-products, Shanxi province	Prepayments	136,455	7.6	7.4	2014	Shanxi Sunlight is established in the PRC on 22 July 1998 and has a registered share capital of RMB587 million as at 30 June 2023. It is a joint stock limited company.
4.	Henan Jinlingda	Crude benzene	Wholesale and retail of hardware products including crude benzene, Henan province	Payment upon issuance of invoice	94,471	5.3	5.2	2020	Henan Jinlingda is established in the PRC on 13 November 2018 and has a registered share capital of RMB5 million as at 30 June 2023. It is a limited liability company.
5.	Shanxi Liheng	Crude benzene	Coke processor and sale of coking by-products, Shanxi province	Prepayments	78,659	4.4	4.3	2013	Shanxi Liheng is established in the PRC on 21 January 2014 and has a registered share capital of RMB100 million as at 30 June 2023. It is a limited liability company.
				Total	1,202,332	67.1	65.6		

1H2023

Rank	Five largest suppliers	Principal products purchased by us	Major business type and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total raw material purchases for 1H2023 *(%)*	Percentage to our total principal purchases*(Note 1)* for 1H2023 *(%)*	Year of commencing business relationship with our Group	Background
1.	Jinma Group	Crude benzene, crude coking coal gas, utilities and other products including mainly steam and nitrogen	Coke producer and processor of coking by-products, Henan province	Within 1 month	361,864	40.6	38.0	2013	Jinma Energy is a company listed on the Main Board of the Stock Exchange (stock code: 6885) and our Controlling Shareholder. It is established in the PRC on 3 August 2016 and together with its subsidiaries, the Jinma Group.
2.	Shanxi Zhongxin and Shanxi Zhixin*(Note 3)*	Crude benzene	Coke producer and processor of coking by-products, Shanxi province	Prepayments	94,553	10.6	9.9	2013	Shanxi Zhongxin is established in the PRC on 10 April 2015 and has a registered share capital of RMB141.2 million as at 30 June 2023. It is a limited liability company. Shanxi Zhixin is established in the PRC on 21 March 2018 and has a registered share capital of RMB200 million as at 30 June 2023. It is a limited liability company.

Rank	Five largest suppliers	Principal products purchased by us	Major business type and place of business	Credit period	Transaction amount (RMB'000)	Percentage to our total raw material purchases for 1H2023 (%)	Percentage to our total principal purchases(Note 1) for 1H2023 (%)	Year of commencing business relationship with our Group	Background
3.	Shanxi Sunlight	Crude benzene	Coke producer and processor of coking by-products, Shanxi province	Prepayments	79,700	8.9	8.4	2014	Shanxi Sunlight is established in the PRC on 22 July 1998 and has a registered share capital of RMB587 million as at 30 June 2023. It is a joint stock limited company.
4.	Luoyang Hongxing Petroleum and Chemical Sales Co., Ltd* (洛陽宏興石化銷售有限公司) ("**Luoyang Hongxing**")	Refined oil	Wholesale of refined oil, Henan province	Prepayments	63,825	7.2	6.7	2022	Luoyang Hongxing is established in the PRC on 26 June 2018 and has a registered share capital of RMB60 million as at 30 June 2023. It is a limited liability company.
5.	Henan Jinlingda	Crude benzene	Wholesale and retail of hardware products including crude benzene, Henan province	Payment upon issuance of invoice	53,238	6.0	5.6	2020	Henan Jinlingda is established in the PRC on 13 November 2018 and has a registered share capital of RMB5 million as at 30 June 2023. It is a limited liability company.
				Total	653,180	73.2	68.6		

Save for the Jinma Group and the Yugang Coking Group, as at the Latest Practicable Date, none of the Directors or their respective associates, or any Shareholders of our Company, who, to the best of the Directors' knowledge, owns 5% or more of our issued shares, has any interest in any of our five largest suppliers in each year/period during the Track Record Period. For additional information on our counterparty risk, see "Risk Factors – Risks Relating to Our Business and Industry – We are exposed to counterparty risks in our contracts" in this prospectus.

Relationship with the Jinma Group

Crude benzene

For FY2020, FY2021, FY2022 and 1H2023, our amount of purchases of crude benzene from the Jinma Group amounted to RMB70.9 million, RMB83.1 million, RMB223.3 million and RMB96.7 million, respectively, which accounted for 7.9%, 6.6%, 12.2% and 10.1% of our total principal purchases, respectively, during the corresponding years/period. Save as disclosed above, we purchased crude benzene from third-party suppliers during the Track Record Period. As illustrated, we do not have reliance on the Jinma Group for the supply of crude benzene.

Based on our procurement and production expansion plan, we will procure more raw materials from Independent Third Parties for each of the three years ending 31 December 2025. Whilst it is estimated that the maximum purchase amount payable by us to the Jinma Group for each of the three years ending 31 December 2025 compared to that for the year ending 31 December 2022 will increase (after taking into account an estimated increase in purchase volume and average purchase price as detailed in "Continuing Connected Transactions – C. Non-Exempt Continuing Connected Transactions – (2) Purchase of crude benzene from the Jinma Group" in this prospectus), we expect the percentage of our Group's procurement of raw materials from the Jinma Group in terms of our Group's total procurement of raw materials to decrease because, among others, the one-fold increase of production capacity of hydrogenated benzene-based chemicals from 200,000 tonnes to 400,000 tonnes per annum would result in us increasing the purchase amount of crude benzene by a significant amount, but the expected purchase amount of crude benzene from the Jinma Group would be expected to increase by just 12% for 2024 and 2025 as compared to 2022.

Crude coking coal gas

During the Track Record Period, we have been sourcing crude coking coal gas and Coke Granule Coal Gas, and expect to continue to source crude coking coal gas, from the Jinma Group. For FY2020, FY2021, FY2022 and 1H2023, our amount of purchases of crude coking coal gas and Coke Granule Coal Gas from the Jinma Group amounted to RMB248.6 million, RMB192.7 million, RMB395.1 million and RMB200.9 million, respectively, which accounted for 27.8%, 15.3%, 21.6% and 21.1% of our total principal purchases, respectively, during the corresponding years/period. See "Risk Factors – Risks Relating to Our Business and Industry – We depend on the Jinma Group for the supply of crude coking coal gas" in this prospectus for risks relating to our sourcing of crude coking coal gas from the Jinma Group.

Notwithstanding the fact that we sourced substantially all of the crude coking coal gas from the Jinma Group during the Track Record Period, we are of the view that such practice: (i) is due to the chemical properties as well as the industry/market characteristics of crude coking coal gas (see sub-paragraphs (1) to (4) below); (ii) is consistent with the national strategic policy of promoting circular economic development (see sub-paragraph (5) below); and (iii) is commercially desirable for both our Group and the Jinma Group (see sub-paragraph (6) below).

Further in consideration of all such other relevant matters and as will be explained in detail (see sub-paragraphs (7) to (9) below), even though the Jinma Group is the major supplier of crude coking coal gas and Coke Granule Coal Gas to us, this does not, and will not after the Listing, be an impediment to the clear delineation of businesses between the two groups.

(1) Symbiosis between coke manufacturers and processors of crude coking coal gas

The coking process yields a wide variety and combinations of coking by-products with carbon being the essential element. Coke manufacturers naturally require uptakers to which their coking by-products could be offloaded. In particular, crude coking coal gas that cannot be sold or utilised would otherwise have to be burned as wastage. The other side of the same coin is that processors of crude coking coal gas need a reliable source from which to source their raw materials. As a result of this symbiotic relationship between coke manufacturers and processors of crude coking coal gas, it can be consistently observed in the coking industry that wherever there is a coke manufacturer of a sufficient scale, it would attract other chemical companies in this symbiotic carbon ecosystem to establish businesses nearby for up-taking the former's crude coking coal gas (for further details and examples, please refer to sub-paragraph (4) below).

In light of the above, it is only natural and consistent with industry practice that our Group is set up in the vicinity of the Jinma Group, being one of the large-scale coke producers in Henan province, for the former's easy sourcing of crude coking coal gas from the latter.

(2) Entry barriers to the coking industry

The coking industry is a capital-intensive one, the entry into which requires substantial investments in, for example, land, factory, equipment, coke oven and pipelines. Additionally, large-scale production is usually a pre-requisite for coke producers to effectively compete in the market. Further barriers to entry into the coking industry are the strict regulations and policies laid down in the PRC that are aimed at eliminating coking enterprises with outdated and inefficient equipment and technology as well as enhancing environmental protection measures.

A corollary of the above is that there are usually only a very limited number of crude coking coal gas suppliers in a region from which manufacturers of chemicals and/or energy products can source their raw materials. For us, the Jinma Group, which operates two coking plants, is the only coking enterprise in the Jiyuan High-Tech Industrial Chemical Park.

(3) Efficient and cost-effective transportation

Sizeable coke manufacturers (such as the Jinma Group) need to offload and supply crude coking coal gas in large volume to their downstream customers.

Crude coking coal gas is in practice only transported in its gaseous form owing to its chemical properties, i.e. it condenses only at a very low temperature and very high pressure, and as such, crude coking coal gas is usually delivered through pipelines, the construction of which comes with a myriad of constraints. Firstly, laying out a set of pipelines requires extensive planning, especially where long-distance delivery is concerned, and may often involve difficulties in planning around public land and/or negotiation with owners of private properties through which the pipes are intended to go through. Also, the costs of construction (as well as that of subsequent maintenance) rise exponentially with the distance of delivery (i.e. the length of the pipelines).

Therefore, it makes commercial and practical sense for us to source crude coking coal gas from the Jinma Group by taking advantage of our close proximity with the Jinma Group and by making use of the purpose-built pipelines that are already in place between the two groups.

The pipelines of the Jinma Group, through which crude coking coal gas is delivered, are only connected to the facilities of our Group. Accordingly, the Jinma Group sells crude coking coal gas only to us, but not to any other third party.

The myriad of other factors that make it neither feasible nor commercially viable for the Jinma Group to sell its crude coking coal gas to any purchaser other than us are stated in "(8) Mutual Reliance" below in this section. Particularly, the impracticability of seeking out alternative independent purchasers is further exacerbated by the framework agreement to be entered into between our Group and the Jinma Group, as disclosed in "Continuing Connected Transactions – Non-exempt continuing connected transactions – (1) Purchase of crude coking coal gas from the Jinma Group" in this prospectus, pursuant to which the Jinma Group shall be obliged to first supply its crude coking coal gas to us before it is at liberty to sell to any other party.

Equally, there is no other set of pipelines in place for connecting us to any third party suppliers of crude coking coal gas, and it is thus likewise impractical for us to source from alternative suppliers. In any event, we will have the security of an adequate and stable supply of crude coking coal gas owing to the framework agreement to be entered into between our Group and the Jinma Group as disclosed in "Continuing Connected Transactions – Non-exempt continuing connected transactions – (1) Purchase of crude coking coal gas from the Jinma Group" in this prospectus.

(4) Availability of alternative suppliers

The Jinma Group is already a large-scale coke producer in Henan province. Presently, we understand that there are a limited number of other coking enterprises within Henan province which are comparable in scale to the Jinma Group. Nonetheless, it would not be commercially viable (if at all possible) for us to source crude coking coal gas from these coking enterprises, because: (i) the crude coking coal gas produced by these coking enterprises is mainly for self-use, such as for their own downstream processing of coking by-products (which also evidences the symbiotic ecosystem common within the coking industry as mentioned in sub-paragraph (1) above) as well as for power generation; and (ii) in any event, the locations of these coking enterprises are at a distance from us that render the delivery by pipelines of crude coking coal gas from any of these coking enterprises to us not at all feasible due to issues relating to access through public and private land, maintenance costs and safety concerns as mentioned in sub-paragraph (3) above.

(5) Support for the PRC's policies for the development of circular economy

Circular economic development (內循環) is a national policy objective in the PRC as promoted by, among others, the "14th Five Year Plan" (for 2021 to 2025), and the Circular Economy Promotion Law (中華人民共和國循環經濟促進法) (the "**CEPL**"). A circular economy includes different ecosystemic cycles within industries and businesses, and entails (as defined in the CEPL) activities of "reducing, reusing and reutilising (減量化、再利用、資源化)" in the process of production, circulation and consumption. In this regard, our sourcing of crude coking coal gas, being a by-product from the Jinma Group's business, constitutes "reutilising" under the CEPL. Also pertinently, Article 29 of the CEPL stipulates that enterprises in industrial parks should be organised for comprehensive utilisation of resources and promotion of circular economy.

The emphasis of the PRC government on circular economic development is consistent with current business development trends and existing commercial practices where close physical proximity among enterprises within a supply chain forming an ecosystem is essential for the success of modern-day manufacturing.

In this connection, it is also a matter of ESG responsibility for us to support the CEPL and adhere to the relevant national policies, and in doing so to take advantage of its physical proximity with the Jinma Group as well as the infrastructure (including pipelines) that is already available for use. By the same token, it is just as much the ESG responsibility of the Jinma Group to ensure that its coking by-products can be properly offloaded to a stable purchaser (i.e. our Group). The two groups are in effect cultivating their own circular ecosystem within themselves by ensuring the efficient utilisation and upcycling of coking by-product generated in the coking process. In contrast, to insist on us seeking out other crude coking coal gas suppliers would go against the nation's collective effort in meeting its climate commitments.

(6) Mutually beneficial relationship between the Jinma Group and us

In light of the parent-subsidiary relationship between the Jinma Group and us, the interests of the Jinma Group and us are in alignment. Accordingly, we have the assurance of an adequate and stable supply from the Jinma Group, while the Jinma Group can simultaneously rely on us as its long-term customer. Such aligned interests are further accentuated by the symbiotic relationship between the two groups (with the Jinma Group being a coke manufacturer and us being a processor of crude coking coal gas), which is a characteristic of the coking industry, as explained in sub-paragraph (1) above.

To further cement the mutually beneficial relationship between us and the Jinma Group, we have entered into a long-term supply contract on 6 December 2023 with the following salient terms:

I. it will have successive terms of three years with the option, exercisable solely by us, to terminate the arrangements at the end of each three-year period;

II. the Jinma Group will be obliged to first satisfy the requirements of us before it is permitted to sell its crude coking coal gas to any other party; and

III. the purchase price of crude coking coal gas will be determined with reference to, among others, (i) the historical purchase price of crude coking coal gas paid by our Group to the Jinma Group; (ii) the market price of coal; (iii) the price of crude coking coal gas in Henan province in general, which price mainly reflects the internal selling price within a group, given that crude coking coal gas (which is one of the coking by-products of the coking process) needs to be delivered through pipelines, resulting in a relatively closed market with crude coking coal gas producers often giving priority to (a) self-use, followed by (b) sale to nearby subsidiaries for further processing; and (iv) the price of coal gas which, as disclosed in "Sales and Marketing – Pricing policy – Coal gas" in this section, is regulated by the concession agreement entered into by Jinning Energy; and arm's length negotiation between the two groups.

For further details, see "Continuing Connected Transactions – C. Non-exempt Continuing Connected Transactions – (1) Purchase of crude coking coal gas from the Jinma Group" in this prospectus.

(7) Reducing importance of crude coking coal gas as a raw material

In order to diversify our source of raw materials for the production of our energy products and reduce our reliance on the Jinma Group in the long run, we have completed the acquisition of the Coke Granule Coal Gas Facilities from the Jinma Group in August 2023.

Different from the crude coking coal gas generated from the crude oven gas, being a by-product produced through the coking process (which involves carbonisation of coal at a high temperature in an oxygen deficient environment, and thereby producing coke), the Coke Granule Coal Gas Facilities produces Coke Granule Coal Gas as its main product by heating small coke granules in an oxygen environment. Coke Granule Coal Gas produced from the Coke Granule Coal Gas Facilities does not need to be further purified and could be stored and subsequently transported and sold to third parties (or Jinrui Energy for onward processing into LNG). In light of the above, Coke Granule Coal Gas acts as an additional raw material for our Group on top of crude coking coal gas. While we will have an additional source of raw material for the production of LNG to reduce the importance of crude coking coal gas as a raw material, our Directors confirm that we plan to maintain our existing LNG production volume and have no plans to increase our LNG production capacity currently.

We plan to utilise the Coke Granule Coal Gas produced as a raw material in the production of LNG. Currently, the coke granules to coal gas capacity of the Coke Granule Coal Gas Facilities is 560 million m^3, with a hydrogen content of approximately 230 million m^3. We intend to enhance the Coke Granule Coal Gas Facilities by adding a carbon monoxide plus steam synthesis unit to the existing Coke Granule Coal Gas Facilities. After such enhancement, it is expected that we can produce hydrogen directly by the Coke Granule Coal Gas Facilities and the coke granules to hydrogen capacity is expected to reach approximately 420 million m^3. It is expected that the Coke Granule Coal Gas will provide an additional source of the raw material required in the production of LNG, adding on to the existing raw material sourcing of us. The Coke Granule Coal Gas will not replace the existing raw material (i.e. coal gas) used by us in our production of LNG, but will be supplemental in nature.

Our acquisition of the Coke Granule Coal Gas Facilities involved the transfer of title of the relevant facilities from the Jinma Group to us and will not involve the physical relocation of the relevant facilities the property on which the Coke Granule Coal Gas Facilities are located will be leased from Jinma Energy.

With our acquisition and utilisation of the Coke Granule Coal Gas Facilities, we will no longer be solely dependent on the supply of crude coking coal gas produced by the Jinma Group, since we could utilise the Coke Granule Coal Gas that we produce in the production of LNG as a raw material. In connection with our operation of the Coke Granule Coal Gas Facilities, we are required to source, among others, coke granules, oxygen and steam to produce the relevant Coke Granule Coal Gas. Such raw materials (referred to as the Coke Granule Coal Gas Raw Materials) are commodities that can be easily sourced from Independent Third Parties.

Taking into account the geographical proximity of the Jinma Group which could minimise transportation cost and time for the delivery of raw materials, we intend to purchase a portion of the Coke Granule Coal Gas Raw Materials from the Jinma Group, amongst which, in respect of the major raw material coke granules, as a plan to reduce the reliance on the Jinma Group, it is expected that the coke granules to be purchased by us pursuant to the Coke Granule Coal Gas Raw Materials Framework Agreement will only account for 20% of the total coke granules required as raw materials for the Coke Granule Coal Gas Facilities to operate with full capacity, and the remaining 80% will be purchased from other third-party suppliers. As advised by Frost & Sullivan, as coke granules are commodities that can be easily sourced from Independent Third Parties, there is an abundant supply in the market with a diversified supplier base. Given the relatively low percentage of purchases from the Jinma Group in relation to coke granules, the Company does not consider that it has reliance on the supply of coke granules from the Jinma Group.

Going forward, our Group will continuously monitor the relevant purchase price of the Coke Granule Coal Gas Raw Materials (including coke granules), and where the purchase price offered by Independent Third Parties are more favourable that offered by the Jinma Group, our Group will prioritise and procure such Coke Granule Coal Gas Raw Materials from such Independent Third Parties, which, in turn, will further reduce actual amount of Coke Granule Coal Gas Raw Materials to be purchased by the Group from the Jinma Group. We consider that such procurement approach based on pricing considerations is favourable and in the interest of our Group and our shareholders as a whole. In addition, given that any purchase of Coke Granule Coal Gas Raw Materials from Jinma Group will be governed under the Coke Granule Coal Gas Raw Materials Framework Agreement, and accordingly subject to internal control measures including the review by independent non-executive Directors and the auditors of the Company, we ensure that all Continuing Connected Transactions are conducted on normal commercial terms. For details, please see "Continuing Connected Transactions – C. Non-exempt Continuing Connected Transactions – (3) Purchase of raw materials for the Coke Granule Coal Gas Facilities from the Jinma Group" in this prospectus.

Thus, in light of the business delineation between the Jinma Group and our Group, the production of Coke Granule Coal Gas from the Coke Granule Coal Gas Facilities falls within the energy products business conducted by our Group. The transfer of the Coke Granule Coal Gas Facilities from the Jinma Group to us contributed to the clearer delineation of business between them and at the same time provide for an independent and additional source of raw materials for our production of energy products, reducing our reliance on the Jinma Group in the long run.

(8) Mutual Reliance

As disclosed above, crude coking coal gas that cannot be sold or utilised would otherwise have to be burned as wastage. Further, pursuant to the applicable PRC laws and regulations, the Jinma Group cannot directly discharge the excess crude coking coal gas given that the unprocessed crude coking coal gas does not meet the PRC government's standards for direct emission, it would therefore be a more environmental-friendly and less costly option for the Jinma Group to sell the excess crude coking coal gas to us than to explore other ways to handle the excess crude coking coal gas, hence mutual reliance. From a practical perspective, there are no other substantial energy products business within the Jiyuan High-Tech Industrial Chemical Park that has the appetite for the Jinma Group's crude coking coal gas. The aforesaid relationship is a reflection of the symbiosis between the two groups as more particularly explained in sub-paragraph (1) above, and will be further strengthened by the long term supply contract mentioned in sub-paragraph (6) above and "Continuing Connected Transactions – Non-exempt continuing connected transactions – (1) Purchase of crude coking coal gas from the Jinma Group" in this prospectus.

(9) Not a captive business model

We do not operate a captive business model. We have been sourcing crude benzene from a diversified number of third-party suppliers and substantially all of the crude coking coal gas from the Jinma Group. More importantly, we have been making a substantial revenue and profit from our sales to independent customers. See "Relationship with our Controlling Shareholder" in this prospectus for further details.

Considering the matters above in totality, our Directors consider that the relationship between us and the Jinma Group is not one of undue reliance, but rather a relationship that comes with advantages for both groups on multiple levels.

The following table sets forth a breakdown of our purchases from the Jinma Group and other suppliers during the Track Record Period:

	FY2020		**FY2021**		**FY2022**		**1H2023**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
The Jinma Group(Note 1)	395,418	44.2	296,702	23.6	726,111	39.6	361,864	38.0
Other suppliers	498,618	55.8	959,177	76.4	1,105,571	60.4	591,524	62.0
Total principal purchases(Note 2)	894,036	100.0	1,255,879	100.0	1,831,682	100.0	953,388	100.0

Notes:

1. During the Track Record Period, we mainly purchased crude benzene, crude coking coal gas, utilities and other raw materials including steam and nitrogen from the Jinma Group.

2. Total principal purchases include raw material purchase, utilities and logistics or transportation services.

For a breakdown of the amount of purchases of (i) crude benzene and (ii) crude coking coal gas and Coke Granule Coal Gas made by us from the Jinma Group and other suppliers, see "Relationship with our Controlling Shareholder – Our Controlling Shareholder as one of our Suppliers" in this prospectus for further details.

In addition, the Jinma Group made certain purchases from us during the Track Record Period. The following table sets forth the breakdown of our revenue from the Jinma Group and other customers by product during the Track Record Period:

	FY2020		FY2021		FY2022		1H2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Hydrogenated benzene-based chemicals								
– The Jinma Group	11,764	2.0	18,832	1.8	30,601	2.3	11,018	1.7
– Other customers	572,954	98.0	1,046,766	98.2	1,283,235	97.7	636,271	98.3
Sub-total	584,718	100.0	1,065,598	100.0	1,313,836	100.0	647,289	100.0
LNG*(Note 1)*								
– The Jinma Group	31	–	35	–	29,776	5.9	19,329	11.2
– Other customers	210,737	100.0	95,365	100.0	471,103	94.1	152,618	88.8
Sub-total	210,768	100.0	95,400	100.0	500,879	100.0	171,947	100.0
Coal gas								
– The Jinma Group	–	–	–	–	–	–	–	–
– Other customers	239,377	100.0	262,790	100.0	319,165	100.0	166,923	100.0
Sub-total	239,377	100.0	262,790	100.0	319,165	100.0	166,923	100.0
Others*(Note 2)*								
– The Jinma Group	12,173	27.4	5,394	9.7	18,738	15.5	8,569	9.5
– Other customers	32,197	72.6	50,412	90.3	101,915	84.5	81,280	90.5
Sub-total	44,370	100.0	55,806	100.0	120,653	100.0	89,849	100.0
Total revenue from the Jinma Group	23,968	2.2	24,261	1.6	79,115	3.5	38,916	3.6
Total revenue	1,079,233	100.0	1,479,594	100.0	2,254,533	100.0	1,076,008	100.0

Notes:

1. Revenue of LNG includes revenue derived from trading of LNG.

2. Others mainly includes refined oil and steam.

Our sales and purchase transactions with the Jinma Group were conducted on normal commercial terms and the pricing policy and contract terms were comparable to those of the transactions with Independent Third Parties, or the prices are within the range in the respective industry. For the basis, see "Business – Sales and Marketing – Overlapping of Customers and Suppliers" and "Continuing Connected Transactions" in this prospectus in relation to our transactions with the Jinma Group for further details.

SALES AND MARKETING

Sales and Marketing

We strive to build stable and long-term relationships with our customers. We market our products primarily by direct marketing through our sales and marketing department, which consisted of nine employees as at the Latest Practicable Date.

We conduct our sales and marketing efforts mainly through our sales and marketing team and maintain close relationships with our key customers. Our sales and marketing team also works to identify business and market opportunities, engage in business networking, organise logistics, deepen relationships with our existing customers and cultivate relationships with potential customers. We identify and target chemical companies, coal gas users and industrial users with whom we believe we can develop long-term relationships. We intend to concentrate our sales efforts on enhancing our services to major customers and developing new customers. We believe that the close contacts between our staff and our customers further strengthens our relationships with our customers.

In respect of our sale of energy products, the LNG produced from our production facilities and are primarily sold to retail customers at our self-operated oil and gas stations, industrial users and trading customers. For details of our customers who are not end users of our products, see "– Sales and Marketing – Customers" in this section.

Sales Contracts

Hydrogenated benzene-based chemicals. We enter into sales agreements with our customers with a term of one year or for one-off transactions. The sales agreements typically provide for the types of products, delivery and transportation arrangement and payment terms, and we sell our products at the price and volume either specified in the agreements or negotiated on a weekly basis generally based on prevailing market price in our target market. If our agreements are for one-off transactions, the agreements would set out the volume, price, delivery and transportation arrangement and payment terms applicable to that transaction. We require most of our hydrogenated benzene-based chemical customers to prepay the purchase prices and generally only grant credit terms of not more than two weeks in limited cases.

LNG. Our major customers of LNG are industrial users, trading customers and retail customers at oil and gas stations operated by us. Except for retail customers, we typically enter into annual sales contracts with our major customers for the sale of LNG which mainly set out the estimated volume to be sold, quality requirement and payment and delivery methods, but the actual price of the products is based on the orders that we receive from time to time. Our customers are normally required to make the payment prior to the delivery of products. The selling price of LNG is normally determined based on prevailing market price on a daily basis due to the rapid changes in the prices of LNG. For details of the sales agreement we entered into with LNG trading customers, see "– Sales and Marketing – Customers" in this section.

Coal gas. We enter into sales agreements with our coal gas customers for a term of one year. The sales agreements typically specify, among other things, calorific value and hydrogen sulfide content of the coal gas, delivery arrangement and payment terms. We sell our coal gas at the price and estimated volume specified in the agreements or we supply coal gas to our customers for 24 hours a day during the term of the agreement and calculate payment based on metre readings. Our contracts with our coal gas customers typically require them to prepay the full amount or a portion of the purchase price or to settle the purchase price within three to five days of receipt of invoice.

We transport and sell our coal gas under the concession agreement we entered into with the local government of Jiyuan city whereby we were granted the exclusive right to transport coal gas to, among others industrial enterprises in the vicinity of Huancheng Road (環城路) and the residents of Du Village (杜村) in Chengliu town (承留鎮), Jiyuan city. The current concession agreement has a concession period of 10 years commencing from 16 April 2023 to 15 April 2033. The concession agreement can be terminated in case of force majeure or when either party to the agreement deems that the termination is necessary, upon negotiation between parties to the agreement. There is no assurance that the concession agreement will not be terminated before the expiration date or that we will be successful in renewing any of the concession agreement or at all. For the risk associated with our business operated under the concession agreement, see "Risk Factors – Risks Relating to Our Business and Industry – Our concession for the operation of our coal gas business will expire or may be terminated before expiration and we may not be able to renew our existing concession or secure new concessions".

We believe we are selected by our customers based on factors such as proximity, stability of our supply, product quality and cost. According to our sales contracts, product return is only permitted if there are quality issues. During the Track Record Period, none of our products were returned by our customers, and we had not received any material complaints or claims in relation to the products sold that would affect our business, financial position or results of operations.

As confirmed by our Directors and Frost & Sullivan, it is a common industry practice for companies with similar operating scale like us to not have long-term sales agreement in relation to commodities and transact on a per-transaction basis with customers which are end-users of commodities. Our Directors also believe that transacting on a per-transaction basis affords us more flexibility to respond to current market trends including price fluctuations as a result of, among others, the supply and demand dynamics, geopolitical conflict, macro economy conditions and extreme weather by (i) negotiating terms and conditions on a per-transaction basis with existing suppliers and customers; (ii) considering alternative suppliers and customers which offer relatively more favourable prices; and (iii) adjusting resource allocation and pricing strategies in order to optimise our profitability.

Customers

We have built a diversified customer base. Our key customers (i) for hydrogenated benzene-based chemicals are nylon and fertilisers manufacturers, refined oil manufacturers and other chemical companies; (ii) for LNG are industrial users, trading customers and retail customers at oil and gas stations operated by us; and (iii) for coal gas are industrial enterprises including Jinjiang Refinery which separates the hydrogen content of coal gas for production of hydrogen and residents situated in the same industrial park in which our Group is based (namely, the Jiyuan High-Tech Industrial Chemical Park) and neighbouring areas. Our key customers are mainly based in Henan province and its neighbouring regions including Shanxi province.

As disclosed in "Sales and Marketing – Sales and marketing" in this section, we are also engaged in the sale of LNG to trading customers. Our trading customers during the Track Record Period were not our distributors because (i) we did not enter into any distribution agreements with such customers and our trading customers purchased our products by way of monthly gas consumption plans and confirmations; (ii) we had no ownership, managerial or contractual control over any of such trading customers or their sales, credit or pricing policies and marketing activities; (iii) we did not accept any return or exchange of our products sold to the trading customers; (iv) we had no restrictions or requirements on the trading customers regarding their geographical coverage, sales target, minimum purchase requirements, target customers or avoidance of competition policies; and (v) our trading customers did not provide us with, and they were not required to provide us with, any information regarding their sales, inventory levels, whether they are reselling our products to their customers, and if so, the identity of the end-users of the products, and their customers' demand for our products. As such, our Directors consider that we did not adopt any distributorship business models in selling our products. For our LNG that is not sold to retail customers through oil and gas stations operated by us, it is usually transported in liquefied form by LNG tankers with large capacity. To the best of our Directors' knowledge, information and belief after making reasonable enquiries, the downstream customers of our trading customers of LNG include operators of other oil and gas stations and industrial users which demand for natural gas through gasification of LNG. Having considered (i) the relatively small demand from each downstream customer which will increase the transportation cost of our sale of products; (ii) the geographical distance and availability of pipelines for the delivery of gasified LNG which increase the difficulty for us to deliver gasified LNG to the ultimate downstream customers; and (iii) the fact that our trading customers in general make prepayment of contract price to us before delivery which is beneficial to our liquidity position, we mainly sell LNG to trading customers. As advised by Frost & Sullivan, it is an industry norm for LNG suppliers like our Group to mainly sell LNG to trading customers in light of the above factors. According to our internal records, for FY2020, FY2021, FY2022 and 1H2023, our sales to trading customers for LNG amounted to RMB98.4 million, RMB14.0 million, RMB299.7 million and RMB105.5 million, respectively, representing 9.1%, 0.9%, 13.3% and 9.8% of our revenue for the corresponding years/period.

We usually enter into annual sales agreements with our customers, except for our trading customers. We enter into standard legally binding agreements with our trading customers. The table below sets out the typical principal terms of the agreements entered into between us and our trading customers:

Rights and obligations of parties involved	We shall supply LNG in accordance with the required volume, quality and criteria. The customer shall pay the consideration with prepaid credits prior to actual delivery.
Duration	1.5 to 3 years in general.
Pricing	Set by us based on market demands and confirmed by customer with a separate written confirmation via fax from time to time.
Payment	Prepaid credits.
Quality standard	Quality of the LNG supplied shall fulfil relevant national standards.
Obsolete stock arrangements	Not applicable.
Goods return and unsold goods arrangements	Not applicable.
Sales and expansion targets	Not applicable.
Sales and inventory reports and estimates	Not applicable.
Minimum purchase commitment	Not applicable.
Conditions for terminating and renewing agreements	The agreement will be terminated upon expiry or on breach of agreement by either party pursuant to the agreement.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, all of these trading customers were Independent Third Parties.

In each year/period during the Track Record Period, sales to our five largest customers in each year/period accounted for 54.9%, 70.0%, 61.2% and 58.7% of our total revenue, respectively, while sales to our largest customer in each year/period during the Track Record

Period accounted for 34.4%, 47.0%, 41.1% and 42.3% of our total revenue, respectively. The tables below set out certain information with respect to our five largest customers in each year/period during the Track Record Period:

FY2020

Rank	Five largest customers	Principal products sold/provided by us	Major business type and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total revenue for FY2020 *(%)*	Year of commencing business relationship with our Group	Background
1.	Pingmei Shenma	Hydrogenated benzene-based chemicals	Coal mining, washing and processing and sale of chemical nylon, Henan province	Payment on delivery	371,678	34.4	2013	Pingmei Shenma is established in the PRC on 3 December 2008 and has a registered share capital of RMB19.4 billion as at 30 June 2023. It is a state-owned enterprise and is a limited liability company.
2.	Jinjiang Refinery	Coal gas, among which Jinjiang Refinery separates the hydrogen content for production of hydrogen	Production and sale of hydrogen, Henan province	5 working days	80,368	7.4	2015	Jinjiang Refinery is established in the PRC on 14 May 2014 and has a registered share capital of RMB100 million as at 30 June 2023. It is a joint venture owned as to 49% by Jinma Qingneng and 51% by Luoyang Refinery.
3.	Henan Jinli Gold and Lead Group Co., Ltd* (河南金利金鉛集團有限公司) ("**Jinli Gold and Lead**")	Coal gas and other products including refined oil	Lead producer, Henan province	3 days	65,398	6.1	2016	Jinli Gold and Lead is established in the PRC on 5 August 2003 and has a registered share capital of RMB600 million as at 30 June 2023. It is a limited liability company.

Rank	Five largest customers	Principal products sold/provided by us	Major business type and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total revenue for FY2020 *(%)*	Year of commencing business relationship with our Group	Background
4.	Sichuan Jinyang Shengbang Chemical Industry Co., Ltd* (四川金洋盛邦化工有限公司) ("**Jinyang Shengbang**")	Hydrogenated benzene-based chemicals	Wholesale of chemicals, Sichuan province	Prepayments	45,008	4.2	2019	Jinyang Shengbang is established in the PRC on 11 December 2012 and has a registered share capital of RMB80 million as at 30 June 2023. It is a limited liability company.
5.	Luoyang Quan'an Retailing & Trading Co., Ltd* (洛陽全安商貿有限公司) ("**Luoyang Quan'an**")	LNG	Wholesale of natural gas, Henan province	Prepayments	30,135	2.8	2019	Luoyang Quan'an is established in the PRC on 6 February 2013 and has a registered share capital of RMB10 million as at 30 June 2023. It is a limited liability company.
				Total	592,587	54.9		

FY2021

Rank	Five largest customers	Principal products sold/provided by us	Major business scope and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total revenue for FY2021 *(%)*	Year of commencing business relationship with our Group	Background
1.	Pingmei Shenma	Hydrogenated benzene-based chemicals	Coal mining, washing and processing and sale of chemical nylon, Henan province	Payment on delivery/ Prepayments	695,869	47.0	2013	Pingmei Shenma is established in the PRC on 3 December 2008 and has a registered share capital of RMB19.4 billion as at 30 June 2023. It is a state-owned enterprise and is a limited liability company.
2.	Jinyang Shengbang	Hydrogenated benzene-based chemicals	Wholesale of chemicals, Sichuan province	Prepayments	128,793	8.7	2019	Jinyang Shengbang is established in the PRC on 11 December 2012 and has a registered share capital of RMB80 million as at 30 June 2023. It is a limited liability company.
3.	Jinjiang Refinery	Coal gas, among which Jinjiang Refinery separates the hydrogen content for production of hydrogen	Production and sale of hydrogen, Henan province	5 working days	99,123	6.7	2015	Jinjiang Refinery is established in the PRC on 14 May 2014 and has a registered share capital of RMB100 million as at 30 June 2023. It is a joint venture owned as to 49% by Jinma Qingneng and 51% by Luoyang Refinery.
4.	Jinli Gold and Lead	Coal gas and other products including refined oil	Lead producer, Henan province	3 days	71,842	4.9	2016	Jinli Gold and Lead is established in the PRC on 5 August 2003 and has a registered share capital of RMB600 million as at 30 June 2023. It is a limited liability company.

Rank	Five largest customers	Principal products sold/provided by us	Major business scope and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total revenue for FY2021 *(%)*	Year of commencing business relationship with our Group	Background
5.	Shanxi Lanhua Sci-tech Venture Co., Ltd* (山西蘭花科技創業股份有限公司) ("**Shanxi Lanhua**")	Hydrogenated benzene-based chemicals	Production of chemicals, Shanxi province	Prepayments/ 7 days	40,579	2.7	2017	Shanxi Lanhua is established in the PRC on 8 December 1998 and has a registered share capital of RMB1.1 billion as at 30 June 2023. It is a state-invested enterprise and is listed on the Shanghai Stock Exchange (stock code: 600123).
				Total	1,036,206	70.0		

FY2022

Rank	Five largest customers	Principal products sold/provided by us	Major business scope and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total revenue for FY2022 *(%)*	Year of commencing business relationship with our Group	Background
1.	Pingmei Shenma	Hydrogenated benzene-based chemicals	Coal mining, washing and processing and sale of chemical nylon, Henan province	Payment on delivery	925,640	41.1	2013	Pingmei Shenma is established in the PRC on 3 December 2008 and has a registered share capital of RMB19.4 billion as at 30 June 2023. It is a state-owned enterprise and is a limited liability company.
2.	Luoyang Quan'an	LNG	Wholesale of natural gas, Henan province	Prepayments	152,194	6.8	2019	Luoyang Quan'an is established in the PRC on 6 February 2013 and has a registered share capital of RMB10 million as at 30 June 2023. It is a limited liability company.

Rank	Five largest customers	Principal products sold/provided by us	Major business scope and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total revenue for FY2022 *(%)*	Year of commencing business relationship with our Group	Background
3.	Jinjiang Refinery	Coal gas, among which Jinjiang Refinery separates the hydrogen content for production of hydrogen	Production and sale of hydrogen, Henan province	5 working days	120,103	5.3	2015	Jinjiang Refinery is established in the PRC on 14 May 2014 and has a registered share capital of RMB100 million as at 30 June 2023. It is a joint venture owned as to 49% by Jinma Qingneng and 51% by Luoyang Refinery.
4.	Yangcheng Deshao Retailing & Trading Co., Ltd* (陽城縣德邵商貿有限公司) ("**Yangcheng Deshao**")	LNG	Wholesale of natural gas, Shanxi province	Prepayments	93,915	4.2	2019	Yangcheng Deshao is established in the PRC on 16 February 2017 and has a registered share capital of RMB25 million as at 30 June 2023. It is a limited liability company.
5.	Jinyang Shengbang	Hydrogenated benzene-based chemicals	Wholesale of chemicals, Sichuan province	Prepayments	85,897	3.8	2019	Jinyang Shengbang is established in the PRC on 11 December 2012 and has a registered share capital of RMB80 million as at 30 June 2023. It is a limited liability company.
				Total	1,377,749	61.2		

1H2023

Rank	Five largest customers	Principal products sold/provided by us	Major business type and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total revenue for 1H2023 *(%)*	Year of commencing business relationship with our Group	Background
1.	Pingmei Shenma	Hydrogenated benzene-based chemicals	Coal mining, washing and processing and sale of chemical nylon, Henan province	Payment on delivery	455,153	42.3	2013	Pingmei Shenma is established in the PRC on 3 December 2008 and has a registered share capital of RMB19.4 billion as at 30 June 2023. It is a state-owned enterprise and is a limited liability company.
2.	Jinjiang Refinery	Coal gas, among which Jinjiang Refinery separates the hydrogen content for production of hydrogen	Production and sale of hydrogen, Henan province	5 working days	52,081	4.9	2015	Jinjiang Refinery is established in the PRC on 14 May 2014 and has a registered share capital of RMB100 million as at 30 June 2023. It is a joint venture owned as to 49% by Jinma Qingneng and 51% by Luoyang Refinery.
3.	Luoyang Quan'an	LNG	Wholesale of natural gas, Henan province	Prepayments	49,580	4.6	2019	Luoyang Quan'an is established in the PRC on 6 February 2013 and has a registered share capital of RMB10 million as at 30 June 2023. It is a limited liability company.

Rank	Five largest customers	Principal products sold/provided by us	Major business type and place of business	Credit period	Transaction amount *(RMB'000)*	Percentage to our total revenue for 1H2023 *(%)*	Year of commencing business relationship with our Group	Background
4.	Jinma Group	Hydrogenated benzene-based chemicals, LNG and other products including refined oil and steam	Coke producer and processor of coking by-products, Henan province	Up to 2 days	38,916	3.6	2013	Jinma Energy is a company listed on the Main Board of the Stock Exchange (stock code: 6885) and our Controlling Shareholder. It is established in the PRC on 3 August 2016 and together with its subsidiaries, the Jinma Group.
5.	Jinyang Shengbang	Hydrogenated benzene-based chemicals	Wholesale of chemicals, Sichuan province	Prepayments	35,828	3.3	2019	Jinyang Shengbang is established in the PRC on 11 December 2012 and has a registered share capital of RMB80 million as at 30 June 2023. It is a limited liability company.
				Total	631,558	58.7		

Save for the Jinma Group in this prospectus, as at the Latest Practicable Date, to the best knowledge and belief of our Directors after making reasonable enquiries, our five largest customers and their ultimate beneficial owners are Independent Third Parties. As confirmed by our Directors, save for the Jinma Group and Jinjiang Refinery with details as disclosed in "History, Corporate Structure and Reorganisation" and "Continuing Connected Transactions" in this prospectus, none of the Directors or their respective associates, or any Shareholders of our Company, who own 5% or more of our issued shares, have any interest in any of our five largest customers in each year/period during the Track Record Period. For additional information on our counterparty risk, see "Risk Factors – Risks Relating to Our Business and Industry – We are exposed to counterparty risks in our contracts" in this prospectus.

Sales to Pingmei Shenma

Pingmei Shenma, a state-owned enterprise, was our largest customer for each year/period during the Track Record Period. Our sales to Pingmei Shenma represented 34.4%, 47.0%, 41.1% and 42.3% of our total revenue for FY2020, FY2021, FY2022 and 1H2023, respectively. During the Track Period, we supplied hydrogenated benzene-based chemicals to Pingmei Shenma by entering into annual framework sales agreements which set out the type of products sold, payment terms and quality requirement. For the risk associated with our reliance on our major customers, see "Risk Factors – Risks Relating to Our Business and Industry – We rely on a limited number of major customers and suppliers and we do not generally enter into long-term sales contracts with our customers and suppliers" in this prospectus.

Our Directors consider that our relationship with Pingmei Shenma will not affect our business prospects on the following grounds:

(1) ***Reliance is mutual and complimentary***. (a) We have developed a stable, long-term and mutual business relationship with Pingmei Shenma since 2013, the establishment of our Predecessor. We were awarded as an excellent supplier from Pingmei Shenma in March 2023. We believe that such long-term business relationship is mainly attributable to the high quality of our hydrogenated benzene-based chemicals; (b) as part of our services incidental to the sale of hydrogenated benzene-based chemicals, we offer end-to-end transportation of hydrogenated benzene-based chemicals from our production facilities to the destination designated by Pingmei Shenma; (c) we, as a manufacturer of hydrogenated benzene-based chemicals, have direct control over the production of our hydrogenated benzene-based chemicals and are able to competitively price our products while maintaining high quality standards than other suppliers which in turn purchased from others, which usually ask for a higher selling price than manufacturers as they need to cover their additional costs incurred in the trading process and to maintain profit margin while having limited control over the quality of products, according to the Frost & Sullivan Report; and (d) our Directors also believe that it is more economical for Pingmei Shenma to purchase hydrogenated benzene-based chemicals from our Group as compared to alternative suppliers of hydrogenated benzene-based chemicals in Henan province, since our Group and Pingmei Shenma enjoy the advantage of geographical proximity which reduces the transportation cost of hydrogenated benzene-based chemicals. According to Frost & Sullivan, our Group is the most geographically proximal to Pingmei Shenma when compared to other hydrogenated benzene-based chemicals suppliers with comparable scale in Henan province. In light of the above, our Directors believe that we are a valued business partner of Pingmei Shenma and consider it is unlikely that our relationship with Pingmei Shenma will materially and adversely change or terminate in the future.

(2) ***Market dominance of Pingmei Shenma***. According to the Frost & Sullivan Report, Pingmei Shenma, a state-owned enterprise, is one of the top 50 coal enterprises according to the 2022 China Top 50 Coal Enterprise list released by the China Coal Industry Association, and ranks ninth in the PRC and first in Henan province in terms of revenue. Due to the dominant position of Pingmei Shenma in the PRC market, its requirements of product quality is at the front end of the industry. We therefore have to commit to stringent product quality standards and technological advancement. As such, we believe that our strong business ties with Pingmei Shenma, being a renowned Chinese enterprise principally engaged in coal mining, washing and processing and sale of chemical nylon, will strengthen our market position instead of bringing any adverse business impact to our Group.

(3) ***Increase of production capacity for business expansion***. We have invested in the expansion of a production capacity of 200,000 tonnes (measured in terms of the processing capacity of crude benzene) per annum in Jiyuan High-Tech Industrial

Chemical Park to achieve comprehensive utilisation of resources and develop a recycling economy. The total investment of the project is RMB300 million. Upon commencement of commercial operation in October 2023, the total production capacity has been doubled from our production capacity per annum since 2020 and reached a total of 400,000 tonnes (measured in terms of the processing capacity of crude benzene) per annum. While we will continue to sell hydrogenated benzene-based chemicals to Pingmei Shenma with our increase of production capacity, the proportion of our total revenue attributed to our sales to Pingmei Shenma will decrease. The additional production capacity also allows us to take on orders from both existing and new customers. For details of efforts to diversify our customer base, see "– (5) Efforts to diversify customer base" below.

(4) ***Positive market prospect of the benzene-based chemical manufacturing industry***. As disclosed in "Industry Overview" in this prospectus, the sales volume of pure benzene and toluene in the PRC and in Henan province after 2022 is expected to be on the rise, with a CAGR of 8.7% and 4.5% for pure benzene in the PRC and Henan province, respectively, and 13.9% and 8.2% for toluene in the PRC and Henan province, respectively, from 2023 to 2027. In light of the future market trends, alongside favourable national government policies in support of the sustainability development of the benzene-based chemicals industry, together with our market position in the pure benzene production industry in Henan province, our Directors believe that we will be able to expand our footprint in and capture future opportunities of the hydrogenated benzene-based chemicals industry.

(5) ***Efforts to diversify customer base***. As a strategy to diversify our customer base, we have identified and approached new target customers with a view to establishing business relationship with them. Since July 2023 and up to the Latest Practicable Date, we were in discussion with more than 10 new and existing customers which have indicated their interests in purchasing our hydrogenated benzene-based chemicals. In September 2023, we signed memoranda of understanding with eight new and existing customers with respect to the purchase of our hydrogenated benzene-based chemicals, with an indicated aggregate annual purchase volume of more than 170,000 tonnes of hydrogenated benzene-based chemicals to be produced by the additional hydrogenated benzene-based chemicals production facilities. These memoranda of understanding are not legally binding on the parties and do not contain specific terms with regards to price and pricing policy. They contain specific terms with regards to the minimum annual purchase volume of our hydrogenated benzene-based chemicals from the customers. Going forward, we will continue to make efforts to attract more new customers and secure more orders from new customers. In light of our technological prowess and ability to supply quality and reliable products, we believe that we are able to continue to attract new customers to expand our customer base.

Overlapping of Customers and Suppliers

For each of FY2020, FY2021, FY2022 and 1H2023, apart from the Jinma Group, we have 6, 3, 4, 1 major customers that were also our suppliers and vice versa with the same year. The following table sets out our major customers that were also our suppliers for each of FY2020, FY2021, FY2022 and 1H2023:

Customer/ supplier	Year/ Period	Products purchased from/ sold to such customer	Purchase amount *(RMB'000)*	Revenue derived from such customer/ supplier *(RMB'000)*	Reasons for overlapping
The Jinma Group*(Note 1)*	FY2020 FY2021 FY2022 1H2022 *(Unaudited)* 1H2023	During the Track Record Period, we mainly purchased crude benzene, crude coking coal gas, utilities and other raw materials including steam and nitrogen from the Jinma Group and the Jinma Group purchased hydrogenated benzene-based chemicals, LNG and other products including refined oil and steam from us.	395,418 296,702 726,111 328,358 361,864	23,968 24,261 79,115 20,808 38,916	During the Track Record Period, we mainly purchased crude benzene, crude coking coal gas and utilities from the Jinma Group for our production and/or processing and sale of hydrogenated benzene-based chemicals and energy products. During the same years/period, the Jinma Group purchased hydrogenated benzene-based chemicals, LNG and other products including refined oil and steam from us. The overlapping purchases and sales are due to the business dealings between different subsidiaries within the Jinma Group and different subsidiaries within our Group. Also, the production facilities of the Jinma Group are interconnected to our production and processing facilities through dedicated pipelines, allowing us to attain raw materials from the Jinma Group and to deliver products to the Jinma Group directly and effectively. Both the Jinma Group and we are located in the Jiyuan High-Tech Industrial Chemical Park. The close proximity to each other enables both of us to save transportation costs and facilitates delivery of raw materials and products.

Customer/ supplier	Year/ Period	Products purchased from/ sold to such customer	Purchase amount *(RMB'000)*	Revenue derived from such customer/ supplier *(RMB'000)*	Reasons for overlapping
Jinjiang Refinery(Note 2)	FY2020 FY2021 FY2022 1H2022 *(Unaudited)* 1H2023	During the Track Record Period, we mainly purchased hydrogen from Jinjiang Refinery and Jinjiang Refinery purchased coal gas and and other products including refined oil from us.	5,523 6,303 8,749 4,315 3,951	80,368 99,123 120,103 60,198 52,081	During the Track Record Period, we purchased raw materials from and sold our products of different business segments to our major overlapping customers and suppliers. The overlapping purchases and sales are due to the business dealings between different subsidiaries within our major overlapping customers and suppliers and different subsidiaries within our Group. Furthermore, according to Frost & Sullivan, it is an industry norm for a market player of hydrogenated benzene-based chemicals and energy products to have sales and purchases with other players, taking into account, among others, its own production capacity, the cost of production and the production lead time.
Pingmei Shenma(Note 3)	FY2020 FY2021 FY2022 1H2022 *(Unaudited)* 1H2023	During the Track Record Period, we mainly purchased crude benzene from Pingmei Shenma and Pingmei Shenma purchased hydrogenated benzene-based chemicals from us.	23,534 67,054 75,799 42,488 36,803	371,678 695,869 925,640 494,562 455,153	
Yugang Coking Group(Note 4)	FY2020 FY2021 FY2022 1H2022 *(Unaudited)* 1H2023	During the Track Record Period, we mainly purchased crude benzene and crude coking coal gas from the Yugang Coking Group and the Yugang Coking Group purchased LNG, coal gas and refined oil from us.	40,380 57,431 1,751 1,751 Nil	907 5,695 31,151 16,653 9,268	
Luoyang Quan'an(Note 5)	FY2020 FY2021 FY2022 1H2022 *(Unaudited)* 1H2023	During the Track Record Period, we mainly purchased LNG from Luoyang Quan'an and Luoyang Quan'an purchased LNG from us.	367 Nil 26,121 520 1,264	30,135 4,809 152,194 70,637 49,580	
Yangcheng Deshao(Note 5)	FY2020 FY2021 FY2022 1H2022 *(Unaudited)* 1H2023	During the Track Record Period, we mainly purchased LNG from Yangcheng Deshao and Yangcheng Deshao purchased LNG from us.	51 Nil Nil Nil Nil	11,066 4,404 93,915 39,455 27,755	
Henan Jinlingda(Note 6)	FY2020 FY2021 FY2022 1H2022 *(Unaudited)* 1H2023	During the Track Record Period, we mainly purchased crude benzene from Henan Jinlingda and Henan Jinlingda purchased LNG from us.	8,492 80,246 94,471 50,425 53,238	68 Nil Nil Nil Nil	

Notes:

1. Our purchase amount with the Jinma Group showed a decreasing trend from FY2020 to FY2021 due to the reduction of supply of crude coking coal gas from the Jinma Group caused by the retirement of two older coking furnaces in 2020 in response to China's environmental protection policies. Our purchase amount with the Jinma Group subsequently showed an increasing trend from FY2021 to FY2022 and from 1H2022 to 1H2023, primarily due to (i) the resumption of supply from crude coking coal gas from the Jinma Group at the beginning of FY2022 due to the increase of production capacity of Jinma Energy resulting from full operation of its new furnaces in FY2022 and the increase in production volume of crude benzene of the Jinma Group; and (ii) the increasing trend of average purchase price of crude benzene during the same period.

   Our revenue derived from the Jinma Group was relatively stable from FY2020 to FY2021. Our revenue derived from the Jinma Group increased sharply from FY2021 to FY2022 primarily due to the increase in (i) sales volume of LNG to the Jinma Group attributable to the resumption in supply of crude coking coal gas from the Jinma Group as explained above; and (ii) average selling price of LNG, which was generally in line with the increase in market price of LNG primarily driven by geopolitical conflict in FY2022. In FY2022, the geopolitical conflict between Russia and Ukraine led to the decrease in supply of natural gas from Russia. Thus, market prices for natural gas reached its recent peak in FY2022. Our revenue derived from the Jinma Group increased from 1H2022 to 1H2023, primarily due to the increase of purchase of LNG from a non-wholly owned subsidiary of Jinma Energy for their operation.

2. Our purchase amount with Jinjiang Refinery showed an increasing trend from FY2020 to FY2022, following our growing demand for hydrogen due to the increase in production of hydrogenated benzene-based chemicals during the same period. Our purchase amount with Jinjiang Refinery remained relatively stable from 1H2022 to 1H2023. Our revenue derived from Jinjiang Refinery showed an increasing trend from FY2020 to FY2022 due to (i) the growing demand for coal gas from Jinjiang Refinery and (ii) the increase of selling price of our coal gas to Jinjiang Refinery during the same period, whereas our revenue remained relatively stable from 1H2022 to 1H2023.

3. Our purchase amount with Pingmei Shenma showed an increasing trend from FY2020 to FY2022 due to the increase in average purchase price of crude benzene during the same period, which is in line with the prevailing market price of crude benzene, whereas our purchase amount with Pingmei Shenma remained relatively stable from 1H2022 to 1H2023. Our revenue derived from Pingmei Shenma showed an increasing trend from FY2020 to FY2022 due to the increase in demand for our hydrogenated benzene-based chemicals from Pingmei Shenma and our average selling price of hydrogenated benzene-based chemicals, whereas our revenue derived from Pingmei Shenma remained relatively stable from 1H2022 to 1H2023. Pingmei Shenma is a state-owned renowned enterprise group with different business segments, principally engaged in coal mining, washing and processing and sale of chemical nylon. During the Track Record Period, our purchases of crude benzene from Pingmei Shenma and our sales of pure benzene to Pingmei Shenma are due to business dealings between different subsidiaries within Pingmei Shenma and our Group. To the best knowledge, information and belief of the Directors, Pingmei Shenma is principally engaged in coal processing, under which crude benzene is produced and can be sold to market players like us, and Pingmei Shenma's own production capacity of hydrogenated benzene-based chemicals cannot fully satisfy its demand for hydrogenated benzene-based chemicals, resulting in a need for Pingmei Shenma to purchase hydrogenated benzene-based chemicals from suppliers like us.

4. Our purchase amount with the Yugang Coking Group remained relatively stable from FY2020 to FY2021, whereas our purchase amount with the Yugang Coking Group showed a decreasing trend from FY2021 to FY2022 and was nil in 1H2023, since Yugang Coking's coke production capacity was subsequently acquired by the Jinma Group after which Yugang Coking ceased production. Our revenue derived from the Yugang Coking Group showed an increasing trend from FY2020 to FY2022, in particular, a sharp increase from FY2021 to FY2022, since, to the best knowledge, information and belief of the Directors, during the same period, Yugang Coking still had outstanding contract obligations to be fulfiled with one of their customers with regard to the supply of coal gas after the acquisition of coking production capacity by the Jinma Group, and therefore Yugang Coking had to source coal gas from us for performance of its outstanding contract obligations. Our revenue derived from the Yugang Coking Group showed a decreasing trend from 1H2022 to 1H2023, since subsequent to FY2022, the operation scale of Yugang Coking Group decreased after the disposal of coke production capacity to the Jinma Group.

5. As disclosed in "Business – Sales and Marketing – Sales and marketing" in this prospectus, we are also engaged in the sale of LNG to trading customers, and each of Luoyang Quan'an and Yangcheng Deshao is our trading customer. In addition, our trading segment mainly involves the trading of LNG and refined oil, and the source of such LNG is from third-party suppliers. Therefore, it is possible for us to enter into transactions with the same company in relation to the purchase and sale of LNG. We procure LNG from third-party LNG suppliers, which include Luoyang Quan'an and Yangcheng Deshao, if (i) price spread against the selling price is considered favourable to the Group; and (ii) our production volume for LNG is unable to meet the demand for LNG. The selling price of LNG (including that of our Group and third-party suppliers) is generally determined with reference to prevailing market price, proximity of location between the sellers and purchasers and supply and demand dynamics. Our purchase amount from Luoyang Quan'an in FY2022 showed a sharp increase, and we purchased LNG from Yangcheng Deshao in FY2020, since the LNG prices offered by Luoyang Quan'an and Yangcheng Deshao were more favourable than other third-party LNG suppliers during the respective year. There was no minimum purchase requirement under the procurement contracts we entered into with Luoyang Quan'an and Yangcheng Deshao during the Track Record Period.

   Our revenue derived from each of Luoyang Quan'an and Yangcheng Deshao showed a decreasing trend from FY2020 to FY2021 due to the lower production volume of LNG as a result of the reduction of supply of crude coking coal gas from the Jinma Group caused by the retirement of two older coking furnaces in 2020 in response to China's environmental protection policies. Our revenue derived from each of Luoyang Quan'an and Yangcheng Deshao showed an increasing trend from FY2021 to FY2022 following the resumption of supply from crude coking coal gas from the Jinma Group at the beginning of FY2022 due to the increase of production capacity of Jinma Energy resulting from full operation of its new furnaces in FY2022. Our revenue derived from each of Luoyang Quan'an and Yangcheng Deshao showed a decreasing trend from 1H2022 to 1H2023 following the decrease in prevailing market price of LNG in 1H2023 from its previous high price which was caused by geopolitical conflicts between Russia and Ukraine in FY2022.

6. Our purchase amount with Henan Jinlingda showed an increasing trend from FY2020 to FY2022, in particularly a sharp increase from FY2020 to FY2021, since (i) we only started to purchase crude benzene from Henan Jinlingda in the second half of 2020 and (ii) average purchase price of crude benzene increased during the same period which is in line with the prevailing market price of crude benzene. Our purchase amount with Henan Jinlingda remained relatively stable from 1H2022 to 1H2023. The principal business of Henan Jinlingda includes sales of crude benzene and LNG and we sold LNG to Henan Jinlingda in FY2020 to fulfil their demand for LNG.

The table below sets out the breakdown of purchase amount of the Group by raw material with its overlapping major customers and suppliers during each year/period of the Track Record Period:

	FY2020	FY2021	FY2022	1H2023
	Purchase amount (RMB'000)			
Crude benzene	122,289	259,923	394,281	186,723
Crude coking coal gas	269,594	220,621	396,108	200,929
Utilities	69,929	16,904	93,472	51,711
Hydrogen	5,523	6,303	8,749	3,951
Others including mainly steam, nitrogen and LNG*(Note 1)*	6,430	3,985	40,392	13,808

The table below sets out the breakdown of revenue derived from the Group's overlapping customers and suppliers by product during each year/period of the Track Record Period:

	FY2020	FY2021	FY2022	1H2023
	Revenue (RMB'000)			
Hydrogenated benzene-based chemicals	383,442	714,701	956,241	466,171
LNG*(Note 2)*	41,300	9,825	275,885	96,665
Coal gas	80,304	103,032	151,014	61,215
Others including mainly refined oil and steam	13,144	6,604	18,978	8,703

Notes:

1. We also procure LNG from third-party LNG suppliers in general if (i) the price spread against the selling price is considered favourable to the Group; or (ii) our production volume for LNG is unable to meet the demand for LNG. The selling price of LNG (including that of our Group and third-party suppliers) is generally determined with reference to prevailing market price, proximity of location between the sellers and purchasers and supply and demand dynamics.

2. Revenue of LNG includes revenue derived from trading of LNG.

As confirmed by our Directors, in relation to the transactions with our overlapping customers and suppliers, including the Jinma Group, (i) negotiations of the terms of our sales and purchases with the above overlapping customers and suppliers were conducted on a case-by-case basis; (ii) the respective terms of our sales and purchases with the overlapping customers and suppliers were irrelevant to each other and were purely based on commercial consideration; (iii) such sales and purchases were conducted at prices that are no less than favourable from other independent customers and suppliers of our Group, save that there are no open market comparables in relation to the purchase of crude coking coal gas from the Jinma Group, details of which are set out in "Industry Overview – Overview of the Coal Gas Industry in China – Price analysis of coal gas" in this prospectus; and (iv) all of our sales to and purchases from overlapping customers and suppliers were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction. Due to the impracticality of allocating cost of sales to the respective overlapping customers and suppliers, we were not able to derive accurate financial figures in relation to gross profit of the overlapping customers and suppliers during the Track Record Period. The Directors further confirmed that all of our sales to and purchases from the overlapping customers and suppliers were conducted in the ordinary course of business and on arm's length basis.

Pricing Policy

We generally sell our products based on prevailing market prices in the regions where we sell our products, with reference to other factors mainly including the raw materials price, the supply and demand in downstream industries, our sales volume, our inventory level and factors applicable to individual customers such as the specifications of products and the availability of regional transportation capacity. The prices of our hydrogenated benzene-based chemicals and LNG are subject to frequent negotiation and adjustment, in some cases several times a month or on a daily basis, in response to market price fluctuations.

Hydrogenated benzene-based chemicals

The selling price of pure benzene is determined and adjusted with reference to the price of crude oil and the prices of the products along the value chain of benzene-based chemicals. We are typically responsible for the cost of transporting the products from our production facilities to their designated depots.

LNG

Our LNG price charged to industrial customers and retail customers at oil and gas stations operated by us follows their respective market price, namely wholesale price and retail price. Our LNG price charged to industrial customers is determined after arm's length negotiation following the prevailing wholesale price subject to a price discount when a certain purchase volume is met. We are a price taker in the LNG retail market. The retail price in our oil and gas stations is the same for LNG produced in-house and LNG procured from third-party suppliers. Therefore, our gross profit margin for LNG sold to industrial customers and retail customers is largely affected by the market and our ability to control our costs. The selling price of our LNG is not affected by the price regulations on coal gas set by the local government of Jiyuan city.

The utilisation rate of our in-house LNG production is high, we will therefore procure LNG from third-party suppliers when the demand exceeds the supply of LNG produced in-house or when the price spread is considered favourable to us. The selling price of LNG (including that of our Group and third-party suppliers) is generally determined with reference to prevailing market price, proximity of location between the sellers and purchasers and supply and demand dynamics.

Due to limited storage capacity of LNG in gas stations and safety concerns, we do not keep inventory of LNG in our gas stations generally. We replenish LNG frequently from our in-house production and from third-party suppliers from time to time as appropriate. The LNG procured from third-party suppliers will only be sold in our gas stations. When we source LNG from third-party suppliers and replenish LNG from in-house production, the sales of LNG from gas stations will be recognised as sales of LNG procured from third-party suppliers under the trading segment based on the volume purchased while the sales of LNG from in-house production will be recognised under the energy products segment based on the volume produced. On the other hand, the cost of LNG procurement from third-party suppliers is recognised as segment cost under the trading segment, and the cost of in-house production is recognised as segment cost under the energy products segment. Therefore, the gross profit and gross profit margin for LNG sourced from third-party suppliers and produced in-house can be calculated accordingly, whether the LNG is sold in our oil and gas stations or not.

As advised by the PRC Legal Advisers, the selling prices of our hydrogenated benzene-based chemicals and LNG are not subject to any government pricing guidelines.

Coal gas

Pursuant to the provisions of the concession agreement we entered into with the local government of Jiyuan city, the end-user price of our coal gas shall follow the benchmark rates approved by the pricing authorities in Jiyuan city. Some of the key terms of the concession agreement are set forth below:

Concession period	10 years, commencing from 16 April 2023 for a period of 10 years, until 15 April 2033.
The operating area and business scope	The exclusive right for the operation, maintenance and repair of gas facilities and the delivery of coal gas to the industrial corporations around Huancheng Road (環城路) and the residents of Du Village (杜村) in Chengliu town (承留鎮), Jiyuan city.
Pricing	The end-user price of our coal gas shall follow the benchmark rates approved by the pricing authorities in Jiyuan city.
Renewal	The concession agreement will terminate automatically upon the expiration of the concession period.

Ownership of the pipeline facilities	During the concession period, we retain the ownership of the pipeline facilities which we have invested in. Upon the termination of the concession agreement, the local government of Jiyuan city shall buy back the pipeline facilities at the assessed value at the relevant time determined by a designated third-party intermediary jointly appointed by the local authority and us.
Termination	The concession agreement can be terminated upon mutual agreement of the parties. The local government of Jiyuan city also has the right of early termination under certain circumstances, which include: (i) unauthorised transfer or lease of the exclusive rights granted under the concession agreement; (ii) unauthorised dealing in or pledge of the pipeline facilities; (iii) occurrence of major quality or production safety incidents due to poor management; (iv) unauthorised suspension of business that seriously affects public interest and safety; and (v) engagement in any unlawful conduct.

As advised by the PRC Legal Advisers, (i) such end-user price is subject to the Regulation on the Administration of Urban Gas (城鎮燃氣管理條例) promulgated by the State Council on 19 November 2010 and revised on 6 February 2016; (ii) when determining the approved end-user price, the governmental pricing authorities would take into factors including the overall macro economy condition, ex-factory price of coal gas and pipeline transmission costs; and (iii) during the Track Record Period and up to the Latest Practicable Date, the Group had complied with the said regulation in relation to coal gas pricing in all material respects and had not been subject to any administrative penalties in relation to the said regulation.

According to the Notice from the Department of Housing and Urban-Rural Development of Henan Province on further regulating the Management of Pipeline Gas Concession in Urban Areas* (河南省住房和城鄉建設廳關於進一步規範全省城鎮管道燃氣特許經營管理的通知) published by the Department of Housing and Urban-Rural Development of Henan Province in March 2014, before implementing a pipeline gas concession project, among others, the determination methods of pricing, standards and adjustments plans of product prices and service charges shall be specified in the concession agreement. In light of the above, the

Directors believe that our industry peers in Henan province outside of Jinning Energy's operating area are subject to concession agreement as well as certain requirements in setting their selling price of coal gas in the concession agreement.

We are exposed to the fluctuation in the prices of our products. For more details, see "Financial Information – Key Factors Affecting Our Results of Operations – Prices of Our Raw Materials and Products" in this prospectus.

Pricing risk management

Since we sell our products and procure our raw materials generally based on prevailing market prices and the prices of our raw materials typically move in tandem, though at different speed and magnitude, with the prices of crude oil and coal, we believe we are generally able to negotiate the prices of our products and raw materials taking into account market price fluctuations. Given that (i) we closely monitor the size of orders placed by our customers, typically on a monthly or weekly basis, to plan our production; (ii) our production cycle is relatively short thus reducing our exposure to market price fluctuations; and (iii) we endeavour to maintain our inventory at a reasonable level to sustain our production without interruption as well as to avoid inventory risk, we did not enter into any hedging arrangement to hedge our exposure to changes in the prices of raw materials and products during the Track Record Period. Going forward, our management team will review our price risk management policy from time to time and we may consider to engage in hedging activities if we consider that it is commercially reasonable to mitigate our exposure to market price risk through hedging.

TRANSPORTATION

Raw Materials

Our principal raw materials are crude benzene and crude coking coal gas. We primarily transport our raw materials by road or pipelines. Crude benzene can be transported as liquids, so we rely on third-party road transportation companies to transport the crude benzene to our production facilities. We are generally responsible for the cost of transporting the crude benzene from our suppliers to our tank. On the other hand, crude coking coal gas is in practice only transported in its gaseous form owing to its chemical properties, i.e. it condenses only at a very low temperature and very high pressure, therefore is transported via pipelines from the Jinma Group to us, taking advantage of its stability and efficiency.

Finished Goods

Our principal products are hydrogenated benzene-based chemicals and energy products. Our hydrogenated benzene-based chemicals are mainly transported by road whereas our LNG is transported by road and coal gas is transported via pipelines. We rely on third-party road transportation companies for the transportation of our finished goods. Pursuant to the agreements with third-party road transportation companies, they are responsible for loading and unloading the goods onto and from their vehicles and to maintain the quality and quantity of the goods during the transportation. They are also responsible for any accidents or other incidents arising in relation to the transportation vehicles or drivers, or any loss of, or damage to, the goods while being delivered. We do not own or operate any transportation vehicle fleets and rely solely on third-party companies for road transportation.

All the road transportation companies that we cooperated with have attained the required licenses and permits as stipulated under PRC laws to transport the hydrogenated benzene-based chemicals, crude benzene and LNG. During the Track Record Period, we did not involve in any incidents that result in the significant losses of our products through transportation or material delays in the delivery of our products.

INVENTORY

Our inventory principally includes raw materials, such as crude benzene, and finished goods such as hydrogenated benzene-based chemicals and LNG. We endeavour to maintain our inventory of raw materials at a reasonable level that is sufficient to sustain our production without interruption depending on expected future supply, demand and price of raw materials.

The production cycle of our finished goods is short. We closely monitor the frequency of the orders placed by our customers, typically on a weekly basis, to plan our production. For FY2020, FY2021, FY2022 and 1H2023, our inventory turnover days calculated by dividing the average inventory by our cost of sales for the relevant year/period and then multiplied by 365 (for a year) or 181 (for the six-month period) were 17 days, 16 days, 12 days and 11 days, respectively. For more details, see "Financial Information – Description of Certain Items of Combined Statements of Financial Position – Inventories" in this prospectus.

Our quality control department inspects inventory quality and we keep daily inventory records and conduct a full inventory count on a monthly basis. We have generally been able to successfully control our inventory levels within the policy limits.

QUALITY CONTROL

We have always focused on and been committed to ensuring the quality of our products. To achieve this objective, we have implemented quality control measures at key stages of our operations from selection of suppliers, supplier management, inspection of raw materials, supervision and control of production processes and finished product testing. Our quality control measures can be described as follows:

Selection and management of suppliers: We select our raw material suppliers based on their production scale, location, track record, economic status, capital, transport capacity, reputation, and evaluate them based on factors including their operating history, the quality and stability of the raw materials supplied by them and our prior experience dealing with them.

Inspection of raw materials: Raw materials are tested for their chemical qualities and specifications when they arrive at our production facilities. We conduct sample checks for every transportation vehicle that arrives at our production sites, and if such samples do not meet our standards, we either return the entire procurement (in the case which the raw materials fall substantially below our standards) or negotiate with the seller for an appropriate reduction in price (in the case of a minor deviation from our standards).

During the Track Record Period, we have not identified substantial defects in the crude benzene and crude coking coal gas supplied by our suppliers, there have been no material delays in delivering our raw materials and we have not suffered any financial loss as a result of defective raw materials.

Production process: Throughout all our production processes, inspection and reporting are conducted at systematic intervals to ensure product quality. For instance, we set quality control checkpoints for key production stages and determine the technical parameters that need to be monitored. The operators of the quality control points shall undergo professional trainings and must operate strictly in accordance with the operating procedures as well as diligently record the relevant operational data. The indicators that need to be controlled should be closely monitored, and the deputy production manager is in charge of overseeing the key control data of each quality control point on a daily basis and ensure that they are within the specified range. Once the indicators are found to exceed the specified range, adjustments should be made in a timely manner. The production team shall summarise the production capability and procedures on a monthly basis and to conclude whether such specified requirements are met at the monthly quality analysis meeting.

Finished products: We have established testing guidelines setting out the testing procedures and requirements for our finished products to ensure their specifications are in compliance with our quality standards before being despatched to customers with a detailed report of the testing results. These testing guidelines are reviewed and updated from time to time. We believe that our ability to maintain the quality of our products helps to avoid our customers' return of products.

To facilitate close monitoring of our operations and ensure consistency of quality, we hold monthly quality review meetings where, under the overall supervision of our production team, various departments are required to prepare detailed reports on relevant issues and concerns discovered during their regular quality checks.

We have received an ISO9001:2015 certificate in respect of our quality management system for our production of hydrogenated benzene-based chemicals. The ISO certification process involves subjecting our production processes and quality management systems to annual reviews and observations for various periods. We believe this certification process provides an independent verification to our customers regarding the quality control measures employed in our production processes. During the Track Record Period, we did not receive material claims or complaints from our customers in respect of the quality of our products.

PROPERTIES

We occupy certain properties in the PRC in connection with our business operation. As our property interests are for non-property activities and the carrying amount is above 15% of our total assets, we include a property valuation report on such property interests in this prospectus pursuant to Rule 5.01B(2) of the Listing Rules. See Appendix III to this prospectus for further details. Except for the property interests in the said valuation report, no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets as at the Latest Practicable Date.

Owned Properties

Land

Our production facilities are situated in Jiyuan, Henan province in the PRC. We own the production facilities in Jiyuan and hold valid land use rights for these facilities. As at the Latest Practicable Date, we obtained real estate ownership certificates for nine parcels of land with an aggregate site area of approximately 372,413.8 sq.m. in the PRC. These parcels of land are primarily for facilities, production or office use. Our PRC Legal Advisers have confirmed that the use of our land does not contravene the use specified in the real estate ownership certificates.

Buildings

As at the Latest Practicable Date, we obtained real estate ownership certificates for 34 buildings or units with an aggregate gross floor area of approximately 24,236.9 sq.m. in the PRC. These buildings are primarily located in Jiyuan at our site and primarily for facilities, production or office use. Our PRC Legal Advisers have confirmed that our use of buildings and structures does not contravene the use specified in the real estate ownership certificates with respect to our buildings and structures.

In addition, as at the Latest Practicable Date, we had not obtained the real property ownership certificate (房產權屬證書) for two properties occupied by us, with an aggregate gross floor area of approximately 492.8 sq.m.. These two properties are used as the ancillary properties of our gas station. The nature of the land parcels which the aforesaid properties occupied on are collective construction lands (集體建設用地), we have obtained the land use rights through the way of leasing. As advised by our PRC Legal Advisers, we have paid off the purchase price of the assets including the aforesaid properties, and we legally own such properties (as fixed assets) and are allowed to use the properties for our business operations.

Leased Properties

Lands and Buildings

As at the Latest Practicable Date, we leased five parcels of land with a site area of approximately 35,685.3 sq.m. and we entered into three leasing arrangements for our leased properties (include buildings and units) with a total gross floor area of approximately 1,974.9 sq.m. in the PRC. These leased land parcels and properties are primarily used as the operation of our oil and gas stations, production sites, offices, warehouses and staff quarters. Our lease agreements have a term ranging from three to 50 years. Our PRC Legal Advisers have confirmed that all the lessors of such leased properties are legally entitled to lease the aforesaid lands and buildings, and our lease agreement was duly signed and properly filed with the relevant governmental authorities if required (save as the two leasing arrangements as disclosed in the below "– Non-registration of Lease Agreements" in this section), and our leasing of the aforementioned property complies with the requirements of the relevant PRC laws and regulations and is legal and valid.

Non-registration of Lease Agreements

For the two lease agreements with an aggregate gross floor area of approximately 1,552.2 sq.m. that we entered into have not been registered with the relevant PRC governmental authorities as required by law. As advised by our PRC Legal Advisers, the relevant PRC governmental authorities may require us to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registration lease. Our PRC Legal Advisers further advised us that the failure to register the lease agreements will not affect the validity of such lease agreements or have any material adverse effect on our business operations. As at the Latest Practicable Date, we had not received any rectification orders or been subject to any fines in respect of non-registration of our lease agreements.

For more details, see "Risk Factors – Risks Relating to Our Business and Industry – Failure to protect our leasehold interests and comply with the relevant regulations regarding the registration of our lease agreements may adversely impact our business operations" in this prospectus.

COMPETITION

Benzene-based chemicals

There are two major types of players in the benzene-based chemicals market, namely (i) petrochemical companies which derive their benzene-based chemicals from petroleum refinery; and (ii) hydrogenated benzene-based chemical manufacturing companies which derive their benzene-based chemicals from hydrogenation of crude benzene. The benzene-based chemicals industry in Henan province is highly concentrated, with the top five companies of pure benzene accounting for 66.0% of the total market size in terms of revenue in Henan province. In 2022, we were the largest pure benzene supplier with a market share of 18.6% in terms of revenue in Henan province. The market size of pure benzene in terms of revenue in 2022 in Henan province accounted for 3.4% of the market share in China.

Currently, hydrogenation process, the adding of hydrogen in the presence of catalyst, for the purification of crude benzene is environmentally friendly. Compared with other purification process like the earliest pickling method, oxidation method and low-temperature gaseous extraction method, hydrogenation process of crude benzene has less pollution, lower energy consumption, higher product quality and yield, and basically has no difference with petroleum benzene (pure benzene obtained from petroleum refinery).

Our products compete on product quality and characteristics, stable source of raw materials, stability of supply, production volume, pricing and timeliness of delivery. We are of the view that our competitive advantages and strengths as disclosed in "Macro Advantages" and "Hydrogenated Benzene-Based Chemical Business" in this section allow us to compete effectively. In addition to the production capacity of hydrogenated benzene-based chemicals of 200,000 tonnes (measured in terms of the processing capacity of crude benzene) per annum since 2020, we completed the expansion of additional production capacity of 200,000 tonnes (measured in terms of the processing capacity of crude benzene) per annum and commenced trial production in October 2023. This expansion may result in us competing against new competitors. See "Industry Overview" in this prospectus for more details regarding the competitive landscape of the industry in which we operate. For risks relating to our competitiveness in the industry, see "Risk Factors – Risks Related to Our Business and Industry – We face competition from a number of PRC competitors" in this prospectus for more details.

LNG

The LNG industry in Henan province is relatively concentrated, with the top five companies accounting for 25.1% of the total market size in terms of revenue in Henan province. In 2022, our LNG achieved a revenue of RMB428.2 million, accounting for 4.9% of the market share in Henan province (with the market size of LNG in Henan province accounting for 1.8% of the market share in China in terms of revenue) and ranked the third largest in Henan province in terms of revenue in 2022.

Coal Gas

Pursuant to the relevant concession agreement, we have been granted the exclusive right to sell coal gas in the vicinity of Huancheng Road (環城路) and the residents of Du Village (杜村) in Chengliu town (承留鎮), Jiyuan city. As at the Latest Practicable Date, we do not have any competition for conducting our coal gas business in the said area.

RESEARCH AND DEVELOPMENT

Our research and development programme primarily focuses on equipment and production process upgrade and optimisation, as well as the environmental protection compliance. We did not incur any significant amounts on research and development activities during the Track Record Period. We cooperated with one major academic institution on the research and development of methanation technology and demonstration. Key areas of research and development during the Track Record Period include the hydro-distillation system and hydrogenation reaction system of crude benzene.

LICENCES, PERMITS AND APPROVALS

The production of hydrogenated benzene-based chemicals and energy products are regulated in the PRC. Accordingly, we are required to obtain permits, licenses and approvals from government authorities. For more information regarding the PRC laws and regulations to which we are subject, see "Regulatory Overview – Laws and Regulations Relating to the Production of Benzene-based Chemicals and Energy Products" in this prospectus.

As advised by our PRC Legal Advisers, the following table sets forth our material licenses and permits as at the Latest Practicable Date:

Permit/License	Permit/License Holder	Issue Date	Expiry Date
Work Safety License (安全生產許可證)	Jinrui Energy Our Company	17 November 2021 30 November 2023	16 November 2024 31 July 2025
National Permit for Industrial Production (全國工業產品生產許可證)	Company	21 September 2023	16 December 2023(1)
Waste Discharge Permit (排污許可證)	Our Company	26 September 2023	25 September 2028
Registration Certificate for Hazardous Chemicals (危險化學品登記證)	Jinrui Energy Our Company	25 June 2021 1 September 2022	24 June 2024 31 August 2025
Registration of Major Hazard Sources of Hazardous Chemicals (危險化學品重大危險源備案)	Jinrui Energy Jinning Energy Our Company	21 September 2022 18 July 2023 4 August 2023	20 September 2025 17 July 2026 3 August 2026

Permit/License	Permit/License Holder	Issue Date	Expiry Date
Hazardous Chemicals Business Permit (危險化學品經營許可證)	Liandong Oil and Gas Station (蓮東油氣綜合站)	26 November 2023	25 November 2026
	Jinrui Oil and Gas Station (金瑞油氣綜合站)	31 May 2021	30 May 2024
	Beiguanzhuang Oil and Gas Station (北官莊油氣綜合站)	31 May 2021	30 May 2024
	Lilin Oil Station (梨林加油站)	22 December 2021	21 December 2024
	Huling Oil and Gas Station (虎嶺油氣綜合站)	25 February 2022	24 February 2025
Certificate for the Production of Non-Pharmaceutical Precursor Chemicals (非藥品類易製毒化學品生產備案證明)	Our Company	15 August 2023	14 August 2026
Gas Operation Permit (燃氣經營許可證)	Huling Oil and Gas Station (虎嶺油氣綜合站)	18 March 2019	17 March 2024
	Liandong Gas Station (蓮東加氣站)	27 July 2020	26 July 2025
	Jinning Energy	29 June 2021	28 June 2026
	Jinrui Gas Station (金瑞加氣站)	29 May 2023	28 May 2028
	Beiguanzhuang Gas Station (北官莊加氣站)	29 May 2023	28 May 2028
Gas Cylinder Filling Permit (氣瓶充裝許可證)	Liandong Gas Station (蓮東加氣站)	19 June 2020	18 June 2024
	Jinrui Gas Station (金瑞加氣站)	13 May 2022	12 May 2026
	Beiguanzhuang Gas Station (北官莊加氣站)	13 May 2022	12 May 2026
	Huling Gas Station (虎嶺加氣站)	21 January 2023	20 January 2027
	South Second Ring Hydrogen Gas Station (南二環加氫站)	6 November 2023	5 November 2027

Permit/License	Permit/License Holder	Issue Date	Expiry Date
Registration Receipt of the Pollution Discharge for Stationary Pollution Source (固定污染源排污登記回執)	Huling Oil and Gas Station (虎嶺油氣綜合站)	22 May 2020	21 May 2025
	Jinrui Gas Station (金瑞加氣站)	24 May 2020	23 May 2025
	Beiguanzhuang Oil and Gas Station (北官莊油氣綜合站)	24 May 2020	23 May 2025
	Liandong Oil and Gas Station (蓮東油氣綜合站)	3 June 2020	2 June 2025
	Jinning Energy	5 November 2020	4 November 2025
	Lilin Oil Station (梨林加油站)	12 April 2021	11 April 2026
	Jinrui Energy	22 August 2023	21 August 2028
Mobile Pressure Vessel Filling Permit (移動式壓力容器充裝許可證)	Jinrui Energy	24 October 2022	23 October 2026
Approval Certificate for Refined Oil Retail Operation (成品油零售經營批准證書)	Jinrui Oil and Gas Station (金瑞油氣綜合站)	3 April 2019	3 April 2024
	Huling Oil and Gas Station (虎嶺油氣綜合站)	24 April 2019	24 April 2024
	Liandong Oil and Gas Station (蓮東油氣綜合站)	25 October 2019	25 October 2024
	Beiguanzhuang Oil and Gas Station (北官莊油氣綜合站)	16 April 2020	16 April 2025
	Lilin Oil Station (梨林加油站)	15 December 2020	15 December 2025

Note:

(1) The renewal application submitted by the Company is under review by the relevant governmental authority.

As advised by our PRC Legal Advisers, save as disclosed in "Regulatory Compliance" in this section, as at the Latest Practicable Date, we have obtained all the requisite licenses, permits and approvals that are material for our business operations in the PRC. All of these licenses and permits remain in full effect, and our PRC Legal Advisers are not aware of any circumstances exist that would render the revocation or cancellation of our licenses and permits or have legal impediment to our business operations. Also, there is no legal impediment to renew any material licenses and permits for our business operations in the PRC, as long as we comply with relevant legal requirements and take all necessary steps and submit relevant applications in accordance with the requirements prescribed by the applicable PRC laws and regulations.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received numerous awards, recognition and honors for our outstanding business performance, including the following:

Award/Ranking	Award Year	Awarding Institution
Quality Benchmark of Henan Province (河南省質量標桿)	2023	Department of Industry and Information Technology of Henan Province (河南省工業和信息化廳)
Innovative Small and Medium Enterprises in Henan Province (河南省創新型中小企業)	2022	Department of Industry and Information Technology of Henan Province (河南省工業和信息化廳)
Smart Factory in Henan Province (河南省智能工廠)	2022	Department of Industry and Information Technology of Henan Province (河南省工業和信息化廳)
Advanced Unit of Tax Payment (納税工作先進單位)	2022	The Management Office Party Group of Jiyuan High-tech Industrial Development Zone (中共濟源高新技術產業開發區管理辦公室黨組) and the Management Office of Jiyuan High-tech Industrial Development Zone (濟源高新技術產業開發區管理辦公室)
Advanced Unit of Economic Development Contribution (經濟發展貢獻先進單位)	2021 and 2022	Chengliu Township Committee of the Communist Party of China (中共承留鎮委員會) and the People's Government of Chengliu Town (承留鎮人民政府)
Advanced Enterprise of Project Construction (項目建設先進企業)	2020	Chengliu Township Committee of the Communist Party of China (中共承留鎮委員會) and the People's Government of Chengliu Town (承留鎮人民政府)

Award/Ranking	Award Year	Awarding Institution
Advanced Enterprise of Economic Development Contribution (經濟發展貢獻先進企業)	2020	Chengliu Township Committee of the Communist Party of China (中共承留鎮委員會) and the People's Government of Chengliu Town (承留鎮人民政府)
May Day Labour Award (五一勞動獎狀)	2020	The Trade Union of Jiyuan Demonstration Zone (濟源示範區總工會)

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had 21 registered patents and two registered domain names in the PRC. We have also obtained a license to use two trademarks in Hong Kong and the PRC. See "Statutory and General Information – B. Further Information about the Business of Our Group – 2. Our intellectual property rights" in Appendix VII to this prospectus for further details.

Our PRC Legal Advisers have confirmed that they are not aware of any infringement litigations in respect of intellectual property rights to which we were a party during the Track Record Period.

During the Track Record Period, we were not a party to any pending or threatened dispute litigation or claims by or against us with respect to third parties for the material infringement or intellectual property rights owned by us or third parties.

REGULATORY COMPLIANCE

All of our business operations are in the PRC. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, save as disclosed below, we are in compliance with the related laws and regulations in all material respects, and have obtained all necessary licenses, permits and certificates in respect of our business in the PRC.

The following table sets forth details of our historical non-compliance incidents during the Track Record Period:

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation	Potential impact on our operations and financial conditions
1. Production of certain products beyond the permitted limit				
During the Track Record Period, our actual production volume of certain products including toluene and xylene exceeded the permitted annual production capacity as specified in the relevant work safety licence (安全生產許可證) because our relevant staff did not timely apply for an updated permit with higher permitted production capacity commensurate with our production capacity due to inadvertent oversight and failure of our relevant staff to fully appreciate the relevant legal requirements. During the Track Record Period, our actual production volume of toluene exceeded the production capacity as specified in the Certificate for the Production of Non-Pharmaceutical Precursor Chemicals (非藥品類易製毒化學品生產備案證明) for the same reason provided above.	As advised by our PRC Legal Advisers, the potential maximum penalties in respect of production output beyond the permitted limit under the relevant work safety licence are that the relevant authorities (i) may give us a warning; (ii) may impose a fine of not less than RMB10,000 but not more than RMB30,000; and (iii) may impose a fine of not less than RMB1,000 but not more than RMB10,000 on our chief person and other relevant personnel. As advised by our PRC Legal Advisers, the potential maximum penalties in respect of production output beyond the permitted limit under the relevant non-pharmaceutical precursor chemicals production certificate are that the relevant authorities may (i) give a warning and rectification within a specified period, (ii) impose a fine of not less than RMB10,000 but not more than RMB50,000, (iii) confiscate the relevant products and (iv) order the suspension of production and business operation for rectification in the case of failure to rectify within a specified period and revoke the relevant permit in the case of failure to rectify up to the specified standard within a specified period.	We invested in the expansion of annual production capacity of hydrogenated benzene-based chemicals of 200,000 tonnes (measured in terms of the processing capacity of crude benzene) and commenced trial production in October 2023. Following such expansion, our annual production capacity of hydrogenated benzene-based chemicals reached a total of 400,000 tonnes (measured in terms of the processing capacity of crude benzene). The production capacity as specified in the relevant certificates will be updated accordingly upon the completion of the trial production of new facilities. As at the Latest Practicable Date, as we have not obtained the relevant work safety licence, which is expected to be available in the first quarter of 2024 the earliest, the non-compliance incident has not been rectified.	We have formulated internal control measures to monitor and control our actual production volume of the relevant products through various measures going forward, including (i) preparing detailed plans of our production volume on a monthly, quarterly and yearly basis; and (ii) requiring our production department to closely monitor our actual production volume on a regular basis to ensure that the actual production volume of the relevant products will not exceed their respective permitted production capacity. If our actual production volume of the relevant products reaches the pre-determined level, we shall impose and apply such requirements or conditions as necessary to ensure that our actual production volume will comply with the applicable legal requirements.	We have received confirmation letter from the Emergency Management Bureau of Jiyuan City-Industry Integration Demonstration Zone (濟源產城融合示範區應急管理局), the relevant competent authority as advised by our PRC Legal Advisers, confirming that during the Track Record Period, we did not violate the laws and regulations regarding the management of hazardous chemicals and safety production, and was not subject to any administrative punishment or investigation for violations. In addition, considering: (i) our Group has taken actions, namely the expansion of production capacity, and the relevant certificates will be updated accordingly; and (ii) through the rectification actions as mentioned, our Directors confirm that the production volume of the original hydrogenated benzene-based chemical production facilities will not exceed the permitted annual production capacity going forward, our PRC Legal Advisers are of the view that the likelihood of any administrative penalty being imposed on us is low. Our Controlling Shareholder has undertaken to indemnify us for all claims, costs, expenses and losses incurred as a result of such non-compliance. Based on the opinion of our PRC Legal Advisers and the indemnity given by our Controlling Shareholder, our Directors consider that such non-compliance will not have any material operational or financial impact on us. On the basis of the above, we made no provision in this regard.

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation	Potential impact on our operations and financial conditions
2. Failure to obtain (i) certain permits and complete certain filings for the construction and (ii) certain permits for the operation of Zhengzhou hydrogen gas station				
We commenced the construction of the gas station with hydrogen refuelling facilities in Huagong Road, Zhengzhou High-Tech Industrial Development Zone, Zhengzhou, Henan province before obtaining/completing the requisite fire protection design review (消防設計審查), construction work planning permit (建設工程規劃許可). We completed the construction of the hydrogen gas station in October 2023 and commenced trial operation in November 2023. In addition, we failed to obtain the gas cylinder filling permit (氣瓶充裝許可證) and gas operation permit (燃氣經營許可證) before the operation of the Zhengzhou hydrogen gas station.	According to the Fire Prevention Law, for projects which should undergo fire protection design review but failed to undergo such review or failed to pass such review, or projects which should undergo fire inspection and acceptance but failed to undergo such inspection or filed to pass such inspection, the relevant authorities may order us to suspend the construction, use or operation, and we may be liable to a fine of RMB30,000 to RMB300,000.	As at the Latest Practicable Date, as per the reasons for non-compliance stated in the column headed "Non-compliance incident and reason for its occurrence", we have leased the relevant land parcel from the Land Planning and Housing Construction Bureau of the Management Committee of Zhengzhou High-Tech Industrial Development Zone (鄭州市高新技術產業開發區管委會國土規劃住建局), the competent authority as advised by our PRC Legal Advisers, they have recognised that we can continue to proceed with the hydrogen gas station project under the aforesaid leasing arrangement. Thus, we regard such leasing as a transitional rectification measure. As advised by our PRC Legal Advisers, the change of land usage of the relevant land parcel to be one that is permitted for the construction and operation of hydrogen gas station is to be performed by the relevant governmental authority, which is subject to the following conditions as stipulated under the Urban and Rural Planning Law of the PRC* (中華人民共和國城鄉規劃法) and Zhengzhou Urban and Rural Planning Management Regulations* (鄭州市城鄉規劃管理條例): (i) to demonstrate the necessity and feasibility of the modification of land usage by the relevant experts; (ii) to publicise the proposed modifications in mainstream local media or solicit opinions from the stakeholders and organise hearings if necessary; (iii) put forward suggestions for the modifications in accordance with the laws together with the attachments of demonstration, publicity and other relevant materials and submit them to the governmental authority which is responsible for the original plan of land usage for review and approval; (iv) the Land Planning and Housing Construction Bureau of the Management Committee of Zhengzhou High-Tech Industrial Development Zone (鄭州市高新技術產業開發區管委會國土規劃住建局) to convene various responsible institutions to work on the modification of land usage plan; and (v) obtain the approval from and file the approved revised plan to relevant governmental authorities for record.	We have established internal guidelines to evaluate whether the land usage of such land parcel is permitted for the construction and operation of hydrogen gas station before the commencement of construction for more hydrogen gas stations. We have also implemented measures to closely monitor the developments with respect to the local laws and regulations of hydrogen gas station to ensure our compliance with the applicable laws and regulations.	We may not complete the change of land usage before Listing. To this end, we have conducted an interview with the Innovation and Development Bureau of Zhengzhou High-Tech Industrial Development Zone (鄭州市高新技術產業開發區創新發展局), Land Planning and Housing Construction Bureau of the Management Committee of Zhengzhou High-Tech Industrial Development Zone (鄭州市高新技術產業開發區管委會國土規劃住建局) (the "**Relevant Departments**"), the relevant competent authorities as advised by the PRC Legal Advisers, which confirmed that, among others: (i) the Relevant Departments acknowledge the reasons for our Group not being able to obtain the requisite documents, namely the relevant land usage has yet to be changed to one that is permitted for the construction and operation of hydrogen gas station, and even if our Group cannot rectify the non-compliance incidents before the Listing, namely the change of land usage, they recognised that we can continue to proceed with the hydrogen gas station operation and will go through the land transfer procedures, project construction and operation-related procedures when the land usage is qualified; and

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation	Potential impact on our operations and financial conditions
		To the best knowledge of our Group, the change of planned usage of the Zhengzhou Hydrogen Refuelling Station site has been initiated and the preparation of feasibility demonstration are conducted by the Land, Planning and Housing Construction Bureau of the Zhengzhou High-Tech Industrial Development Zone (鄭州市高新技術產業開發區管委會國土規劃住建局). Our PRC Legal Advisers are of the view that the modification of such land usage is the exercise of the government's administrative functions. Therefore, the time of completion for such modification is beyond our control. According to the understanding of our Directors, no circumstances have been identified so far which could create obstacles towards the change of land usage for the Zhengzhou hydrogen gas station. After the land usage has been changed to the construction and operation of hydrogen gas station by the relevant land planning department, we will handle the procedures in relation to the land transfer, project construction and operation.		

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation	Potential impact on our operations and financial conditions
We failed to obtain/complete the requisite fire protection design review, construction work planning permit, fire protection acceptance, completion acceptance filing procedures, gas cylinder filling permit and gas operation permit as we were not able to commence the application for the above documents since the land usage of the relevant land parcel has yet to be changed to one that is permitted for the construction and operation of hydrogen gas station by the relevant governmental authority, and such change of land usage is beyond our Group's control.	According to the Measures of the Urban and Rural Planning Law of the PRC* (中華人民共和國城鄉規劃法) implemented by Henan province, for projects which have not obtained the construction work planning permit or have not carried out construction works in accordance with the construction work planning permit, the relevant authority may order us to suspend the construction. If it is still possible to take corrective measures to eliminate the impact of the implementation of the construction works, the relevant authority may order us to make corrections within a stipulated time and we may be subject to a fine of 5% to 10% of the construction cost. If corrective measures cannot be taken, the relevant construction works shall be demolished within a stipulated time and we may be liable to a fine of less than 10% of the construction cost. According to the Special Equipment Safety Supervision Regulations (特種設備安全監察條例), anyone who engages in filling activities of gas cylinders without permission shall be banned, and illegally filled gas cylinders shall be confiscated. We may be liable to a fine of not less than RMB100,000 but not more than RMB500,000; and the confiscation of illegal income if applicable.			(ii) the Relevant Departments further confirmed that as long as no safety accidents occurred and the construction complies with the national technical standards for hydrogen gas station, no fine or administrative punishment will be imposed on our Group regarding such non-compliance on such premises; and (iii) our Group can only commence the application for the requisite documents upon the change of land usage, and such application is expected to take around eight to nine months to complete.

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation	Potential impact on our operations and financial conditions
	According to the Regulations on the Administration of Urban Gas (城鎮燃氣管理條例), anyone who engages in gas business activities without a gas operation permit shall be ordered to cease such illegal activities, and we may be liable to a fine of not less than RMB50,000 but not more than RMB500,000; and the confiscation of illegal income if applicable.			

Non-compliance incident and reason for its occurrence	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status	Internal control measures and timing of implementation	Potential impact on our operations and financial conditions
				Our Directors confirm that, among others: (i) our Group has passed the expert safety review conducted by the relevant authority and will complete the safety acceptance evaluation in accordance with the relevant governmental requirements; and (ii) During the Track Record Period and up to the Latest Practicable Date, no safety accidents occurred in relation to the Zhengzhou hydrogen gas station, and the design of Zhengzhou hydrogen gas station has complied with the relevant national technical standards for hydrogen gas station; and (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalty, or order to suspend our construction or return the relevant land, or confiscation of our assets and income created from the construction as a result of the non-compliances. Our Controlling Shareholder has undertaken to indemnify us for all claims, costs, expenses and losses incurred as a result of the non-compliances. Based on the interview with the Relevant Departments, the Directors' confirmation as above and the indemnity given by our Controlling Shareholder, our PRC Legal Advisers are of the view that (i) the possibility of our Group being subject to administrative penalties for such non-compliances is low; and (ii) the non-compliances will not have any material adverse impact on our operations and the Listing. Based on the opinion of our PRC Legal Advisers and the indemnity given by our Controlling Shareholder, our Directors consider that such non-compliances will not have any material operational or financial impact on us. On the basis of the above, we made no provision in this regard.

INTERNAL CONTROL

In preparation for the Listing, we engaged an independent internal control consultant (the "**Internal Control Consultant**") to perform an assessment on the effectiveness of our internal controls that associated with our historical non-compliance incidents, to identify deficiencies in our internal control system and to make recommendations on enhanced internal control measures.

The work scope of our Internal Control Consultant, which did not involve an assurance engagement in relation to our internal control, covers the reviewing and assessing of various aspects in our operations, including:

- corporate governance;
- financial reporting and disclosure controls;
- sales, account receivables and payment collection management;
- procurement, account payables and payment management;
- production management;
- health, safety and environmental protection;
- inventory and logistics management;
- fixed asset management;
- intangible asset management;
- human resources and remunerations management;
- cash management;
- taxation management;
- insurance management;
- contract management;
- general control on information system; and
- R&D management.

In addition to the historical non-compliances and internal control measures we had adopted as disclosed in "– Regulatory Compliance" in this section above, during the reviews of our Internal Control Consultant, certain other matters were identified and we have adopted corresponding internal control measures to improve on these matters.

The material findings of our Internal Control Consultant include the following:

(a) The lack of an effective corporate governance structure that is compliant with the requirements under the Listing Rules;

(b) The lack of mechanism for the management of inside information, protocols for its identification, registration and security and handling procedures for its leakage; and

(c) The absence of any anti-fraud, anti-money laundering policies and protocols for the prevention, identification and response to such matters.

The Internal Control Consultant recommended a number of measures to improve our internal control system based on its findings, which include:

(a) To establish an effective corporate governance structure through, for example, achieving diversity in the composition of the Board and Director's independence and to implement and improve the corresponding provisions and policies;

(b) To establish an inside information management system, specifying the measures for the identification, registration and confidentiality of inside information, measures for handling its leakage; and

(c) To implement anti-fraud and anti-money laundering policies to set out the relevant management requirements and handling procedures.

Our Directors confirm that we have implemented the relevant suggestions proposed by our Internal Control Consultant.

Our Internal Control Consultant also confirmed that save as disclosed in this paragraph, all matters previously identified had been rectified.

Data Privacy and Security

We adhere paramount importance to our data privacy and security protection and in order to ensure our compliance with the applicable PRC laws and regulations, we have adopted various internal control measures to ensure data security and privacy protection in relation to our operational data. We collect and keep confidential personal data of our customers to the extent necessary for us to provide our services, mainly including their name, telephone number, address and other information. Thus, we have formed a designated group led by our production department and is primarily responsible for the supervision and inspection of confidentiality work, organising trainings for our employees and implementing confidentiality responsibilities to raise our employees' data protection awareness. Additionally, we use a variety of software, through real-time monitoring, peripheral management, application control, terminal security system, etc., to monitor our employees and protect our information and network security by means of technical encryption.

Our Directors confirm that no data leakage incidents occurred during the Track Record Period and up to the Latest Practicable Date. Based on the above, our PRC Legal Advisers are of the view that we were in compliance with the applicable data protection and privacy as well as cybersecurity laws and regulations in all material aspects in the PRC during the Track Record Period and up to the Latest Practicable Date.

Anti-bribery and Anti-corruption

In order to comply with the applicable anti-corruption and anti-bribery laws and regulations of the PRC, we have formulated and implemented an anti-corruption and anti-bribery regime. Key anti-corruption and anti-bribery measures include the following:

- **conducting probity supervision and inspection**: Our audit department serves as the permanent agency which primarily responsible for the organisation and implementation of anti-bribery and anti-corruption related works. It is also in charge of the receipt, investigation and handling of anti-bribery and anti-corruption related complaints which under the supervision of the Board. In accordance with our internal guidelines, we will hold a briefing session at least once a year to report the work progress of anti-bribery and anti-corruption related matters to our Board;

- **providing trainings and elevating awareness**: We provide trainings to all of our Directors and employees at all levels which focus on anti-corruption, integrity and self-discipline, as well as the compliance with relevant laws and regulations to enhance their legal knowledge and elevate their compliance awareness;

- **expanding the scope of annual risk assessment**: Our management level identifies the significance and likelihood of anti-bribery and anti-corruption related risks as part of our annual risk assessment, which includes false financial reporting, misappropriation of our Company's assets and the unauthorised or suspicious source of income or expenses. We also conduct evaluation on the senior management personnel in order to identify the potential anti-corruption risks. We rectify and mitigate such risks by implementing measures such as the division of responsibilities, conducting work performance review, verification and authorisation as well as enhancing the protection of the Company's asset security; and

- **establishing whistle-blowing channel and handling related complaints**: Our audit department is responsible for establishing whistle-blowing channels such as hotlines, mailboxes and letter boxes in order to encourage our employees to report and expose actual or suspected cases of fraudulent activities and corruptions on a named or anonymous basis. We formulated the relevant policies and measures to conduct investigations on any suspected cases of bribery, corruption and other related misconduct or fraudulent activities. We retain written records for inspections by our Directors and senior management, and we may take disciplinary actions as appropriate and report to the relevant regulatory authorities and/or initiate legal actions to recover any losses suffered by us as a result of such misconduct.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the anti-corruption and anti-bribery laws and regulations in the PRC in all material respects, and were not subject to any material administrative penalties or investigations from any regulatory authorities in respect of such activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

We strive to upgrade our products through innovations and collaborate with business partners with climate resilience. We are constantly seeking opportunities to improve our ESG measures by evaluating our business operations and financials, identifying ESG related risks in our business and taking mitigating measures. We assessed our business in recognition of our ESG responsibilities and adopted comprehensive ESG policies in accordance with the requirements of the Stock Exchange to uphold our corporate sustainability responsibilities for our Shareholders and as a corporate citizen.

We have received an ISO45001:2018 certificate in respect of our occupational health and safety management system for our production of hydrogenated benzene-based chemicals and LNG. We have also received an ISO14001:2015 certificate in respect of our environmental management system for our production of hydrogenated benzene-based chemicals and LNG as well as an ISO9001:2015 certificate regarding our quality management system for our production of hydrogenated benzene-based chemicals and LNG.

Our ESG Strategy and Policy

To strengthen our advantageous position in the production of hydrogenated benzene-based chemicals and energy products in Jiyuan city, Henan province, we have developed our ESG strategies and policies by setting out our governance structure for handling all ESG and climate-related matters, as well as measures for environmental protection, career development and operating practices. We have an environmental team responsible for ensuring that all of our operations are in compliance with applicable environmental protection laws and regulations.

As the supreme responsibility and decision-making authority for ESG matters of our Group, the Board highly values the ESG work of our Company, and assumes full responsibility for our Company's ESG strategies and relevant reporting, including evaluating and determining our Company's ESG-related risks, ensuring that appropriate and effective ESG risk management and internal control systems are in place, formulating the policies and strategies for our Company's ESG management, reviewing our Company's performance periodically, and approving disclosures in our Company's ESG report. This report will be published in accordance with the requirements of the Listing Rules after reviewed by the Board after the Listing.

The chief executive officer and senior management are responsible for overseeing the commitment and performance of key ESG issues, assessing our Company's ESG-related risks, periodically monitoring the formulation of our Company's ESG management policy, ESG strategy and ESG-related objectives, and periodically reporting to the Board on ESG matters and progress.

The ESG working group consists of a linkage of the departments primarily responsible for ESG issues. The secretariat to the Board will periodically consider the annual ESG report and information disclosures of our Company, and submit the same to the Board for consideration and approval; the external investment department is responsible for reviewing our Company's risks and the implementation and promotion of specific ESG matters, and regularly reporting the work progress to the general manager; the administrative department is responsible for coordinating and promoting the implementation of daily ESG management. The energy management centre of the production department is responsible for supervising the unified scheduling and management of our Company's production resources such as water, electricity, gas and sewage; the environmental protection department is responsible for environmental information management, waste emissions, carbon reduction measures and effects, social responsibility implementation gaps, and measures and arrangements, as well as other ESG key issues, commitments, and regulations, assessing ESG-related risks, and developing and regularly monitoring ESG management policies, strategies, and objectives.

Environmental, Social and Climate-related Matters

We are committed to exploring ways to protect the environment as we continue to grow our revenue (which include our hydrogenated benzene-based chemicals business, energy products business and new hydrogen business) and expand our production facilities. We strive to minimise our environmental impact through developing and integrating environmentally sustainable practices into our operations. We have set up a regular inspection system and stringent environmental management measures which involve controlling of emissions, waste treatment, third party testing and monitoring, spare energy utilisation, reducing the energy consumption and increasing staff awareness to mitigate environmental impact from our operation in the near, medium and long term. Set out below are some of the key procedures which have been adopted by our Group during the Track Record Period:

- **Regular inspections**. We have set up a regular inspection system and stringent environmental management measures which involve the control of emission, waste treatment, third party testing and monitoring. We organise regular inspections on key pollution control facilities' operations, issues Notice of Rectification with Time Limit for identified problems and follows up on the implementation to ensure rectification is done and achieve closed-loop management; conducts comprehensive monitoring on key links to prevent environmental pollution incidents. We also launch education activities on environmental protection for employees through environment-related seminars, company publications and notice boards to improve the overall environmental awareness of the employees.

- **Resource consumption**. The Group strictly complies with the Energy Saving Law of the PRC (《中華人民共和國節約能源法》) and the Clean Production Promotion Law of the PRC (《中華人民共和國清潔生產促進法》). By upholding the resource management concept of energy conservation and emission reduction, environmental protection and sustainable development, the Group established a series of internal management systems with the aim of "building a green and low-carbon energy and chemical enterprise". The Group zealously promoted green production and green office, and improved the efficiency of resource use, with low-carbon development as an important driver of economic quality and efficiency enhancement.

- **Waste management**. We have been granted the Registration Receipt of the Pollution Discharge for Stationary Pollution Source (固定污染源排污登記回執) or the Waste Discharge Permit (排污許可證) to discharge wastewater and exhaust gas issued by Jiyuan Municipal Ecological Environment Bureau (濟源市生態環境局). We have set up a desulphurisation and denitrification system (脫硫脫硝系統) at our production base and implement relevant internal protocols to ensure proper operations. To comply with the national Emission Standard of Air Pollutants for Boiler ("鍋爐大氣污染物排放標準"), such system can process and remove large amount of nitrogen oxides and sulphides in the flue gas generated during the hydrogenation of crude benzene. Upon the removal of nitrogen oxides and sulphides, the flue gas will then be discharged through the induced draft fan (引風機) and chimney. In addition, while wastewater is processed by the wastewater treatment station operated by Jinma Group to reach national safety standards for disposal, other wastes are collected and disposed by qualified industrial waste processing and environmental protection entities. We also contract with qualified environmental impact assessment agency to conduct regular inspections regarding our compliance with the emission of wastewater, waste gas and noise standard according to various environmental protection laws and regulations, including but not limited to chemical oxygen demand value of wastewater, volatile organic compound value of exhaust gas and the equivalent continuous sound level of noise. During the Track Record Period, we monitored and maintained proper management of hazardous waste water, industrial solid waste and carbon emission.

  We aim to reduce emissions of greenhouse gases ("**GHG emissions**"), wastewater, waste gas, solid waste and hazardous substances through both technological innovation and enhanced management. We strive to realise the comprehensive utilisation of hazardous wastes; we engaged qualified companies to process and dispose hazardous wastes that cannot be re-utilised in a compliant manner, and we recorded the entire process of hazardous solid wastes generated, from generation to disposal and utilisation, to facilitate monitoring.

- **Climate-related matters**. Our operations, financial condition and prospects may be exposed to risks arising from environmental and climate-related risks, which include: (i) physical risks that potentially cause physical impact to us due to extreme weather conditions; and (ii) transition risks arising from compliance with the applicable environmental laws and regulations and the stringent environmental protection standards. To mitigate these risks, (i) we have established comprehensive emergency plans for fire, flooding, extreme weather and other environmental-related risks. Our production facilities also regularly organise emergency drills to familiarise our staff in the event of the occurrence of such events; (ii) we monitor changes in the relevant policies and legislations to prepare for stricter environmental laws and regulations; and (iii) we will continue to enhance our research and development capabilities to promote clean production and comprehensive utilisation of resources.

- **Assessment of environmental impact**. We established procedures to ensure that environmental impact assessment will be carried out before commencing production and processing related activities as required by the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法). We also performed assessment of environment-related risks associated with our production process and retained third parties to provide technical services regarding environmental impact assessment that targets to manage the environmental impact of our business operations. For instance, for our facility construction and expansion projects, we have implemented measures to ensure compliance with the laws and regulations in relation to environmental protection. Before the commencement of the projects, we will obtain third-party reports to assess the feasibility of the precautionary measures for environment protection. Upon completion of the projects, we will obtain reports from third-party assessment agencies to ensure the relevant requirements for environment are satisfied.

Furthermore, we place importance on protecting health and safety of employees as well as their well-being in order to minimise the risks of work injury. We are committed to maintaining a safe working environment and promoting the awareness of occupational health and safety. We place significant emphasis on quality control for raw materials and services, proper maintenance of the facilities as well as maintenance of operation. The quality control department is responsible for the quality control and safety maintenance matters arising from different operation processes. We have also established a set of strict quality control standards on various aspects of raw materials supply, pipeline construction, facilities repairs and maintenance to ensure safety and stability of our production. In addition, we have codified our own internal procedure manuals and policies to cover the maintenance of the operation facilities, and strictly follow government regulations when adopting safety rules and emergency recovery plans, which are imposed on all of our employees. Such measures aim to minimise the chance of occupational injuries, illnesses or diseases at work. In case of any emergency situation, we are well-prepared to respond swiftly to protect the employees.

While we commenced the hydrogen business subsequent to the Track Record Period in November 2023, as the nature is similar to our existing operation of oil and gas stations, we believe that we can easily adapt to and adopt our existing measures on environmental, social and climate-related matters as disclosed herein in respect of our hydrogen business.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material work incidents, including but not related to work-related accidents or casualties and leakage of hazardous substances.

Metrics and Targets on Environmental, Social and Climate-related Risks

We are aware of a variety of environmental impact that we may induce during daily operations, therefore we have set environmental targets and formulate policies in achieving targets. The environmental policies are reviewed by senior management and implemented by the responsible department to ensure timely improvement and follow up. We are committed to minimising emissions of air pollutants as far as practicable. We will also continue to properly manage and minimise both hazardous and non-hazardous waste (such as biochemical sludge, sludge of gas-making water circulation system and desulphurisation residues) produced during our operations.

We have taken into account the quantitative information that reflects our management on environmental and climate-related risks. During the Track Record Period, we have engaged a third-party company to assist in the operation and maintenance of our IoT Supervision System for Solid Waste Pollution Prevention and Control (固體廢物污染防治物聯網監管系統) and we implemented measures to cope with ESG and climate-related issues through the enhancement of the equipment energy efficiency through periodic maintenance and inspections, infrastructure greening and the launching of the potential tap efficiency plan (挖潛增效計劃) to safeguard the environmental resources and optimise our energy consumption. Going forward, we will continue to manage the environmental and climate-related matters that are material to the Group and we will strictly implement our ESG strategies and policies.

The table below sets forth information on our environmental performance during the Track Record Period:

	FY2020	FY2021	FY2022	1H2023
Intensity of electricity consumption (KWh/RMB10,000)(1)(3)	1,097.7	273.7	639.6	696.8
Intensity of steam consumption (GJ/RMB10,000)(1)(2)	0.04	0.03	0.02	0.03
Intensity of wastewater discharge (kg/RMB10,000)(1)(3)	102.8	41.6	184.6(4)	493.7(4)
Intensity of hazardous waste production (kg/RMB10,000)(1)(3)	2.0	0.8	0.5	0.4

Notes:

(1) Intensity related figures are calculated by dividing the total amount of revenue during the Track Record Period. The unit of revenue above is RMB10,000.

(2) Steam is mainly used for pipe heating.

(3) Due to the retirement of two older coking furnaces of Jinma Energy in the end of 2020 in response to China's environmental protection policies, there was a decrease in the supply of crude coking coal gas from the Jinma Group to us (namely Jinning Energy), which is a principal raw material for coal gas for the production of LNG (which was mainly produced by Jinrui Energy), therefore the total intensity of electricity consumption, wastewater discharge and the production of hazardous wastes in FY2021 have dropped when compared with FY2020.

(4) The periodical examination of our certain facilities in 2022 generated a significant amount of wastewater that was stored and processed in stages over 2022 and 2023 in light of the processing capacity of the wastewater treatment facilities, thus the intensity of wastewater discharge in both FY2022 and FY2023 have increased tremendously.

We have set the following specific ESG-related targets for our major environmental indicators:

Metrics	**2024 ESG Targets of Our Group**
Intensity of electricity to be purchased (KWh/RMB10,000)	569.3
Intensity of steam to be purchased (GJ/RMB10,000)	0.04
Intensity of wastewater discharge (kg/RMB10,000)	78.7
Intensity of hazardous waste production (kg/RMB10,000)	2.4*(Note)*

Note: The 2024 target for the intensity of hazardous waste production is higher than the average intensity of hazardous waste production during the Track Record Period mainly because we expect to conduct repair and maintenance in 2024 which will involve the change of, among others, catalyst, being a type of hazardous waste. During the Track Record Period, we did not incur cost in relation to the change of catalyst.

We have set the above 2024 goals pursuant to our 2024 business forecasts, production outlines of each group company, as well as factors such as the production arrangements of new projects. Our Group has decomposed key working tasks in accordance with its 2024 goals, and the relevant departments will strive to meet the established targets as stated above. If there are changes in the external environment, actual business execution and other factors which may affect our implementation and achievement of the 2024 goals, the relevant departments will report to the management in a timely manner pursuant to the reporting mechanism as established by our Group, comprehensive assessment and responsive measures will subsequently be conducted and implemented.

We have also accounted for our environmental performance, namely GHG and air pollutant emissions, which also reflects our Group's management for environmental, social and climate-related risks. GHG emissions consist of scope 1 and scope 2 emissions. Scope 1 direct emissions include the GHG emissions from stationary combustion and production process.

Scope 2 indirect emissions include the GHG emissions from the usage of purchased electricity and purchased heat. We have taken all our operating locations into consideration for quantitative information calculation.

The table below shows the material air pollutant emissions of our Group during the Track Record Period:

	FY2020	FY2021	FY2022	1H2023
Sulphur dioxide (SO_2) (tonnes)	1.6	0.4	0.1	0.1
Nitrogen oxides (NO_x) (tonnes)	5.3	2.4	2.4	1.3
Particulate matter (PM) (tonnes)	0.22	0.10	0.05	0.02

The table below shows the GHG emissions of our Group during the Track Record Period:

	FY2020 *(tonnes CO_2 equivalent)*	**FY2021** *(tonnes CO_2 equivalent)*	**FY2022** *(tonnes CO_2 equivalent)*	**1H2023** *(tonnes CO_2 equivalent)*
Total GHG emissions	**172,199**	**183,108**	**226,806**	**162,345**
Scope 1 – Direct GHG emissions(1)	103,186	158,864	149,974	122,237
Scope 2 – Indirect GHG emissions(2)	69,012	24,244	76,832	40,109
Intensity of GHG emissions(3)				
(tonnes CO_2 equivalent/RMB10,000)	1.60	1.24	1.01	1.51

Notes:

(1) Scope 1 direct emissions include the GHG emissions from stationary combustion and production process.

(2) Scope 2 indirect emissions include the GHG emissions from the usage of purchased electricity and purchased heat.

(3) Calculated by dividing the total amount of revenue during the Track Record Period. The unit of revenue above is RMB10,000.

Management of GHG and air pollutants emissions

We continuously seek to reduce our GHG emissions and air pollutions by implementing various management measures during our production process. We maintain pollution control facilities and ensure their normal operation so as to reduce improper waste gas emissions caused by the malfunction of equipments. Leakage detection and repair are carried out quarterly and any issues found will be solved in a timely manner. Our on-site operators conduct inspections on the production facilities every hour and promptly deal with leakage related problems if discovered, thus effectively reduce the discharge of pollutants.

Future emission reduction plans

In addition, we have formulated various future emission reduction plans to lower carbon footprint and lessen resources consumption so as to create a green working environment as well as to instill a green mind-set among our employees, which, apart from continuing to adopt the measures as disclosed in the above paragraph, include but not limited to:

(i) **Setting 2030 target for GHG emissions**: We are committed to achieving 10% reduction in GHG emission intensity of our direct operations (scope 1 and scope 2) by 2030 against a 2023 baseline;

(ii) **Energy-saving transformation**: We intend to upgrade the energy-consuming equipment of production facilities and prioritise the use of the energy-saving devices with primary energy efficiency and adjust high-power electrical appliances by frequency converters to reduce power consumption during the production process. To achieve organised discharge of waste gas, we will continue to enhance the production process. For instance, we have adopted advanced desulphurisation process to convert hydrogen sulphide in coal gas into sulphur paste and at the same time, the tail gas scrubber in the desulphurisation device is activated to absorb the hydrogen sulphide in the desulphurisation regeneration waste gas, so as to achieve organised "zero" waste gas emission. In addition, taking the removal of benzene and dry regeneration gas as example, our original process was to extract part of the coal gas (with approximately 30% carbon content) and methanation process gas (with approximately 60% carbon content) as regeneration gas. To mitigate GHG emissions, we have enhanced the production process and changed to adopt the regeneration gas from hydrogen-rich tail gas and nitrogen-rich tail gas (with approximately 5% carbon content), which has greatly reduced GHG emissions. We will continue to explore ways to enhance the production process and reduce discharge of waste gas and mitigate GHG emissions;

(iii) **Reducing electricity and water consumption**: We require our employees to turn off the power of all lighting and office appliances before leaving the office and operating room. Our employees are also encouraged to save water resources and recycle the steam condensed from on-site instrument heating;

(iv) **Reducing the usage of paper**: Except for the necessary paper documents, all records such as statements and laboratory forms shall be recorded in electronic form to reduce the use of paper. Preference shall be given to double-sided printing if paper form is required; and

(v) **Promoting green travel and eco-friendly lifestyle**: We encourage our employees to take our shuttle bus and public transportation as their major commuting options when going to work and travelling in urban areas, as well as to use their own storage bags or biodegradable plastic bags instead of general plastic bags when shopping.

Compliance with the PRC Environmental Protection Regulations

We are also subject to national and local environmental protection regulations in China. In particular, the operations at production facilities are subject to certain environmental requirements, including those in relation to air, water, and solid waste pollutions. To comply with the applicable environmental protection laws, we have obtained necessary pollutant discharge permits and complied with applicable PRC laws and regulations in treating and disposing of the pollutants.

We engaged qualified agencies to prepare the relevant environmental impact assessment documents, obtained the required approvals from relevant environmental protection authorities and passed relevant inspections. In particular, we are required to pass environmental impact assessments and obtain approvals from the relevant environmental authorities to start any construction project. We regularly monitor the source of pollutants announced by the local governments and are aware of events that have environmental impact locally. We believe the nature of our operations does not create material risks that give rise to environmental protection issues and the above-mentioned measures taken by us are sufficient to maintain our compliance with applicable environmental protection laws and regulations.

Our Group have prepared environmental impact assessment reports for major fixed asset investment construction projects in accordance with the requirements of PRC environmental protection laws and regulations and have obtained the approval of the environmental impact assessment report from the environmental protection department and passed the environmental protection examination. Our Group has obtained the permit and registration from the local environmental protection authorities for the discharge of pollutants generated during the production and operation. During the Track Record Period, our Group has not been fined by the environmental protection authorities in the PRC for any material non-compliance incidents of environmental protection. As such, our PRC Legal Advisers are of the view that our Group has complied with the applicable PRC environmental protection laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

The entities in our Group which produce hazardous chemicals have obtained the relevant work safety licenses. Our PRC Legal Advisers have advised that we were in compliance with the relevant environmental protection laws and regulations in the PRC in all material aspects, and we have not received any fines imposed by the PRC environmental authorities for incidents of material non-compliance with respect to our production facilities during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, we incurred environmental-related costs which amounted to RMB1.2 million, RMB0.6 million, RMB5.5 million and RMB8.0 million in FY2020, FY2021, FY2022 and 1H2023, respectively. Going forward, we expect that the annual cost of environmental compliance with relevant rules and regulations will be consistent with our production expansion and business operations.

Social Matters

We have adopted a set of social policies to create a healthy working environment. For instance, we provide our employees with regular occupational safety trainings and updates as well as designated trainings for our staff at all-levels. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have not received any administrative penalties for violations of occupational health and safety regulations in the PRC.

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

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

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

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

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

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

Our Group has entered into labour contracts and employment agreements with its employees in accordance with the relevant laws, administrative regulations and relevant local regulations in Henan province. Our PRC Legal Advisers are of the view that the sample labour contracts and employment agreements provided by our Group are not found to be in violation of the guidelines on protection of women and children, anti-discrimination, working conditions and code of conduct. During the Track Record Period and up to the Latest Practicable Date, our Group has complied with the applicable PRC labour laws and regulations in all material respects.

Each member of our Group has registered for social insurance with the local labour and social security department, and has created a provident fund account with the local provident fund management centre. The types of social insurance that our Group participates in include pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. According to the certificates issued by the Human Resources and Social Security Bureau of Jiyuan City-Industry Integration Demonstration Zone and the Housing Provident Fund Management Centre of Jiyuan City, our Group has no material non-compliance in social insurance and housing provident fund contributions, and has no records of administrative penalties for violating laws and regulations in respect of social insurance and housing provident fund management during the Track Record Period.

Our Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision and target of our Group, identifying the KPIs and the relevant measurements and evaluating, determining and addressing our ESG-related risks in accordance with Appendix 27 to the Listing Rules, together with other applicable recommendations from the Stock Exchange. Our Board will assess, evaluate the ESG risks and review our existing strategy, target and internal controls. If necessary, improvement will be implemented to mitigate the risks that are material to our business operation and Shareholders from time to time. After Listing, we will publish an ESG report annually in accordance with Appendix 27 to the Listing Rules to qualitatively and quantitatively analyse and disclose important ESG matters, risk management and the accomplishment of key performance objectively.

INSURANCE

We maintain insurance for certain properties, machinery and equipment and other assets owned, operated or deemed important for us. During the Track Record Period, we purchased safety production liability insurance, comprehensive property insurance and machine damage insurance for our business operations, which we believe is consistent with the industry practices. We are also required by the PRC social insurance laws and regulations to make social insurance funds contributions for our employees. We have not made any material claims under our insurance policies and have not experienced any material business interruptions during the Track Record Period.

During the Track Record Period, we have not experienced any major operational problems, such as equipment failure, improper equipment operation and industrial accidents, nor any business interruptions as a result of fire, power shortages, or other events beyond our control. We renew insurance policies annually as required by the PRC laws and regulations. The Directors believe that the insurance coverage that we have maintained for our assets are adequate and consistent with industry practice. We will review and assess our risks and make necessary adjustments to our insurance coverage in line with our needs and industry practice in the PRC. See "Risk Factors – Risks Relating to Our Business and Industry – Our business operations are subject to significant operational and safety risks and other unforeseen risks that may not be fully covered by our insurance policies" in this prospectus for further details.

EMPLOYEES

Our human resources department is responsible for recruiting, managing and training our employees. As at the Latest Practicable Date, we had 394 full-time employees in total and they all reside in the PRC.

The table below sets forth a breakdown of our employees by function as at the Latest Practicable Date:

Function	Number	%
Production	320	81.2
Management, finance and administrative	65	16.5
Sales and marketing	9	2.3
Total	**397**	**100.0**

Our employees are selected and hired through a competitive process. In general, we recruit our employees through recruitment at campus, advertisements and special talents plan launched by our Group and the local government. In making hiring decisions, we take into account factors such as the availability of local labour to meet the requirements of our social and labour plan, our business strategies, industry trends and the competitive environment. We believe that our management policies, working environment and the employee development opportunities and benefits extended to employees have contributed to building good employee relations and employee retention. We have also launched technical as well as operational trainings for our workers periodically as well as tailored specific courses for our staff at all-levels so as to better build and cultivate our teams. The overall work performance evaluation of the employees are closely linked with the assessment of trainings.

Our employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items such as the subsidies for high temperature and meals. We make contributions to mandatory social security funds for our employees to provide retirement, medical, work-related injury, maternity and unemployment benefits.

Our PRC Legal Advisers have advised that during the Track Record Period and up to the Latest Practicable Date, we have complied with the applicable PRC labour laws and regulations in all material respects. We believe we generally have a good relationship with our employees. Our Directors confirm that there are no material labour disputes or strikes that would have a material and adverse effect on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT

We are exposed to various risks during our operations. For further details, see "Risk Factors" in this prospectus. In order to identify, assess and control the risks that may cause impediments to our business, we have designed and implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the production and sale of products, administration of daily operations, financial reporting and recording, fund management, compliance with applicable laws and regulations on environmental protection safety, anti-bribery and anti-money laundering. Our risk management system sets forth procedures to identify, analyse, categorise, mitigate and monitor various risks as well as the reporting hierarchy of risks identified in our operations. Each of our business departments and functions is responsible for identifying and evaluating the risks relating to its area of operations and implementing our risk management and internal control systems.

Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review and supervise our financial reporting process and internal control system. For further details on the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee, see "Directors, Supervisors and Senior Management – Board Committees" in this prospectus. Our risk management process includes the following steps:

Identification and training: We identify existing and emerging risks and categorise them according to the nature of the risks and provide trainings to our Directors, senior management and employees with respect to our risk management and internal control policies as well as the duties and responsibilities of directors and management of listed companies under the Listing Rules and other applicable laws and regulations.

Assessment: Based on the identification and categorisation of our risks, we make reference to our previous experiences to analyse and assess the likelihood and loss degree of the potential risks.

Mitigation: We mitigate the potential impact risks primarily through two methods: (1) we make efforts to change the conditions of the risks per se, such as setting higher safety standards; and (2) we make financial arrangements to neutralise the effect and damage of the risks.

Evaluation: We evaluate the costs and effect of our mitigation measures to assess the effectiveness and efficiency of our risk management process. The result of the evaluation is then reported to our management and the Board as a reference point to further refine our risk management system.

LEGAL PROCEEDINGS

We may be involved in certain legal proceedings arising from the ordinary course of our business operations from time to time. As at the Latest Practicable Date, our Directors confirm, to the best of their knowledge, there existed no pending or threatened litigations, arbitration matters or other legal proceedings that may have a material adverse effect on our financial condition, results of operation, reputation, business activities, or future prospects.

OVERVIEW

Directors and Supervisors

Our Board consists of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. The Directors are appointed by our Shareholders for a term of three years, and may be appointed for consecutive terms. The Board shall be responsible for and shall have general power to manage and develop the Company's business.

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

The following table sets out information regarding our Directors and Supervisors.

Executive Directors

Name	Age	Position	Date of joining our Group/the Jinma Group	Appointment date	Responsibilities	Relationship with other Director(s), Supervisor(s), and/or senior management
Mr. Wang Zengguang (王增光)	43	General manager and executive Director	26 March 2003	28 July 2023	Overall management, formulation and implementation of business strategies of our Group	None
Mr. Qiao Erwei (喬二偉)	43	Deputy general manager, executive Director and Board secretary	1 November 2003	22 October 2023	Participating in the daily operations and management of our Group	None

Non-executive Directors

Name	Age	Position	Date of joining our Group/the Jinma Group	Appointment date	Responsibilities	Relationship with other Director(s), Supervisor(s), and/or senior management
Mr. Yiu Chiu Fai (饒朝暉)	55	Chairman of the Board and non-executive Director	9 May 2006	28 July 2023	Providing strategic advice and recommendations on the operations and management of our Group	None
Mr. Wang Kaibao (汪開保)	50	Vice chairman of the Board and non-executive Director	25 May 2020	16 August 2023	Responsible for formulating our Group's corporate and operational strategies and the overall business operation and management of our Group	None
Mr. Wang Lijie (王利杰)	36	Non-executive Director	27 November 2013	28 July 2023	Participating in formulating our Group's corporate and operational strategies and the overall business operation and management of our Group	None

Independent non-executive Directors

Name	Age	Position	Date of joining our Group	Appointment date	Responsibilities	Relationship with other Director(s), Supervisor(s), and/or senior management
Ms. Wong Yan Ki, Angel (黃欣琪)	51	Independent non-executive Director	22 October 2023	22 October 2023	Supervising compliance and corporate governance issues of our Group and providing independent opinion and advice to the Board	None
Mr. Di Zhigang (邸志崗)	39	Independent non-executive Director	28 July 2023	28 July 2023	Supervising compliance and corporate governance issues of our Group and providing independent opinion and advice to the Board	None
Ms. Leung Sin Yeng Winnie (梁善盈)	38	Independent non-executive Director	16 August 2023	16 August 2023	Supervising compliance and corporate governance issues of our Group and providing independent opinion and advice to the Board	None

Supervisors

Name	Age	Position	Date of joining our Group/the Jinma Group	Appointment date	Responsibilities	Relationship with other Director(s), Supervisor(s), and/or senior management
Mr. Wong Tsz Leung (黃梓良)	59	Chairman of the supervisory committee and shareholder representative Supervisor	23 February 2012	28 July 2023	Overseeing the affairs of the supervisory committee; supervising our operations and financial activities; supervising Directors and senior management in the performance of their duties	None
Mr. Wu Zhiqiang (吳志強)	58	Shareholder representative Supervisor	16 August 2023	16 August 2023	Supervising our operations and financial activities; supervising Directors and senior management in the performance of their duties	None
Mr. Li Hebao (李合寶)	38	Employee representative Supervisor	6 August 2011	28 July 2023	Supervising our operations and financial activities; supervising Directors and senior management in the performance of their duties	None

Senior management

Members of our senior management are responsible for the day-to-day operation of our business. For the biographical details of Directors who form part of the senior management, please see the sub-section headed "Directors" above. The table below sets forth certain information concerning our senior management, apart from our Directors:

Name	Age	Position	Date of joining our Group/the Jinma Group	Appointment date to the current position	Responsibilities	Relationship with other Director(s), Supervisor(s), and/or senior management
Mr. Wei Xiaohui (衛曉輝)	42	Deputy general manager	28 February 2004	28 July 2023	Overall management and daily business operations of our Group	None
Mr. Li Yan (李研)	42	Deputy general manager	1 April 2021	28 July 2023	Overall management and daily business operations of our Group	None
Mr. Pang Liyi (龐吏義)	48	Financial controller	1 November 2010	28 July 2023	Financial management of our Group	None

DIRECTORS

Executive Directors

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

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

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

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

Mr. Qiao Erwei (喬二偉), aged 43, was appointed as our deputy general manager on 28 July 2023, the board secretary on 1 August 2023 and our executive Director on 22 October 2023. He is responsible for participating in the daily operations and management of our Group.

Mr. Qiao joined the Jinma Group in November 2003 and served in various positions, including as shift supervisor, safety officer and "safety, environmental protection and quality" system internal auditor of the coking workshop, dispatcher of the production department and as deputy director of the cooperate development management department until January 2020. From January 2020 to August 2021, he was appointed as the deputy manager of Jinrui Energy, primarily responsible for production operation management. From August 2021 to January 2022, he was appointed as the manager of Jinrui Energy. In March 2022, he was appointed as the director of Jinrui Energy and has been responsible for the operations of Jinrui Energy since. Mr. Qiao does not hold any position in the Jinma Group.

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

Non-executive Directors

Mr. Yiu Chiu Fai (饒朝暉), aged 55, was appointed as our Director and the chairman of the Board on 28 July 2023 and was redesignated as a non-executive Director on 16 August 2023. He is also the chairman of the board of Shenzhen Jinma Energy Co., Ltd.* (深圳市金馬能源有限公司) (a member of the Jinma Group) and a director of Henan Jinma Zhongdong Energy Company Limited* (河南金馬中東能源有限公司) ("**Jinma Zhongdong**" which is a member of the Jinma Group). He is responsible for providing strategic advice and recommendations on the operations and management of our Group. He is also a member of the remuneration and appraisal committee.

Mr. Yiu has over 30 years of experience in corporate management. Mr. Yiu joined the Jinma Group in May 2006 as a director. Mr. Yiu was appointed as an executive director and the chairman of the board of directors of Jinma Energy in July 2016 and is mainly responsible for formulating corporate and operational strategies and making major corporate decisions.

Prior to joining our Group and the Jinma Group, Mr. Yiu was a department manager of Xiamen Commercial Foreign Trade Corporation from August 1990 to September 1993, a director and deputy general manager of Shangxiang Minmetals Investment Ltd. from December 1993 to June 1997, an executive director of Asia Energy Logistics Group Limited (formerly known as Central China Enterprises Limited), a company listed in Hong Kong, (stock code: 351) from June 1998 to September 2000, and the chairman of Yugang Coking from June 2002 to July 2012.

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

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

Mr. Wang Kaibao (汪開保), aged 50, was appointed as our non-executive Director and the vice chairman of the Board on 16 August 2023. He is responsible for formulating our Group's corporate and operational strategies and the overall business operations and management of our Group. He is also a member of the audit committee and the chairman of the strategy committee.

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

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

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

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

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

Independent non-executive Directors

Ms. Wong Yan Ki, Angel (黃欣琪), aged 51, was appointed as our independent non-executive Director on 22 October 2023. She is primarily responsible for supervising compliance and corporate governance issues of our Group and providing independent opinion and advice to the Board. She is also the chairman of the audit committee and a member of the nomination committee.

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

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

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

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

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

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

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

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

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

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

Ms. Leung Sin Yeng Winnie (梁善盈), aged 38, was appointed as our independent non-executive Director on 16 August 2023. She is primarily responsible for supervising compliance and corporate governance issues of our Group and providing independent opinion and advice to the Board. She is also a member of the remuneration and appraisal committee and the chairman of the nomination committee.

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

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

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

Save as disclosed above and in the section headed "Statutory and General Information" in Appendix VII to this prospectus, as at the Latest Practicable Date, none of the Directors (i) had any interests in Shares within the meaning of Part XV of the SFO; (ii) had any relationship with any other Directors, any Supervisors, any senior management member of our Group, our substantial Shareholders or our Controlling Shareholder; or (iii) held any directorship in any public companies the securities of which were listed on any securities market in Hong Kong or overseas (apart from our Company) in the last three years immediately preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules as at the Latest Practicable Date.

SUPERVISORS

Mr. Wong Tsz Leung (黃梓良), aged 59, was appointed as our shareholder representative Supervisor and elected as the chairman of the supervisory committee on 28 July 2023. He is primarily responsible for overseeing the affairs of the supervisory committee, supervising our operations and financial activities and supervising our Directors and senior management in the performance of their duties.

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

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

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

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

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

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

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

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

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

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

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Supervisors (i) had any interests in Shares within the meaning of Part XV of the SFO; (ii) had any relationship with any Directors, any other Supervisors, any senior management member of our Group, our Substantial Shareholders or our Controlling Shareholder; or (iii) held any directorship in any public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Supervisors that needed to be brought to the attention of our Shareholders and there was no information relating to our Supervisors that was required to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Wei Xiaohui (衛曉輝), aged 42, is a deputy general manager of our Company, primarily responsible for the overall management and daily business operations of our Group.

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

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

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

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

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

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

Mr. Pang Liyi (龐吏義), aged 48, is the financial controller of our Company, primarily responsible for the financial management of our Group.

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

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the senior management members of our Group (i) had any interests in Shares within the meaning of Part XV of the SFO; (ii) had any relationship with any Directors, another senior management member of our Group or substantial shareholder or Controlling Shareholder; or (iii) held any directorship in any public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Lee Kwan Ying Adrienne (李坤瑩), aged 34, is the company secretary of our Company appointed on 1 August 2023. She is primarily responsible for the corporate governance, company secretarial and capital markets matters of our Group.

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

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

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, pension-defined contribution, allowances, benefits in kind and discretionary bonuses) which were paid to our Directors and Supervisors for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 were RMB0.6 million, RMB1.2 million, RMB1.7 million and RMB0.5 million, respectively. The aggregate amount of compensation (including fees, salaries, contributions to social insurance funds, allowances, benefits in kind and discretionary bonuses) which were paid to our senior management (excluding our Directors) for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 was RMB0.2 million, RMB0.7 million, RMB0.8 million and RMB0.2 million, respectively. For additional information on Directors' and Supervisors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please see the Accountants' Report set out in Appendix I to this prospectus.

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

During the Track Record Period, no remuneration was paid by the Group to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us. No compensation was paid by the Group to, or receivable by, our Directors, Supervisors or the five highest paid individuals or past Directors or Supervisors for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 for the loss of any office in connection with the management of the affairs of any member of our Group. Furthermore, no other payments have been made or are payable, in respect of the Track Record Period, by us or any of our subsidiaries to or on behalf of any of our Directors or Supervisors. There has been no arrangement under which a Director or Supervisor has waived or agreed to waive any emoluments during the Track Record Period.

Going forward, our remuneration and appraisal committee will review and determine the remuneration and compensation of our Directors, Supervisors and senior management with reference to the salaries paid by comparable companies, the time commitment and responsibilities of our Directors, Supervisors and senior management and the performance of our Group. Under the arrangements presently in force, we estimate the aggregate remuneration, excluding discretionary bonuses, of our Directors and Supervisors payable for the year ending 31 December 2023 will be approximately RMB0.6 million.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. We have formed four board committees, being the audit committee, the remuneration and appraisal committee, the nomination committee and the strategy committee.

Audit committee

Our Board has established an audit committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. Written terms of reference in compliance with Code D.3.3 of the CG Code as set out in Appendix 14 to the Listing Rules have been adopted. The primary duties of our audit committee are to review and supervise our financial reporting process, risk management and internal control systems, and to nominate and monitor external auditors. Our audit committee currently consists of two independent non-executive Directors and one non-executive Director. The members currently are Ms. Wong Yan Ki, Angel, Mr. Wang Kaibao and Mr. Di Zhigang. It is currently chaired by Ms. Wong Yan Ki, Angel, an independent non-executive Director.

Remuneration and appraisal committee

Our Board has established a remuneration and appraisal committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. Written terms of reference in compliance with Code E.1.2 of the CG Code as set out in Appendix 14 of the Listing Rules have been adopted. The primary duties of our remuneration and appraisal committee are to make recommendations to the Board on our Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing such remuneration policy. Our remuneration and appraisal committee currently comprises two independent non-executive Directors and one non-executive Director. The members currently are Mr. Yiu Chiu Fai, Mr. Di Zhigang and Ms. Leung Sin Yeng Winnie. It is currently chaired by Mr. Di Zhigang, an independent non-executive Director.

Nomination committee

Our Board has established a nomination committee in compliance with Rule 3.27A of the Listing Rules and the CG Code. Written terms of reference in compliance with Code B.3.1 of the CG Code as set out in Appendix 14 of the Listing Rules have been adopted. The primary duties of our nomination committee are to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy. Our nomination committee currently comprises two independent non-executive Directors and one executive Director. The members currently are Mr. Wang Zengguang, Ms. Leung Sin Yeng Winnie and Ms. Wong Yan Ki, Angel. It is currently chaired by Ms. Leung Sin Yeng Winnie, an independent non-executive Director.

Strategy committee

Our Board has established a strategy committee and written terms of reference have been adopted. The primary duties of our strategy committee are to formulate and evaluate the business development strategy of our Group and to monitor the implementation of the business development and strategic planning of our Group. Our strategy committee currently comprises one executive Director and two non-executive Directors. The members currently are Mr. Wang Zengguang, Mr. Wang Kaibao and Mr. Wang Lijie. It is currently chaired by Mr. Wang Kaibao, a non-executive Director.

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, during the period of appointment, our Company must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where our Company proposes to use the net proceeds of the Global Offering in a manner different from that set out in this prospectus or where our business activities, developments or results deviated from any forecast, estimate, or other information in this prospectus; and

(d) where the Stock Exchange makes an enquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

Pursuant to Rule 19A.06 of the Listing Rules, the compliance adviser will inform our Company on a timely basis of any amendment or supplement to the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to us. Without limiting the generality of Chapter 3A of the Listing Rules, the compliance adviser will provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations. Further, the compliance adviser will also act as our additional channel of communication with the Stock Exchange in Hong Kong.

The compliance adviser's term of appointment shall be for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier.

COMPLIANCE WITH THE CODE PROVISIONS OF APPENDIX 14 TO THE LISTING RULES

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the code provisions set out in the CG Code after the Listing.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and maintain a high standard of corporate governance, we have adopted a board diversity policy, which sets out the aim and approach towards achieving and maintaining diversity of our Board. Pursuant to such board diversity policy, when selecting candidates to our Board, we will consider a wide range of factors, including but not limited to, the appropriate balance of gender, skills, age, cultural and education background, ethnicity, professional experience, knowledge, length of service and any other factors that our Board may consider relevant and applicable from time to time, in order to achieve board diversity. The ultimate decision of the appointment will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall corporate management, business strategies and planning, engineering, finance and business administration. They also obtained degrees in various areas, including chemical engineering, economic management, materials science, finance, business administration, global business, accounting and law. We have three independent non-executive Directors, representing over one-third of the members of our Board. Further, our Board has a relatively wide range of age, ranging from 36 years old to 55 years old.

While two of our Directors are female, we recognise that the gender diversity at the Board level can be further improved. As much as we value gender parity and female leadership that enhance the effectiveness of our Board and standard of corporate governance, we are in an industry that is dominated primarily by male professionals with science background. With that said, our Board will ensure that appropriate balance of gender diversity is achieved with reference to investors' expectation, and international and local recommended best practices. With a view to developing a pipeline of potential successors to our Board that may achieve gender diversity, we will (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management staff who has the necessary skills and experience to our Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to our senior management or our Board so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time.

Going forward, our nomination committee will be responsible for ensuring the diversity of our Board. After the Listing, our nomination committee will monitor the implementation of our board diversity policy, review and amend this policy when necessary to ensure its effectiveness. We will also disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

Taking into account our existing business model and specific needs as well as the different background and abilities of our Directors, our Directors are of the view that the current composition of our Board satisfies our board diversity policy.

INFORMATION ON OUR CONTROLLING SHAREHOLDER

Immediately following the Global Offering (assuming that the Over-allotment Option is not exercised), our Controlling Shareholder, namely Jinma Energy, will be interested, directly and indirectly, in 75% of the total share capital of our Company.

Jinma Energy is a company listed on the Main Board of the Stock Exchange (stock code: 6885), which is principally engaged in the production of coke and the processing of coking by-products.

DELINEATION OF BUSINESS

There is clear delineation between our business and the business of the Jinma Group. While both our Group and the Jinma Group operate along the coking chemical value chain, the Jinma Group engages in upper stream businesses, which primarily involve coking and coke production, whereas we engage in lower stream businesses, which primarily involve further processing of coking by-products for the production of hydrogenated benzene-based chemical and energy products.

Different principal businesses

The table below sets forth the different principal businesses of our Group and that of the Jinma Group as at the Latest Practicable Date:

	Principal Businesses
Jinma Group	• manufacture and sale of coke (the "**Coking Business**"); • trading of coke, coal, mining equipment and nonferrous materials (the "**Trading Business**"); • sale of coking by-products (the "**Coking By-products Business**"); • production and sale of coal tar-based chemicals (the "**Coal Tar-based Chemicals Business**"); and • provision of other services, including but not limited to provision of steam, fire prevention and management services (the "**Other Services Business**").
Our Group	• manufacture and sale of hydrogenated benzene-based chemicals obtained from hydrogenation of crude benzene, a coking by-product (the "**Hydrogenated Benzene-based Chemical Business**"); and • manufacture and sale of energy products, namely LNG and coal gas, and the operation of gas stations (the "**Energy Product Business**").

Different products manufactured and sold

The following table sets forth the differences between major products manufactured and sold by us and the Jinma Group:

Business	Product		Usage/products
Jinma Group			
Coking Business	Coke (焦炭)		As a reducing agent, heat agent and column skeleton for the blast furnace production of iron and steel.
Coking By-products Business	Crude benzene (粗苯)		For production of hydrogenated benzene-based chemicals (e.g. pure benzene and toluene).
	Coal tar (煤焦油)		For production of coal tar-based chemicals (e.g. coal asphalt, coal tar pitch, naphthalene, and anthracene oil).
	Crude coking coal gas (焦爐煤氣)		Crude coking coal gas contains carbon monoxide, hydrogen and methane which are chemical raw materials.
Coal Tar-based Chemicals Business	Coal asphalt (煤瀝青)		As electrode binders in the metallurgical industry.
	Anthracene oil (蒽油)		For production of pigments, wood preservatives, insecticides and coating materials.
	Industrial naphthalene (工業萘)		For manufacture of concrete super-plasticisers, dyes, plastics and solvents.

Our Group			
Hydrogenated Benzene-based Chemical Business	Pure benzene (純苯)		As an industrial solvent and a precursor for the manufacture of nylon, dyes, plastics, drugs, explosives and synthetic rubber.
	Toluene (甲苯)		For manufacture of sweeteners, drugs and dyes; toluene can also be used as a solvent.
Energy Product Business	LNG (液化天然氣)		As a fuel for vehicles and industrial use.
	Coal gas (煤氣)		As domestic fuel or industrial fuel, and as a raw material in the production of hydrogen and various chemical products.

As illustrated above, we are primarily engaged in the production and sale of hydrogenated benzene-based chemicals obtained from hydrogenation of crude benzene as well as energy products (namely LNG and coal gas), whereas the Jinma Group is principally engaged in the production of coke and the sale of by-products generated (namely, crude benzene, coal tar and crude coking coal gas), as well as other chemicals made from coal tar.

Different core technologies and production facilities

As set forth in the table below, our Group and the Jinma Group use different core technologies in our business operations:

	Core technologies
Jinma Group	• Coal blending for production of coke of desired properties • Stamp-charging for increasing the density of coals loaded into coking furnaces • Dry quenching for the cooling-down of coke • Dehydration and purification of coal tar by ultracentrifugation

	Core technologies
Our Group	• Hydrogenation of crude benzene • Methanation of coal gas for the production of LNG • Pressure swing adsorption for the production of hydrogen • Purification of hydrogen into high pure hydrogen

Further, as set forth in the table below, our Group and the Jinma Group use have distinct production and processing facilities:

	Production and processing facilities
Jinma Group	• Coal pulverisers • Coal towers • Coking furnaces • Coal tar production facilities
Our Group	• Hydrogenated benzene-based chemicals production facilities • LNG production facilities • Coal gas processing facilities • Hydrogen production facilities

Different markets and customers

Due to differences in nature of the products manufactured and sold by our Group and the Jinma Group, our Group and the Jinma Group target different markets and have different customer bases.

Major customers of the Jinma Group's coke include iron and steel manufacturers, and customers of its coal tar-based chemicals include companies in the carbon black and resin industries. As part of the Jinma Group's Trading Business, it trades products such as coke and coal to customers including coke producers, iron and steel manufacturers, as well as coal suppliers.

Major customers of our hydrogenated benzene-based chemicals include a variety of companies such as nylon and fertilisers manufacturers, refined oil manufacturers and other chemical companies. On the other hand, major customers of our energy products include industrial users, trading customers as well as retail customers of our self-operated oil and gas stations. We also sell coal gas to other enterprises situated in the same industrial park in which it is based (namely, the Jiyuan High-Tech Industrial Chemical Park) and residents in neighbouring areas. There does not exist any bundling sales arrangement for the products of the Jinma Group and our Group.

Different raw materials and suppliers

Our Group and the Jinma Group sources different raw materials from different suppliers.

We use crude benzene for our Hydrogenated Benzene-based Chemical Business and crude coking coal gas as the major raw material for our Energy Product Business. We source most of our crude benzene from Independent Third Party suppliers (being coking enterprise situated in Henan, Shanxi and Shaanxi provinces) and purchase substantially all of our crude coking coal gas from the Jinma Group. See "Our Controlling Shareholder as one of our Suppliers" in this section below for further details.

According to the Frost & Sullivan Report, due to the inherent difficulty in transporting crude coking coal gas which can only be supplied in close proximity and preferably through pipes, there are no alternative suppliers of crude coking coal gas that are readily available to provide crude coking coal gas to our Group under similar terms as the Jinma Group. For further details on reasons why we source substantially all of our crude coking coal gas from the Jinma Group, please see "Business – Raw Materials and Supply – Relationship with the Jinma Group" in this prospectus.

The Jinma Group uses coal tar as the raw material for its Coal Tar-based Chemicals Business and various varieties of coal (including main coking coal, 1/3 coal, fat coal and lean coal) for its Coking Business and Coking By-products Business. The Jinma Group sources coal from a mix of large state-owned mine enterprises and local coal plants.

Having considered the above factors, our Directors are of the view that there is clear delineation between the business of our Group and the Jinma Group and that the businesses of the Jinma Group do not compete and is unlikely to compete, directly or indirectly with our Group's businesses.

As at the Latest Practicable Date, our Controlling Shareholder did not have any interest in any business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors believe that we are capable of carrying on our business independently from, and do not place reliance on, our Controlling Shareholder and its close associates (other than our Group) after the Spin-off and Listing.

Management independence

Our Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. Among our Directors, Mr. Yiu Chiu Fai is an executive director and the chairman of Jinma Energy, and Mr. Wang Kaibao is a non-executive director of Jinma Energy, and Jinma Energy is, in turn, our Controlling Shareholder. The presence of Mr. Yiu Chiu Fai and Mr. Wang Kaibao as non-executive Directors on our Board is mainly for the purpose of representing Jinma Energy's shareholding in our Company, and both Mr. Yiu Chiu Fai and Mr. Wang Kaibao are expected to carry out non-executive roles in our Company. Mr. Yiu and Mr. Wang will not participate in the day-to-day operations of our Group and will be responsible for providing strategic visions to our Group, and accordingly, they are expected to continue to devote their time principally to the Jinma Group. Hence, it is expected that such overlapping of directorship will not affect the independent functioning of our Board.

For details of our Directors and senior management members, please see "Directors, Supervisors and Senior Management" in this prospectus.

Our Directors are of the view that there are sufficient and effective control mechanisms to ensure that our Directors are able manage our Group independently from our Controlling Shareholder, discharge their duties appropriately and safeguard the interests of our Shareholders as a whole for the following reasons:

- our three non-executive Directors will not be involved in the day-to-day management or operations of our businesses and will contribute from a non-executive capacity at the Board level.

- each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. The decision-making mechanism of the Board set out in the Articles includes provisions to avoid conflicts of interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and

- our three independent non-executive Directors have extensive experience in different areas or professions and have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

Based on the above, our Directors are satisfied that they are able to perform their roles in our Company independently and are of the view that we are capable of managing our business independently from our Controlling Shareholder and its close associates after Listing.

Financial independence

During the Track Record Period, we provided an unsecured, interest bearing loan to the Jinma Group in the amount of RMB30 million, all of which is outstanding as at the Latest Practicable Date. The aforesaid loan will be fully settled on or before the Spin-off and Listing. During the Track Record Period, the Jinma Group provided financial assistance (in the form of a guarantee) to our Group for a long-term bank loan which has been fully repaid by us in November 2022. As at the Latest Practicable Date, there was no guarantee provided between the Jinma Group and our Group in respect of indebtedness of each other. Any loans, financial assistance, advances or balances of non-trade nature between our Group and the Jinma Group will be fully released and/or settled before the Spin-off and Listing.

We will make financial decisions according to our own business needs independent of the Jinma Group. In addition, we have our own treasury function and independent access to third party financing. Our Directors believe that we will be able to support our financial need based on internally generated cash flow and, if necessary, loans from financial institutions or fundraising through equity or debt financing.

Based on the above, our Directors are of the view that we are able to maintain financial independence from the Jinma Group and its close associates.

Operational independence

Even though our Controlling Shareholder will retain a controlling interest in our Company after the Spin-off and Listing, we have full rights to make all decisions on, and to carry out, our business operations independently from our Controlling Shareholder and its close associates and will continue to do so after the Spin-off and Listing. We are able to operate without reliance on our Controlling Shareholder and its close associates.

Production and processing facilities

We have our own production and processing facilities, which are distinct and separate from those of the Jinma group. Please see "Relationship with our Controlling Shareholder – Delineation of Business – Different core technologies and production facilities" in this section and "Business – Our Production and Processing Facilities" in this prospectus for further details of such production and operation facilities.

Permits and licences

Save as disclosed in "Business – Regulatory Compliance" in this prospectus, we hold all the relevant licences and permits that are material to our business operations, and enjoy the benefits brought by them.

Research and development ("R&D")

We have our own R&D team and conduct our R&D independently of the Jinma Group. While the Jinma Group runs R&D programmes that primarily focus on, among others, upgrading equipment for coking and environmental protection compliance, our R&D programme primarily focuses on equipment and production process upgrade and optimisation, as well as environmental protection compliance. In addition, as at the Latest Practicable Date, we had 21 registered patents in the PRC for our operations.

Administrative capability

We have established our own administrative departments, which are independent from Jinma Group.

We have been sharing the same IT as the Jinma Group which was constructed by third-party service providers for use by multiple companies for enterprise management purposes in areas of production, finance and general administration as well as other information services, such as data storage, processing and management, e-mail servers, internet services, and network security services. We will continue to use the same IT after the Listing, and the Jinma Group will charge us on a cost basis for its use thereof. We have been granted independent and exclusive access to the said IT and have liaised with the relevant third-party service providers for implementing measures to ensure proper segregation of information and access rights between our Group and Jinma Group. Our Group's and the Jinma Group's use of the IT are managed solely by their own designated system administrators.

As set out in the section headed "Business – Internal control", we engaged an Internal Control Consultant to assess the effectiveness on our internal controls, and in respect of the IT arrangement, the key findings of our Internal Control Consultant are as follows:

(a) Our Company has entered into an agreement with the Jinma Group in relation to IT operation, maintenance, and technical services. Among other things, the agreement includes provisions regarding the confidentiality obligations of our Group and the Jinma Group in relation to IT usage and data access.

(b) The IT has an administrator permission allocation and management system, allowing the system administrator to assign different access rights to individual or groups of IT users. Only personnel from our Group have the permission rights to access data pertaining to our Group. Our Company has also assigned different access rights to different personnel within our Group based on their respective roles. Consequently, relevant IT users can only access data within the confines of their permitted access rights.

(c) Our Company maintains a record of the time and identity of the IT user in relation to any data exports.

(d) Our Company has formulated an IT security management policy that clearly defines the data security management standards of our Group.

Based on the above, our Internal Control Consultant confirmed that our Company has in place adequate and effective measures to ensure data privacy and security, as well as proper segregation of information and access rights between our Group and the Jinma Group.

The IT consists of multiple software and systems, which the Jinma Group has bought the licenses to use and is currently sharing with us. The said licenses have designated quotas, allowing certain number of companies to use the software and systems under such licenses. If our Group were to obtain separate licenses for the same software and systems, we would not be able to enjoy the bulk purchase discounts currently enjoyed by the Jinma Group. Furthermore, if we were to discontinue sharing the same IT as the Jinma Group, we would need to engage third-party service providers to construct a new and separate IT and migrate our entire IT to the new IT. The construction of the new IT and the migration would involve additional costs. The process of migrating our entire IT would also be complex, time-consuming and disruptive to our business operations. Our Directors are of the view that the sharing of IT between our Group and the Jinma Group represents a cost-effective arrangement in the interests of our Group.

Taking into account the economical benefits, potential disruptions associated with transitioning to a new IT, and the effective internal control measures currently in place to ensure data privacy and security, as well as proper segregation of information and access rights between our Group and the Jinma Group, we have continued sharing the same IT as the Jinma Group.

Notwithstanding the sharing of IT to optimise the administrative costs structure of our Group, all essential administrative functions of our Group have been, during the Track Record Period, and will continue to be handled by our own teams independently of the Jinma Group. In particular, we have established our own accounting and finance department with a team of finance staff responsible for managing our accounts and financials and operating our financial system independently.

Based on the above, our Directors are satisfied that we are able to carry out administrative functions independently of Jinma Group.

Continuing connected transactions with our Controlling Shareholder

Save for the continuing connected transactions between our Group and Jinma Group disclosed in "Continuing Connected Transactions" in this prospectus, our Directors do not expect that there will be any other continuing connected transactions between our Group and Jinma Group immediately following the Listing. Our Directors (including the independent non-executive Directors) consider that the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group and have been based on arm's length negotiation and on normal commercial terms that are in the interest of our Group and our Shareholders as a whole.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of the Controlling Shareholder and its close associates.

OUR CONTROLLING SHAREHOLDER AS ONE OF OUR SUPPLIERS

We sourced substantially all of our crude coking coal gas and 20% of our crude benzene from the Jinma Group. The table below sets forth the amount of purchases of (i) crude benzene and (ii) crude coking coal gas and Coke Granule Coal Gas made by us from the Jinma Group and other suppliers, and such purchase as a percentage of our principal purchases for the three years ended 31 December 2022 and the six months ended 30 June 2023:

	Purchases by our Group (RMB'million (% of our Group's total principal purchases*(Note 1)*))	
	For FY2020	
From	**Crude benzene**	**Crude coking coal gas and Coke Granule Coal Gas*(Note 3)***
Jinma Group	70.9 (7.9%)	248.6 (27.8%)
Other suppliers	421.0 (47.1%)	21.0 (2.3%)*(Note 2)*
	For FY2021	
From	**Crude benzene**	**Crude coking coal gas and Coke Granule Coal Gas*(Note 3)***
Jinma Group	83.1 (6.6%)	192.7 (15.3%)
Other suppliers	809.0 (64.4%)	27.9 (2.2%)*(Note 2)*

	Purchases by our Group (RMB'million (% of our Group's total principal purchases(Note 1)))	
	For FY2022	
From	**Crude benzene**	**Crude coking coal gas and Coke Granule Coal Gas**(Note 3)
Jinma Group	223.3 (12.2%)	395.1 (21.6%)
Other suppliers	957.5 (52.3%)	1.0 (0.1%)(Note 2)
	For 1H2023	
From	**Crude benzene**	**Crude coking coal gas and Coke Granule Coal Gas**(Note 3)
Jinma Group	96.7 (10.1%)	200.9 (21.1%)
Other suppliers	446.4 (46.8%)	0.0 (0%)

(*Note 1*: For the definition of total principal purchases, please see "Business – Raw Materials and Supply" in this prospectus.

Note 2: During the Track Record Period, we had sourced crude coking coal gas from Yugang Coking, which then owned a coke production facility in our neighbourhood. Yugang Coking's coke production capacity was subsequently acquired by the Jinma Group, after which Yugang Coking ceased production.

Note 3: Our purchase of Coke Granule Coal Gas from the Jinma Group amounted to nil, nil, RMB57.1 million and RMB12.3 million for the three years ended 31 December 2022 and the six months ended 30 June 2023, respectively. We ceased purchasing Coke Granule Coal Gas from the Jinma Group following our acquisition of the Coke Granule Coal Gas Facilities (for details on the acquisition, see "History, Corporate Structure and Reorganisation – The Reorganisation – 3. Injection of equity interest in Jinma Qingneng by Jinma Energy into the Company and acquisition of Coke Granule Coal Gas Facilities from Jinma Energy" in this prospectus).)

As illustrated above, we do not have reliance on the Jinma Group for the procurement of crude benzene as we source the majority of our crude benzene from other suppliers. On the other hand, we sourced substantially all of our crude coking coal gas from the Jinma Group in the above periods.

For further details, see "Continuing Connected Transactions – C. Non-exempt Continuing connected transactions – (1) Purchase of crude coking coal gas from the Jinma Group" and "Business – Raw Materials and Supply – Relationship with the Jinma Group" in this prospectus.

NON-COMPETITION UNDERTAKING

On 4 December 2023, we entered into a Deed of Non-competition with Jinma Energy under which Jinma Energy has irrevocably undertaken to us that it will not, and will procure that its close associates (save for members of our Group and Jinjiang Refinery) will not:

(a) whether as principal or agent or through any person, firm or company (other than any member of our Group or Jinjiang Refinery) carry on, participate or be interested or engaged in any business in, or acquire or hold any form or manner that is directly or indirectly in competition with the principal business of our Group or Jinjiang Refinery in the PRC; and

(b) directly or indirectly, solicit, interfere with or entice away from any member of our Group or Jinjiang Refinery any person, firm or company who, to Jinma Energy's knowledge, as of the date of the deed, was or had been or would after the date of the deed be, a customer, supplier or management, technical staff or employees (of managerial grade or above) of any member of our Group or Jinjiang Refinery.

The above undertakings are subject to the following exceptions:

(i) Jinma Energy and/or its close associates (save for members of our Group and Jinjiang Refinery) are entitled to invest, participate and be engaged in any activity as mentioned in paragraphs (a) and (b) above (the "**Restricted Activity**"), regardless of value, which has first been offered or made available to us, provided always that (1) information about the principal terms thereof has been disclosed to our Company and our Company has, after review and based on the opinion of the independent non-executive Directors, within one month from the date of receipt of such information confirmed that it does not wish to be involved or engaged, or to participate, in the relevant Restricted Activity, and (2) the principal terms on which Jinma Energy and/or its close associate(s) (save for members of our Group and Jinjiang Refinery) invest, participate or engage in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the aforesaid, if Jinma Energy and/or its close associate(s) (save for members of our Group and Jinjiang Refinery) (as the case may be) decide to be involved, engaged, or participate in the relevant Restricted Activity, the terms of such involvement, engagement or participation must be disclosed to our Company as soon as practicable but in any event before any binding commitment is entered into by Jinma Energy and/or its close associate(s) (save for members of our Group and Jinjiang Refinery) (as the case may be); and

(ii) the above undertakings do not apply to the holding of or interests in shares or securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of shares, they are listed on a stock exchange and either:

(1) the relevant Restricted Activity and assets relating thereto account for less than 10% of the relevant company's consolidated revenue and consolidated assets, respectively, as shown in that company's latest audited consolidated accounts; or

(2) the total number of shares or securities held by Jinma Energy and/or its close associates (save for members of our Group and Jinjiang Refinery) (as the case may be) or in which they are together interested does not amount to more than 10% of the issued shares of the company in question.

Jinma Energy has also undertaken to provide an annual confirmation to our Company confirming that it and its associates (save for members of our Group and Jinjiang Refinery) have not breached the terms of the non-competition undertaking and to provide all information necessary for the annual review by the independent non-executive Directors (if they so require) for the enforcement of the Deed of Non-competition.

Jinma Energy's undertakings above will cease to have any effect on the earlier of: (i) the date on which the Listing is withdrawn; or (ii) the date on which Jinma Energy and its close associates, individually and collectively, cease to be beneficially interested in 30% (or more) of the issued shares of our Company or cease to control the voting power of such shares or securities at the general meetings, as the case may be.

CORPORATE GOVERNANCE MEASURES

To further protect the interests of our minority Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interests:

(a) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholder and/or its close associates (save for members of our Group and Jinjiang Refinery) have a material interest, our Controlling Shareholder will not vote on the resolutions and shall not be counted in the quorum present at the meeting;

(b) our Directors will operate in accordance with the Articles which require the interested Directors not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;

(c) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole;

(d) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 to the Listing Rules; and

(e) we have appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Further, any transaction that is proposed between our Group and the Jinma Group will be required to comply with the requirements of the Listing Rules, including, where applicable, the announcement, reporting and independent shareholders' approval requirements.

OVERVIEW

During the Track Record Period, we have entered into various related party transactions, details of which are set out in note 37 to the Accountants' Report in Appendix I. The following transactions are expected to continue after the Listing and will constitute continuing connected transactions (as defined under Chapter 14A of the Listing Rules) of our Company upon the Spin-off and Listing.

OUR CONNECTED PERSONS

Upon the Spin-off and Listing, the following entities will become our connected persons and have entered into the relevant framework agreements with us as further set out below:

Jinma Energy and its associates (excluding our Group)	Jinma Energy is, and upon completion of the Spin-off and Listing, will continue to be, our substantial Shareholder and our Controlling Shareholder
Yugang Coking Group	Mr. Wang Xuezhong is a controlling shareholder of Henan Jinsu Shiye Co., Ltd.* (河南省金塑實業有限公司) which is a substantial shareholder of Jinning Energy. Yugang Coking is held as to 88.03% by Golden Fair Chemicals (Holdings) Limited (which is in turn held as to 65.92% by Mr. Wang Xuezhong). Hence, Yugang Coking will be a subsidiary-level connected person of our Company upon completion of the Spin-off and Listing

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our continuing connected transactions upon Listing:

No.	Transaction	Applicable Listing Rules	Waiver sought	Annual caps for the year ending 31 December		
				2023	2024	2025
				(RMB'million)		
A. Exempt Continuing Connected Transactions						
(1)	Trademark Licensing Agreement	14A.76(1)(a)	N/A	N/A	N/A	N/A
(2)	Sharing of Ancillary Services Agreement	14A.76(1)(c)	N/A	N/A	N/A	N/A
(3)	Purchase of Utility Services Framework Agreement	14A.97	N/A	N/A	N/A	N/A
(4)	Sale of Fuel Framework Agreement	14A.97	N/A	N/A	N/A	N/A
(5)	Leasing Out Agreement	14A.76(1)(c)	N/A	N/A	N/A	N/A
B. Partially Exempt Continuing Connected Transactions						
(1)	Purchase of General Services Framework Agreement	14A.35, 14A.76(2)(a) and 14A.105	Announcement requirement under Chapter 14A of the Listing Rules	13	8	8
(2)	Sale of By-products Framework Agreement	14A.35, 14A.76(2)(a) and 14A.105	Announcement requirement under Chapter 14A of the Listing Rules	33	37	37
(3)	Yugang Coking Supply Framework Agreement	14A.35, 14A.76(2)(a) and 14A.105	Announcement requirement under Chapter 14A of the Listing Rules	35	35	35

No.	Transaction	Applicable Listing Rules	Waiver sought	Annual caps for the year ending 31 December		
				2023	**2024**	**2025**
				(RMB'million)		
C. Non-exempt Continuing Connected Transactions						
(1)	Purchase of Crude Coking Coal Gas Framework Agreement	14A.35, 14A.36, 14A.46 and 14A.105	Announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules	380	400	400
(2)	Purchase of Crude Benzene Framework Agreement	14A.35, 14A.36, 14A.46 and 14A.105	Announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules	231	261	261
(3)	Purchase of Coke Granule Coal Gas Raw Materials Framework Agreement	14A.35, 14A.36, 14A.46 and 14A.105	Announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules	47	140	140
(4)	Miscellaneous Purchases Framework Agreement	14A.35, 14A.36, 14A.46 and 14A.105	Announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules	3.2	4.0	4.0

Note: For the purposes of ascertaining whether the highest applicable percentage ratio for a continuing connected transaction would exceed 5%, in respect of the transactions under paragraphs (1) to (4) under "C. Non-exempt Continuing Connected Transactions" in the above table, the annual caps have been aggregated given that they all involve purchase of materials by us from the Jinma Group.

A. FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Trademark licensing agreement with Jinma Energy

Principal terms

On 25 August 2023, we entered into a trademark licensing agreement (the "**Trademark Licensing Agreement**") with Jinma Energy, pursuant to which, Jinma Energy agreed to grant a non-exclusive and non-transferable licence to our Group to use the trademarks registered in the PRC and Hong Kong under its name, on a royalty-free basis, for a term from 1 January 2023 to 31 December 2025, so long as our Company remains a subsidiary of Jinma Energy. Details of such licensed trademarks are set out in "Statutory and General Information – B. Further Information about the Business of our Group – 2. Our intellectual property rights – (a) Trademarks licensed" in Appendix VII to this prospectus.

Listing Rules implications

As Jinma Energy will become a connected person of our Company, the transactions contemplated under the Trademark Licensing Agreement will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules upon the Spin-off and Listing.

As the trademark licence is granted to us on a royalty-free basis, the transactions contemplated under the Trademark Licensing Agreement will be within the de minimis threshold provided under Rule 14A.76(1) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Sharing of ancillary services with the Jinma Group

Background

During the Track Record Period, we have shared with the Jinma Group certain services including the usage of IT, catering and other general and administrative services ancillary to our ordinary and usual course of business.

Principal terms

On 6 December 2023, we entered into a sharing of ancillary services agreement (the "**Sharing of Ancillary Services Agreement**") with Jinma Energy (for itself and on behalf of the Jinma Group) for a term from 1 January 2023 to 31 December 2025, pursuant to which the Jinma Group will continue to share with our Group certain ancillary services, including (i) the usage of IT constructed by third-party service providers for use by multiple companies for enterprise management purposes in areas of production, finance and general administration as well as other information services, such as data storage, processing and management, e-mail servers, internet services, and network, security service, (ii) catering services to be offered to our employees at our headquarters, and (iii) other general and administrative services (collectively, the "**Ancillary Services**").

Pricing policy

Pursuant to the terms of the Sharing of Ancillary Services Agreement, the service fees payable by us to the Jinma Group shall be determined on a cost basis, with reference to the actual costs and expenses incurred by the Jinma Group in sharing the Ancillary Services with us.

Listing Rules implications

As Jinma Energy will become a connected person of our Company, the transactions contemplated under the Sharing of Ancillary Services Agreement will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules upon the Spin-off and Listing.

Based on the historical usage pattern of the Ancillary Services and the estimated amount of Ancillary Services required by our Group, it is expected that the maximum amounts payable by us to the Jinma Group in respect of the sharing of Ancillary Services for each of the three years ending 31 December 2023, 2024 and 2025 will not exceed RMB1.2 million.

Since all of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Sharing of Ancillary Services Agreement is expected to be less than 5% on an annual basis and the total consideration on an annual basis is less than HK$3 million, the transactions contemplated under the Sharing of Ancillary Services Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(3) Purchase of utility services from the Jinma Group

Background

During the Track Record Period, we have been purchasing utility services from the Jinma Group involving the supply of electricity and water to us, which electricity and water (the "**Utility Services**") have, in turn, been procured by the Jinma Group from the Jiyuan city power company and relevant water resources providers (collectively, the "**Utility Suppliers**"), which are Independent Third Parties.

In order to comply with the requirements under Chapter 14A of the Listing Rules after the Spin-off and Listing, we have streamlined the abovementioned arrangements and on 6 December 2023, we entered into a framework agreement with Jinma Energy for a term from 1 January 2023 to 31 December 2025 in relation to the purchase of the relevant Utility Services, by our Group from the Jinma Group (the "**Purchase of Utility Services Framework Agreement**").

Principal terms of the Purchase of Utility Services Framework Agreement

Pursuant to the Purchase of Utility Services Framework Agreement, the Jinma Group will supply the relevant Utility Services to us, based on our actual usage as measured by the relevant meters, and the metre readings will be recorded and monitored by staff of both our Group and the Jinma Group regularly to ensure proper recording of our usage. No mark up will be made by the Jinma Group on the unit price of the Utility Services supplied and payment made by us shall purely be made on a reimbursement basis. Payment from our Group to the Jinma Group for the purchase of the relevant Utility Services will be settled by us on a monthly basis.

Pricing policy

Pursuant to the terms of the Purchase of Utility Services Framework Agreement, the price of the Utility Services charged by Jinma Group will be determined based on the unit price of the Utility Services that the relevant Utility Suppliers charge the Jinma Group, with apportionment made in accordance with the actual usage of the Utility Services by our Group.

Reasons for the transactions

We do not maintain a separate electricity or water supply account with the relevant Utility Suppliers, as we consider it to be more economical to utilise the electricity and water transmission facilities installed and maintained by the Jinma Group instead of installing and maintaining our own. In addition, if we source electricity or water from the relevant Utility Suppliers directly, we would not be able to enjoy the bulk purchase discount currently provided by such Utility Suppliers to the Jinma Group. In light of the above, we consider it to be beneficial for us to continue sourcing the Utility Services from the Jinma Group.

Listing Rules implications

As Jinma Energy will become a connected person of our Company, the transactions contemplated under the Purchase of Utilities Services Framework Agreement will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules upon the Spin-off and Listing.

Given that the Utility Services supplied to us under Purchase of Utility Services Framework Agreement (i) is ordinarily supplied for our own consumption or use, (ii) is used by us in the same state as when it is bought; (iii) has an open market and transparency in the pricing and is of terms no less favourable to our Group than those terms available to independent third parties, and (iv) is purchased by us in the ordinary and usual course of our business under normal commercial terms, pursuant to Rule 14A.97 of the Listing Rules, the transactions contemplated under the Purchase of Utility Services Framework Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(4) Sale of fuel to the Jinma Group

Background

During the Track Record Period, we have been selling fuel such as refined oil and LNG (collectively the "**Fuel**") to the public at our gas stations as part of our refuelling services for vehicles, and such customers also included the Jinma Group, which would from time to time purchase the Fuel from our Group for its vehicles.

Principal terms

On 6 December 2023, we entered into a sale of fuel framework agreement (the "**Sale of Fuel Framework Agreement**") with Jinma Energy (for itself and on behalf of the Jinma Group) for a term from 1 January 2023 to 31 December 2025, pursuant to which we will continue to sell the Fuel to the Jinma Group at the same price offered to our consumers at our gas stations from time to time.

Pricing policy

Pursuant to the terms of the Sale of Fuel Framework Agreement, we shall sell the Fuel to the Jinma Group at a price applicable to comparable consumers of our gas stations, which is, in turn, determined with reference to (i) the prevailing market price of such Fuel, being refined oil and LNG; (ii) the cost of selling such Fuel; and (iii) a reasonable profit margin for our Group.

Listing Rules implications

As Jinma Energy will become a connected person of our Company, the transactions contemplated under the Sale of Fuel Framework Agreement will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules upon the Spin-off and Listing.

Our Fuel are consumer goods that are (i) goods of a type ordinarily supplied for private use or consumption; (ii) for the Jinma Group's own consumption or use and not for resale or used by the Jinma Group for any of its businesses or contemplated businesses; (iii) consumed or used by the Jinma Group in the same state as when they were sold to them; and (iv) sold to the Jinma Group on terms no more favourable than those provided to Independent Third Parties. On the basis of the above, and given that our sale of Fuel to the Jinma Group is conducted in our ordinary and usual course of business and on normal commercial terms, pursuant to Rule 14A.97 of the Listing Rules, the transactions contemplated under the Sale of Fuel Framework Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(5) Leasing out of land to the Jinma Group

Background

During the Track Record Period, we have provided certain of our land to the Jinma Group for their use.

Principal terms

In order to comply with the requirements under Chapter 14A of the Listing Rules after the Spin-off and Listing, we have streamlined the abovementioned arrangements and on 1 August 2023, we entered into a leasing out agreement with Henan Jinma Zhongdong Energy Company Limited* (河南金馬中東能源有限公司) ("**Jinma Zhongdong**" which is a 51% subsidiary of Jinma Energy) for a term from 1 August 2023 to 1 August 2026 in relation to the lease of the following land from us to Jinma Zhongdong to accommodate Jinma Zhongdong's office and/or control centre building (the "**Leasing Out Agreement**").

Lessor	Lessee	Location of the land	Gross floor area	Annual rental
Our Company	Jinma Zhongdong	West of Sangyu River, North of the planned Jinjiang South Road, Jiyuan City (濟源市桑榆河西、規劃金江南路北)	1,600 m^2	RMB40,000

According to a fair rent letter issued by JLL, an independent property valuer, the rental chargeable under the Leasing Out Agreement is fair and reasonable and reflects the prevailing market rates for comparable properties.

Listing Rules implications

As Jinma Energy will become a connected person of our Company, the transactions contemplated under the Leasing Out Agreement will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules upon the Spin-off and Listing.

Since all of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Leasing Out Agreement is expected to be less than 5% on an annual basis and the total consideration on an annual basis is less than HK$3 million, the transactions contemplated under the Leasing Out Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Purchase of general services from the Jinma Group

Background

During the Track Record Period, we have been obtaining general services such as wastewater treatment, chemical examination, maintenance and construction consultation services (the "**General Services**") from the Jinma Group which services are ancillary to our production process.

In order to comply with the requirements under Chapter 14A of the Listing Rules after the Spin-off and Listing, we have streamlined the abovementioned arrangement and on 6 December 2023, we entered into a framework agreement with Jinma Energy for a term from 1 January 2023 to 31 December 2025 in relation to the purchase of General Services by our Group from the Jinma Group (the "**Purchase of General Services Framework Agreement**").

Principal terms

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

Historical transaction amounts

For the three years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023, the historical transaction amounts in respect of the purchase of General Services paid by us to the Jinma Group amounted to the following:

	For the year ended 31 December			For the six months ended 30 June
	2020	**2021**	**2022**	**2023**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Historical transaction amounts	1.6	1.0	8.3	9.5

The actual transaction amounts for the year ended 31 December 2022 and the six months ended 30 June 2023 were a significant increase compared to that of the years 2020 and 2021 due to (i) the adoption of the new wastewater treatment facilities to comply with the new standards of the relevant PRC environmental laws and regulations; and (ii) the periodical examination of certain facilities of ours in 2022 which generated a significant amount of wastewater that was stored and processed in stages over 2022 and 2023 in light of the processing capacity of the wastewater treatment facilities.

Annual caps and basis

The maximum amounts payable by us to the Jinma Group in respect of the purchase of General Services for the three years ending 31 December 2023, 2024 and 2025 shall not exceed the annual caps set out below:

	For the year ending 31 December		
	2023	**2024**	**2025**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*
Annual caps	13	8	8

The above annual caps are determined with reference to our historical transaction amounts during the Track Record Period and the expected demand for such General Services, in particular, (i) the expected demand for the wastewater treatment services under the new standards of the relevant PRC environmental laws and regulations; and (ii) the expectation that after the taking place of the aforementioned periodical examination in 2022, there would not be another examination with similar scale before the end of the year 2025.

Pricing policy

Pursuant to the terms of the Purchase of General Services Framework Agreement, the service fees payable by us to the Jinma Group for the provision of the General Services shall be determined on a cost basis, with reference to the actual costs and expenses incurred by the Jinma Group in providing the General Services to us. We will also obtain quotations from Independent Third Parties to ensure that the service fees charged by the Jinma Group will be at rates comparable to those charged by Independent Third Parties (or more favourable to us) for the provision of comparable services.

Reasons for the transactions

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

Listing Rules implications

As Jinma Energy will become a connected person of our Company, and since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Purchase of General Service Framework Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Purchase of General Service Framework Agreement constitute a continuing connected transaction for our Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) Sale of by-products to the Jinma Group

Principal terms

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

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

Historical transaction amounts

For the three years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023 the historical transaction amounts in respect of the sale of By-products received by us from the Jinma Group amounted to the following:

	For the year ended 31 December			For the six months ended 30 June
	2020	**2021**	**2022**	**2023**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Historical transaction amounts	19.5	19.4	42.1	16.6

Annual caps and basis

The maximum transaction amounts in relation to the sale of By-products for the three years ending 2023, 2024 and 2025 shall not exceed the annual caps set out below:

	For the year ending 31 December		
	2023	**2024**	**2025**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*
Annual caps	33	37	37

The above annual caps are determined based on (i) the historical transaction amounts in particular that of the year 2022; and (ii) the expected amount of By-products to be sold by us to the Jinma Group, being RMB26 million for heavy benzol and RMB7 million for steam for the year ending 31 December 2023, together with the historical transaction amount for the six months ended 30 June 2023; and (iii) RMB30 million for heavy benzol and RMB7 million for steam for each of the years ending 31 December 2024 and 2025.

Pricing policy

Pursuant to the terms of the Sale of By-products Framework Agreement, the pricing of the By-products shall be determined according to the following mechanism:

(i) in respect of chemical products: we will regularly monitor the movements and trends of the market price of such chemical products, and determine the current price range of such chemical products based on the relevant prevailing market prices, information on market inventory levels and the quotations from Independent Third Parties. We will also hold regular internal price analysis meetings to determine the prices of such chemical products. The parties shall determine the final price after arm's length negotiations taking into account the relevant transportation costs.

(ii) in respect of steam: we will regularly monitor the movements and trends of the price of steam and determine the current price range of steam based on quotations obtained from Independent Third Parties. The parties shall determine the final price after arm's length negotiations taking into account the specification of steam and power generation costs.

Reasons for the transactions

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

Listing Rules implications

As Jinma Energy will become a connected person of our Company, and since one or more of the applicable percentage ratios under the Listing Rules in respect of the caps under the Sale of By-products Framework Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Sale of By-products Framework Agreement constitute a continuing connected transaction for our Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(3) Sale of products to the Yugang Coking Group

Principal terms

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

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

Historical transaction amounts

For the three years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023 the historical transaction amounts in respect of the sale of products received by us from the Yugang Coking Group amounted to the following:

	For the year ended 31 December			For the six months ended 30 June
	2020	**2021**	**2022**	**2023**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Historical transaction amounts	Nil	4.5	30.9	9.1

Annual caps and basis

The maximum transaction amounts in relation to the sale of products to the Yugang Coking Group for the three years ending 31 December 2023, 2024 and 2025 shall not exceed the annual caps set out below:

	For the year ending 31 December		
	2023	**2024**	**2025**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*
Annual caps	35	35	35

The above annual caps are determined based on (i) the historical transaction amounts in particular that of the year 2022 and the first half of 2023; and (ii) the expected amount of products to be sold by us to the Yugang Coking Group, being RMB20 million for coal gas and RMB15 million for LNG for each of the three years ending 31 December 2023, 2024 and 2025.

Pricing policy

Pursuant to the terms of the Yugang Coking Supply Framework Agreement, the pricing of the relevant products shall be determined according to the following mechanism: we will regularly monitor the movements and trends of the market price of the relevant products, and determine the current price range of the relevant products based on the prevailing market prices, information on market inventory levels and the quotations from Independent Third Parties. We will also hold regular internal price analysis meetings to determine the prices of the relevant products. The parties shall determine the final price after arm's length negotiations taking into account the relevant transportation costs.

Reasons for the transactions

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

Listing rules implications

As Yugang Coking will be a connected person of our Company at the subsidiary level under the Listing Rules, and since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Yugang Coking Supply

Framework Agreement is expected to be more than 1% but less than 5% on an annual basis, the transactions contemplated under the Yugang Coking Supply Framework Agreement constitute a continuing connected transaction for our Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Purchase of crude coking coal gas from the Jinma Group

Background

During the Track Record Period, we have been purchasing crude coking coal gas as a raw material for our production of coal gas, from Jinma Energy and Henan Jinma Zhongdong Energy Company Limited* (河南金馬中東能源有限公司) ("**Jinma Zhongdong**", which is a 51% subsidiary of Jinma Energy). We have been purchasing crude coking coal gas from both Jinma Energy and Jinma Zhongdong at the same price, which decision was made with the consensus of the minority investors of Jinma Zhongdong. For further details of our coal gas business and the background of our sourcing of crude coking coal gas from the Jinma Group, see "Business – Raw Materials and Supply" and "Relationship with our Controlling Shareholder – Our Controlling Shareholder as one of our suppliers" in this prospectus.

In order to comply with the requirements under Chapter 14A of the Listing Rules after the Spin-off and Listing, we have streamlined the abovementioned arrangements and on 6 December 2023, we entered into a framework agreement with Jinma Energy for a term from 1 January 2023 to 31 December 2025 in relation to the purchase of crude coking coal gas by our Group from the Jinma Group (the "**Purchase of Crude Coking Coal Gas Framework Agreement**").

Principal terms of the Purchase of Crude Coking Coal Gas Framework Agreement

Pursuant to the Purchase of Crude Coking Coal Gas Framework Agreement, we will from time to time place purchase orders with the Jinma Group, specifying the amount of crude coking coal gas required by us, the requisite product specifications, as well as the expected delivery schedule. The Jinma Group will sell crude coking coal gas to us and deliver the products according to the agreed delivery schedule.

Further, the Jinma Group will be obliged to first satisfy our requirements for crude coking coal gas before it is permitted to sell its crude coking coal gas to any other party. Payment from our Group to the Jinma Group for the purchase of crude coking coal gas will be settled by us on a monthly basis.

Historical transaction amounts

For the three years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023, the historical transaction amounts in respect of the purchase of crude coking coal gas paid by us to the Jinma Group amounted to the following:

	For the year ended 31 December			For the six months ended 30 June
	2020	**2021**	**2022**	**2023**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Historical transaction amounts(Note)	248.6	192.7	338.0	188.6

Note:

The historical transaction amounts do not include the Coke Granule Coal Gas purchased by us from the Jinma Group, which are nil, nil, RMB57.1 million and RMB12.3 million for the three years ended 31 December 2022 and the six months ended 30 June 2023, respectively. We ceased purchasing the Coke Granule Coal Gas from the Jinma Group following our acquisition of the Coke Granule Coal Gas Facilities (for details on the acquisition, see "History, Corporate Structure and Reorganisation – The Reorganisation – 3. Injection of equity interest in Jinma Qingneng by Jinma Energy into the Company and acquisition of Coke Granule Coal Gas Facilities from Jinma Energy" in this prospectus).

Historical transaction volume

For the three years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023, the historical transaction volume in respect of the purchase of crude coking coal gas by us from the Jinma Group were as follows:

	For the year ended 31 December			For the six months ended 30 June
	2020	**2021**	**2022**	**2023**
	(million m^3)	*(million m^3)*	*(million m^3)*	*(million m^3)*
Historical transaction volume(Note)	511.6	365.0	633.6	321.8

Note:

The historical transaction volume does not include the Coke Granule Coal Gas purchased by us from the Jinma Group, which are nil, nil, 31.7 million m^3, and 7 million m^3 for the three years ended 31 December 2022 and the six months ended 30 June 2023, respectively. We ceased purchasing the Coke Granule Coal Gas from the Jinma Group following our acquisition of the Coke Granule Coal Gas Facilities (for details on the acquisition, see "History, Corporate Structure and Reorganisation – The Reorganisation – 3. Injection of equity interest in Jinma Qingneng by Jinma Energy into the Company and acquisition of Coke Granule Coal Gas Facilities from Jinma Energy" in this prospectus).

The decrease in the transaction volume for 2021 was due to the reduction of the volume of crude coking coal gas produced by Jinma Energy as the result of the phasing out of the two 4.3 metre coking furnaces of Jinma Energy in response to China's environmental protection policies. The transaction volume recovered in 2022 due to the increase of production capacity of Jinma Energy resulting from the full operation of its new furnace at the beginning of FY2022.

Annual caps and basis

The maximum amounts payable by us to the Jinma Group in respect of the purchase of crude coking coal gas for the three years ending 31 December 2023, 2024 and 2025 shall not exceed the annual caps set out below:

	For the year ending 31 December		
	2023	**2024**	**2025**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*
Annual caps	380	400	400

The above annual caps are determined based on (i) the historical transaction amounts as well as the historical transaction volumes; (ii) the prevailing price of crude coking coal gas purchased by us from the Jinma Group for the ten months ended 31 October 2023 being RMB0.59 per m^3 and the assumption that the price of crude coking coal gas will remain at such prevailing price for the three years ending 31 December 2023, 2024 and 2025; (iii) the expected volume of 650 million m^3 of crude coking coal gas to be purchased by us from the Jinma Group for the year ending 31 December 2023 (being the estimated annualised amount of the historical transaction volume for the six months ended 30 June 2023) which is expected to increase by around 6% to 690 million m^3 per annum for the each of the years ending 31 December 2024 and 2025, taking into account the expected increase in demand of crude coking coal gas following the operation of the additional hydrogenated benzene-based chemical production line, which will then require an additional amount of crude coking coal gas for heating purposes in its production process (for details, please see "Business – Hydrogenated Benzene-based Chemical Business – Capacity and production" in this prospectus).

For illustrative purposes, the estimated prevailing price of crude coking coal gas to be purchased by us from the Jinma Group, and the estimated volume of such crude coking coal gas to be purchased by us, for the three years ending 31 December 2023, 2024 and 2025, are summarised below:

	For the year ending 31 December		
	2023	**2024**	**2025**
Estimated prevailing price of crude coking coal gas to be purchased by us from the Jinma Group *(RMB per m^3)*	0.59	0.59	0.59
Estimated volume of crude coking coal gas to be purchased by us from the Jinma Group *(million m^3)*	650	690	690

Pricing policy

Pursuant to the terms of the Purchase of Crude Coking Coal Gas Framework Agreement, the pricing of crude coking coal gas shall be determined by both parties, which takes place normally in January every year, after arm's length negotiations with reference to:

(i) the historical purchase price of crude coking coal gas paid by our Group to the Jinma Group;

(ii) the market price of coal (being the raw material of crude coking coal gas), which in turn, is determined with reference to various factors such as the quotes obtained from independent third party suppliers and the movements and trends of the price of coal;

(iii) the price of crude coking coal gas in Henan province in general, which price mainly reflects the internal selling price within a group, given that crude coking coal gas (which is one of the coking by-products of the coking process) needs to be delivered through pipelines, resulting in a relatively closed market with crude coking coal gas producers often giving priority to (a) self-use, followed by (b) sale to nearby subsidiaries for further processing, as well as the price of coal gas which, as further disclosed in the section headed "Business – Sales and Marketing – Pricing Policy – Coal gas", is regulated by the concession agreement entered into by Jinning Energy; and

(iv) a reasonable profit margin of our Group.

Reasons for the transactions

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

Listing Rules implications

Having considered that transactions contemplated under the Purchase of Crude Coking Coal Gas Framework Agreement involve the purchase of materials by us from the Jinma Group, our Directors consider that the annual caps under the Purchase of Crude Coking Coal Gas Framework Agreement should be aggregated with the annual caps of the transactions disclosed in paragraphs (2), (3) and (4) under the sub-section headed "– C. Non-exempt Continuing Connected Transactions" in this section, given that they are all of a similar nature.

As Jinma Energy will become a connected person of our Company, and since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Purchase of Crude Coking Coal Gas Framework Agreement is expected to be more than 5% on an annual and aggregated basis, the transactions contemplated under the Purchase of Crude Coking Coal Gas Framework Agreement constitute a continuing connected transaction of our Company which is subject to the reporting, annual review, announcement, and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Purchase of crude benzene from the Jinma Group

Background

During the Track Record Period, we have been purchasing crude benzene from the Jinma Group as a raw material for our production of hydrogenated benzene-based chemicals. For further details of our production process of the hydrogenated benzene-based chemicals, see "Business – Our Products – Hydrogenated benzene-based chemicals" in this prospectus.

In order to comply with the requirements under Chapter 14A of the Listing Rules after the Spin-off and Listing, we have streamlined the abovementioned arrangements and on 6 December 2024, we entered into a framework agreement with Jinma Energy for a term from 1 January 2023 to 31 December 2025 in relation to the purchase of crude benzene by our Group from the Jinma Group (the "**Purchase of Crude Benzene Framework Agreement**").

Principal terms

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

Historical transaction amounts

For the three years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023, the historical transaction amounts in respect of the purchase of crude benzene paid by us to the Jinma Group amounted to the following:

	For the year ended 31 December			**For the six months ended 30 June**
	2020	**2021**	**2022**	**2023**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Historical transaction amounts	70.9	83.1	223.3	96.7

Historical transaction volume

For the three years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023, the historical transaction volume in respect of the purchase of crude benzene by us from the Jinma Group were as follows:

	For the year ended 31 December			**For the six months ended 30 June**
	2020	**2021**	**2022**	**2023**
	(tonnes)	*(tonnes)*	*(tonnes)*	*(tonnes)*
Historical transaction volume	25,895.7	17,173.0	37,373.5	18,749.0

Annual caps and basis

The maximum amounts payable by us to the Jinma Group in respect of the purchase of crude benzene for the three years ending 2023, 2024 and 2025 shall not exceed the annual caps set out below:

	For the year ending 31 December		
	2023	**2024**	**2025**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*
Annual caps	231	261	261

The above annual caps are determined based on (i) the historical transaction amounts and transaction volume of crude benzene; (ii) the prevailing average price of crude benzene in September and October 2023 being around RMB6,330 per tonne which represented an increase of around 22% from the average price of RMB5,200 per tonne for the six months ended 30 June 2023; (iii) the historical transaction volume for the six months ended 30 June 2023), and the expected volume of crude benzene to be purchased by us from the Jinma Group of 20,000 tonnes for the six months in the second half of 2023 as well as the assumption that the average price of crude benzene will increase further by 5% to 6% to RMB6,700 per tonne considering the rising trend of the market price of crude benzene along with the increase in prices of petroleum products; and (iv) the expected volume of crude benzene to be purchased by us from the Jinma Group of 39,000 tonnes per annum, representing an amount comparable to the annualised transaction volume for the year ending 31 December 2023 which is determined based on the expected demand of pure benzene in the market, the sales plan of the Group and the procurement plan from Independent Third Parties, and the assumption that the average price of crude benzene will remain at RMB6,700 per tonne for each of the two years ending 31 December 2024 and 2025.

For illustrative purposes, the estimated prevailing price of crude benzene to be purchased by us from the Jinma Group, and the estimated volume of such crude benzene to be purchased by us, for the three years ending 31 December 2023, 2024 and 2025, are summarised below:

	For the year ending 31 December		
	2023	**2024**	**2025**
Estimated prevailing price of crude benzene to be purchased by us from the Jinma Group *(RMB per tonne)*	6,700*(note 1)*	6,700	6,700

	For the year ending 31 December		
	2023	2024	2025
Estimated volume of crude benzene to be purchased by us from the Jinma Group *(tonnes)*	39,000*(note 2)*	39,000	39,000

Notes:

1. This refers to the expected average prevailing price for the six months in the second half of 2023. For the historical transaction amount and volume for the six months ended 30 June 2023, please refer to the disclosure above.

2. This refers to the estimated total volume of crude benzene to be purchased by us from the Jinma Group for the year ending 31 December 2023, taking into account the historical transaction volume for the six months ended 30 June 2023.

Pricing policy

Pursuant to the terms of the Purchase of Crude Benzene Framework Agreement, the pricing of crude benzene shall be determined according to the following mechanism: we will regularly monitor the movements and trends of the futures price of crude benzene and determine the prevailing price range of crude benzene after considering various factors such as the quotes obtained from Independent Third Party suppliers, and the movements and trends of the price of crude benzene. Based on such prevailing price range, and taking into account the historical average delivered duty paid price of crude benzene, we will agree on the final price with the Jinma Group after arm's length negotiations.

Reasons for the transactions

We have historically purchased crude benzene from the Jinma Group for our manufacture of hydrogenated benzene-based chemicals which, as disclosed in the section headed "Risks Factors – Risks Relating to our Business and Industry – Fluctuations in the prices for our key raw materials such as crude benzene and crude coking coal gas and our products, namely hydrogenated benzene-based chemicals and energy products, may materially and adversely affect our business, financial condition and results of operations" and "Business – Raw Materials and Supply – Relationship with the Jinma Group – Crude benzene" in this prospectus, represents 20% of the total the crude benzene sourced by us. As a result of such a long-term relationship between us and the Jinma Group, the Jinma Group is familiar with our business processes, requirements and quality standards and is able to supply crude benzene that meets with our procurement standards on a continuous basis. Further, the geographic proximity of the relevant facilities of the Jinma Group minimises transportation cost and time. As such, we believe that it is in our interest to continue to source some of our crude benzene from the Jinma Group.

Listing Rules implications

Having considered that transactions contemplated under the Purchase of Crude Benzene Framework Agreement involve the purchase of materials by us from the Jinma Group, our Directors consider that the annual caps under the Purchase of Crude Benzene Framework Agreement should be aggregated with the annual caps of the transactions disclosed in paragraphs (1), (3) and (4) under the sub-section headed "– C. Non-exempt Continuing Connected Transactions" in this section, given that they are all of a similar nature.

As Jinma Energy will become a connected person of our Company, and since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Purchase of Crude Benzene Framework Agreement is expected to be more than 5% on an annual and aggregated basis, the transactions contemplated under the Purchase of Crude Benzene Framework Agreement constitute a continuing connected transaction of our Company which is subject to the reporting, annual review, announcement, and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(3) Purchase of raw materials for the Coke Granule Coal Gas Facilities from the Jinma Group

Background

As disclosed in "History, Corporate Structure and Reorganisation – The Reorganisation – 3. Injection of equity interest in Jinma Qingneng by Jinma Energy into the Company and acquisition of Coke Granule Coal Gas Facilities from Jinma Energy" in this prospectus, as part of the Reorganisation, we have acquired the Coke Granule Coal Gas Facilities from Jinma Energy in August 2023. Such Coke Granule Coal Gas Facilities, as detailed in "Business – Raw Materials and Supply – Raw materials and procurement process" in this prospectus, produces Coke Granule Coal Gas as its main product by heating coke granules in an oxygen environment. Hence, following our acquisition of the Coke Granule Coal Gas Facilities, we are required to source, among others, coke granules, oxygen and steam for the operation of such facilities in our production of Coke Granule Coal Gas.

Principal terms

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

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

Historical transaction amounts

As we have only acquired the Coke Granule Coal Gas Facilities in August 2023, there was no historical transaction amount in respect of the purchase of the Coke Granules Coal Gas Raw Materials paid by us to the Jinma Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

Annual caps and basis

The maximum amounts payable by us to the Jinma Group in respect of the purchase of the Coke Granules Coal Gas Raw Materials for the three years ending 31 December 2023, 2024 and 2025 shall not exceed the annual caps set out below:

	For the year ending 31 December		
	2023	**2024**	**2025**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*
Annual caps	47	140	140

The above annual caps are determined based on (i) the expected volume of oxygen to be purchased by us from the Jinma Group amounting to 105 million m^3 per annum, the expected volume of coke granules to be purchased by us from the Jinma Group amounting to 50,000 tonnes per annum (expected to comprise 20% of the total coke granules required as raw materials should the Coke Granule Coal Gas Facilities operate with full capacity, while the Group will procure the rest of coke granules from Independent Third Parties), and the expected volume of steam to be purchased by us from the Jinma Group amounting to 145,000 tonnes per annum, which are estimated based on the total demand of raw materials assuming the Coke Granule Coal Gas Facilities operate with full capacity and the availability of sourcing of the relevant raw materials from Independent Third Parties (taking into account of factors such as the proximity of Independent Third Party suppliers and transportation costs); and (ii) the assumption that the price of oxygen will remain at the prevailing price of RMB0.4 per m^3, the price of coke granules will remain at the prevailing price of RMB1,600 per tonne, and the price of steam will remain at the prevailing price of RMB128 per tonne, for each of the years ending 31 December 2023, 2024 and 2025. For the year ending 31 December 2023, as the acquisition of the Coke

Granule Coal Gas Facilities was only completed in August 2023, the proposed annual cap is determined based on the estimated demand from 1 September 2023 to 31 December 2023 by prorating the estimated maximum transaction amount per annum.

For illustrative purposes, the estimated prevailing price of Coke Granules Coal Gas Raw Materials purchased by us from the Jinma Group, and the estimated volume of such Coke Granules Coal Gas Raw Materials to be purchased by us, for the three years ending 31 December 2023, 2024 and 2025, are summarised below:

	For the year ending 31 December		
	2023	**2024**	**2025**
Oxygen			
Estimated prevailing price of oxygen to be purchased by us from the Jinma Group *(RMB per m^3)*	0.4	0.4	0.4
Estimated volume of oxygen to be purchased by us from the Jinma Group (million m^3)	35	105	105
Coke granules			
Estimated prevailing price of coke granules to be purchased by us from the Jinma Group *(RMB per tonne)*	1,600	1,600	1,600
Estimated volume of coke granules to be purchased by us from the Jinma Group *(tonnes)*	16,666	50,000	50,000
Steam			
Estimated prevailing price of steam to be purchased by us from the Jinma Group *(RMB per tonne)*	128	128	128
Estimated volume of steam to be purchased by us from the Jinma Group *(tonnes)*	48,333	145,000	145,000

Pricing policy

Pursuant to the terms of the Purchase of Coke Granule Coal Gas Raw Materials Framework Agreement, the pricing of the Coke Granules Coal Gas Raw Materials shall be determined according to the following mechanism: we will regularly monitor the movements and trends of the price of the Coke Granules Coal Gas Raw Materials and determine the prevailing price range after making references to the prevailing market price and quotes from Independent Third Parties. Based on such prevailing price range, and taking into account the relevant transportation costs where applicable, we will agree on the final price with Jinma Energy after arm's length negotiations.

Reasons for the transactions

As mentioned above, following our acquisition of the Coke Granule Coal Gas Facilities, we are required to purchase coke granules, oxygen and steam for the operation of such facilities. Whilst coke granules, oxygen and steam are commodities that could easily be sourced from Independent Third Parties, the geographical proximity of the Jinma Group could minimise transportation cost and time for the delivery of such raw materials. Hence, given that we would only source the Coke Granules Coal Gas Raw Materials from Jinma Group when the relevant price is comparable to those offered by Independent Third Parties (or more favourable to us), sourcing the coke granules, oxygen and steam directly from Jinma Group could maximise our operational efficiency and stability of our operations. In light of the above, we believe that it is in our interest to have the flexibility in sourcing the Coke Granules Coal Gas Raw Materials from the Jinma Group as raw material for our production of Coke Granule Coal Gas.

Listing Rules implications

Having considered that transactions contemplated under the Purchase of Coke Granule Coal Gas Raw Materials Framework Agreement involve the purchase of materials by us from the Jinma Group, our Directors consider that the annual caps under the Purchase of Coke Granule Coal Gas Raw Materials Framework Agreement should be aggregated with the annual caps of the transactions disclosed in paragraphs (1), (2) and (4) under the sub-section headed "– C. Non-exempt Continuing Connected Transactions" in this section, given that they are all of a similar nature.

As Jinma Energy will become a connected person of our Company, and since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Purchase of Coke Granule Coal Gas Raw Materials Framework Agreement is, on an aggregated basis, expected to be more than 5% on an annual basis, the transactions contemplated under the Purchase of Coke Granule Coal Gas Raw Materials Framework Agreement constitute a continuing connected transaction for our Company which is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements is under Chapter 14A of the Listing Rules.

(4) Miscellaneous purchases from the Jinma Group

Background

During the Track Record Period, other than the purchase of principal raw materials such as crude benzene and crude coking coal gas as disclosed in paragraphs (1) and (2) under the sub-section headed "– C. Non-exempt Continuing Connected Transactions" in this section above, we have been purchasing from the Jinma Group, compressed air, nitrogen, desalinated water and other chemicals (collectively, the "**Miscellaneous Materials**") as ancillary materials for our production process.

In order to comply with the requirements under Chapter 14A of the Listing Rules after the Spin-off and Listing, we have streamlined the abovementioned arrangements and on 6 December 2023, we entered into a framework agreement with Jinma Energy for a term from 1 January 2023 to 31 December 2025 in relation to the purchase of the Miscellaneous Materials by our Group from the Jinma Group (the "**Miscellaneous Purchases Framework Agreement**").

Principal terms

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

Historical transaction amounts

For the three years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023, the historical transaction amounts in respect of the purchase of Miscellaneous Materials paid by us to the Jinma Group amounted to the following:

	For the year ended 31 December			For the six months ended 30 June
	2020	**2021**	**2022**	**2023**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Historical transaction amounts	1.9	0.7	2.5	1.4

Annual caps and basis

The maximum amounts payable by us to the Jinma Group in respect of the purchase of Miscellaneous Materials for the three years ending 31 December 2023, 2024 and 2025 shall not exceed the annual caps set out below:

	For the year ending 31 December		
	2023	**2024**	**2025**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*
Annual caps	3.2	4.0	4.0

The above annual caps are determined with reference to (i) our historical transaction amounts during the Track Record Period and the expected demand for the Miscellaneous Materials; (ii) the expected purchase amount of compressed air, nitrogen and desalinated water by us from the Jinma Group in RMB0.8 million, RMB0.6 million and RMB1.7 million with a modest buffer for the year ending 31 December 2023; and (iii) the expected purchase amount of compressed air, nitrogen and desalinated water by us from the Jinma Group in RMB1 million, RMB0.9 million and RMB1.9 million with a modest buffer for the two years ending 31 December 2024 and 2025.

Pricing policy

Pursuant to the terms of the Miscellaneous Purchases Framework Agreement, the pricing of the Miscellaneous Materials shall be determined according to the following mechanism: we will regularly monitor the movements and trends of the Miscellaneous Materials and determine the prevailing price range of such product after taking into account the relevant prevailing market prices and quotations obtained from Independent Third Parties. Based on such prevailing price range, and taking into account the historical average delivered price and the relevant transportation fees, we will agree on the final price with the Jinma Group after arm's length negotiations.

Reasons for the transactions

We have historically sourced the Miscellaneous Products from the Jinma Group as ancillary materials in our production process. Whilst the Miscellaneous Products are commodities that could easily be sourced from Independent Third Parties, the geographical proximity of the Jinma Group could minimise transportation cost and time for delivery of such ancillary materials. Hence, sourcing the Miscellaneous Products directly from Jinma Group could maximise our operational efficiency and stability of our operations. In light of the above, we believe that it is in our interest to source the Miscellaneous Products from the Jinma Group as ancillary materials required in our production process.

Listing Rules implications

Having considered that transactions contemplated under the Miscellaneous Purchases Framework Agreement involve the purchase of materials by us from the Jinma Group, our Directors consider that the annual caps under the Miscellaneous Purchases Framework Agreement should be aggregated with the annual caps of the transactions disclosed in paragraphs (1), (2) and (3) under the sub-section headed "– C. Non-exempt Continuing Connected Transactions" in this section, given that they are all of a similar nature.

As Jinma Energy will become a connected person of our Company, and since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Miscellaneous Purchases Framework Agreement is, on an aggregated basis, expected to be more than 5% on an annual basis, the transactions contemplated under the Miscellaneous Purchases Framework Agreement constitute a continuing connected transaction for our Company which is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

OPINION OF OUR DIRECTORS

Our Directors (including our independent non-executive Directors) have confirmed that all the continuing connected transactions mentioned above have been entered into and are in the ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable to our Group and are in the interests of our Shareholders as a whole. Our Directors (including our independent non-executive Directors) are also of the view that the caps of all of the continuing connected transactions referred to under the paragraphs headed "Continuing connected transactions" in this section above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the opinion that (i) the above partially exempt and non-exempt continuing connected transactions have been entered into or will be carried out in the ordinary and usual course of business of our Company and on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps for the above partially exempt and non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

WAIVER FROM THE STOCK EXCHANGE

By virtue of Rule 14A.76(2) of the Listing Rules, each of the transactions under the sub-section headed "B. Partially Exempt Continuing Connected Transactions" in this section will constitute continuing connected transactions which are subject to reporting, annual review and announcement under Chapter 14A of the Listing Rules. Further, each of the transactions under the sub-section headed "C. Non-exempt Continuing Connected Transactions" in this section will constitute continuing connected transactions which are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.105 of the Listing Rules, the Stock Exchange may grant a waiver from the announcement and/or circular and independent Shareholders' approval requirements in relation to the continuing connected transactions entered into by a new applicant. Given details of the partially exempt and the non-exempt continuing connected transactions have been included in this prospectus under the sub-sections headed "B. Partially Exempt Continuing Connected Transactions" and "C. Non-exempt Continuing Connected Transactions" in this section above, our Directors consider that strict compliance with the requirements set out in Rule 14A.35, 14A.36 and/or 14A.46 of the Listing Rules (as the case maybe) would be unduly burdensome and add additional and unnecessary costs to our Company.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, and (where applicable) circular and independent shareholders' approval requirements of the Listing Rules in respect of the partially exempt and the non-exempt continuing connected transactions that have been included in the sub-sections headed "B. Partially Exempt Continuing Connected Transactions" and "C. Non-exempt Continuing Connected Transactions" in this section above. Apart from the above waivers sought on the strict compliance of the announcement and independent Shareholders' approval requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

As at the Latest Practicable Date, each of the following persons was, directly or indirectly, interested in 5% or more of our Shares:

Name	Nature of interest	Description of Shares	Number of Shares held(Note 1)	Approximate % of shareholding in the total share capital of our Company
Jinma Energy	Beneficial owner	Unlisted Shares	713,380,000 (L)	99.53%
	Interest in a controlled corporation(Note 2)	Unlisted Shares	3,350,000 (L)	0.47%

So far as our Directors are aware, immediately following the completion of the Global Offering, each of the following persons will have an interest or short position (as applicable) in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group:

Interests in our Company

			Immediately after the completion of the Global Offering (assuming no exercise of the Over-allotment Option)		Immediately after the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	
Name	Nature of interest	Description of securities	Number of Shares held(Note 1)	Approximate percentage of shareholding in the total share capital of our Company(Note 3)	Number of Shares held(Note 1)	Approximate percentage of shareholding in the total share capital of our Company(Note 4)
Jinma Energy	Beneficial owner	Unlisted Shares	713,380,000 (L)	74.65%	713,380,000 (L)	71.95%
	Interest in a controlled corporation(Note 2)	Unlisted Shares	3,350,000 (L)	0.35%	3,350,000 (L)	0.34%

Notes:

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

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

3. The calculation is based on the total number of 955,640,000 Shares in issue immediately after completion of the Global Offering (without taking into account any H Shares that may be issued upon any exercise of Over-allotment Option).

4. The calculation is based on the total number of 991,476,000 Shares in issue immediately after completion of the Global Offering (including such number of H Shares to be issued assuming the exercise of Over-allotment Option in full).

Interests in shares of other members of our Group (other than our Company)

Name of member of our Group	Person other than members of our Group holding 10% or more interest	Approximate % of interest in the member of our Group
Jinning Energy	Henan Jinsu Shiye Co., Ltd.* (河南金塑實業有限公司)	10%
	Jiyuan Run'an Materials Co., Ltd.* (濟源市潤安物資有限公司)	39%
Jinrui Energy	Jiyuan Jintai Energy Technology Co., Ltd. (濟源金泰能源科技有限公司)	19%

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group.

SHARE CAPITAL

Immediately before the Global Offering

As at the Latest Practicable Date, the registered share capital of our Company was RMB716,730,000, divided into 716,730,000 Unlisted Shares, with a nominal value of RMB1.00 each. All of such Shares have been fully paid up.

Upon the Completion of the Global Offering

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be increased to RMB955,640,000 and set out as follows:

Number of Shares	Description of Shares	Percentage to total share capital
716,730,000	Unlisted Shares	75%
238,910,000	H Shares to be issued by our Company under the Global Offering	25%
955,640,000		100%

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be increased to RMB991,476,000 and set out as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
716,730,000	Unlisted Shares	72.29%
274,746,000	H Shares to be issued by our Company under the Global Offering	27.71%
991,476,000		100%

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalisation at the time of listing of not less than HK$125 million.

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full).

OUR SHARES

Upon completion of the Global Offering, the Company will have H Shares and Unlisted Shares in issue, all of which are ordinary shares in the share capital of the Company and are considered as one class of Shares.

H Shares may only be subscribed for and traded in Hong Kong dollars. Apart from certain qualified domestic investors in the PRC or via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC.

As at the Latest Practicable Date, our Promoters hold all existing Unlisted Shares as promoter shares (as defined in the PRC Company Law). The PRC Company Law provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this restriction and shall not be transferred for a period of one year from the Listing Date.

Our Unlisted Shares and our H Shares will rank pari passu with each other in all respects in relation to rights of Shareholders and, in particular, will rank equally for all dividends or distributions to be declared, paid or made after the date of this prospectus.

However, the transfer of Unlisted Shares is subject to such restrictions as PRC laws may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the date of this prospectus. We have not approved any share issue plan other than the Global Offering.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Conversion of Unlisted Shares into H Shares

As at the date of this prospectus, the Unlisted Shares are unlisted Shares which are not listed or traded on any stock exchange. The Unlisted Shares will not be converted into H Shares, and therefore will not be listed on the Stock Exchange, upon the completion of the Global Offering.

The term "unlisted Shares" is used to describe whether certain Shares are listed on a stock exchange and our PRC Legal Advisers have advised us that the use of the term "unlisted Shares" in the Articles of Association does not contravene, and is not inconsistent with, any PRC laws or regulations.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted H Shares any requisite internal approval processes shall have been duly completed and the required filing with the relevant securities regulatory authorities in the PRC, including the CSRC, shall have been completed. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the listing of such converted H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice of the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and procedure for conversion

After all requisite approvals as set out above have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Unlisted Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) the H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates, and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares will not be listed as H Shares.

So far as our Directors are aware, none of our Promoters currently proposes to convert any of the Unlisted Shares held by it into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE LISTING DATE

The PRC Company Law provides that in relation to the public offering of a company, the shares issued by a company prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

CONVENING OF GENERAL MEETINGS

See “Appendix VI – Summary of Articles of Association” in this prospectus for details of the circumstances under which general meetings of our Company are required.

You should read this section in conjunction with our combined financial information, including the notes thereto, as set out in "Appendix I – Accountants' Report" to this prospectus. The combined financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

We are a supplier of hydrogenated benzene-based chemicals and energy products in Henan province, primarily focusing on the production and processing of (i) hydrogenated benzene-based chemicals, which principally include pure benzene, toluene and xylene; and (ii) energy products comprising LNG and coal gas. According to Frost & Sullivan, based on revenue in 2022, we were (i) the largest pure benzene supplier in Henan province with a market share of 18.6%, with the market size of pure benzene in Henan province accounting for 3.4% of the market share in China, and (ii) the third largest LNG supplier in Henan province with a market share of 4.9%, with the market size of LNG in Henan province accounting for 1.8% of the market share in China.

For each of the FY2020, FY2021 and FY2022, our total revenue was RMB1,079.2 million, RMB1,479.6 million and RMB2,254.5 million, respectively, representing a CAGR of 44.5% over the three years. Our net profit for the years were RMB44.6 million, RMB79.5 million and RMB194.1 million, respectively, representing a CAGR of 108.5% over the three years.

Our revenue then remained relatively stable at RMB1,079.0 million in 1H2022 and RMB1,076.0 million in 1H2023; while our profits decreased from RMB116.7 million in 1H2022 to RMB65.7 million in 1H2023, representing a decrease of 43.7%.

BASIS OF PRESENTATION

The financial information has been prepared by our Directors based on accounting policies which conform with IFRSs which comprise all standards and interpretations approved by the International Accounting Standards Board, on the basis of presentation as set out in note 1 in the Accountants' Report contained in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information.

As at 30 June 2023, we had net current liabilities of RMB92.6 million. In addition, there were outstanding capital commitments amounting to RMB23.5 million. Our Directors are of the opinion that, taking into account the current cash generating operation of our Group and undrawn banking facilities available to our Group of RMB117.3 million at 30 June 2023, we have sufficient working capital to enable us to meet in full our financial obligations as and when they fall due in the coming twelve months from the end of the reporting period. Therefore, the historical financial information have been prepared on a going concern basis.

Acquisition of Jinjiang Refinery

Immediately prior to the Reorganisation, Jinjiang Refinery was held as to 49% by Jinma Energy, and 51% by Luoyang Refinery, and was accounted for as a joint venture of the Jinma Group. Prior to the Reorganisation, we did not share any of its results in our profit or loss.

On 29 July 2023, Jinma Energy and Jinma Qingneng entered into an equity transfer agreement, pursuant to which Jinma Energy agreed to transfer its 49% equity interest in Jinjiang Refinery to Jinma Qingneng at nil consideration. The transfer was made at nil consideration as Jinma Qingneng was a wholly-owned subsidiary of Jinma Energy prior to the transfer and the transfer was in essence an internal reorganisation of Jinma Energy.

On 31 July 2023, the aforesaid equity transfer was registered with the Jiyuan Administration for Market Regulation, being the relevant competent PRC governmental authority, and the transfer of the equity interest in Jinjiang Refinery to Jinma Qingneng was completed and Jinjiang Refinery is accounted for as our joint venture thereafter. Since then, we will share the profit or loss of Jinjiang Refinery and recognise the Group's share of the profit or loss and other comprehensive income of Jinjiang Refinery. For details of such equity transfer, see "History, Corporate Structure and Reorganisation – The Reorganisation – 1. Gratuitous transfer of 49% equity interest in Jinjiang Refinery by Jinma Energy to Jinma Qingneng".

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

General Economic Conditions and the Demand in Downstream Industries

We sell all of our products in the PRC. General economic conditions of the PRC affect the market prices and demands for our products, as well as the prices of our raw materials for the production of our hydrogenated benzene-based chemicals and energy products. During economic downturns, the average selling prices of our products may decrease and we may need to adjust our purchases and sale strategies to adapt to such conditions, such as reducing our purchase of raw materials or engaging in more financing activities to strengthen our working capital. When economic conditions recover, we may increase the selling prices of our products along with the increase in the market demands and raw material prices. In addition, we may increase our prepayments for raw materials in order to secure raw material supplies and reduce our financing activities. Our trading activities may also increase as the demands for LNG or coal gas increase as economic conditions recover.

Sale of our products depend primarily on domestic consumption of hydrogenated benzene-based chemicals by our customers. Hydrogenated benzene-based chemicals are mainly used as raw materials in the chemical industries for the production of materials for various downstream industries such as nylon and fertilisers manufacturing, refined oil manufacturing and chemicals industries. Therefore, the demand for our hydrogenated benzene-based chemicals are also affected by the development in the nylon and fertilisers manufacturing, refined oil manufacturing and chemicals industries.

Prices of Our Raw Materials and Products

We are exposed to movements in the market prices of our products and crude benzene, as well as changes in the spread between those prices. We generally sell our products based on the prevailing market prices in the regions where we sell our products, by reference to various other factors applicable to individual customers. Market forces of supply and demand generally determine the pricing of our products. The prices of our products are affected by a number of factors including:

- supply of and demand for our products, which is mainly driven by the performance of our customers as well as global economic cycles;
- price of our raw materials, such as crude benzene, which is affected by the supply of and demand for them and subject to the PRC domestic as well as global economic cycles;
- our product characteristics and quality (as different types of hydrogenated benzene-based chemicals command different prices in the market);

- prices of chemicals in the international market; and
- our transportation costs, the availability of transportation capacity and means of transportation.

In addition, as our hydrogenated benzene-based chemicals and the products of most crude benzene can be produced from coking coal, prices of our products are also affected by the fluctuations in coking coal price. Historically, when coking coal price increases, the prices of our products usually increase. For example, the prices of our hydrogenated benzene-based chemicals increased from 2020 to 2022 when coking coal price increased; and the prices of our hydrogenated benzene-based chemicals decreased in 1H2023 when coking coal price decreased.

We generally price our products according to the prevailing market prices in the regions where we sell our products, the raw material price, the specifications of our products, the supply and demand in downstream industries and the availability of regional transportation capacity. The prices of our hydrogenated benzene-based chemicals and energy products are subject to frequent negotiation and adjustment, in some cases several times a month in response to market price fluctuations.

The following table sets forth the average selling price (net of VAT) of each of our principal products during the Track Record Period according to our internal records:

	FY2020	**FY2021**	**FY2022**	**1H2022**	**1H2023**
			ASP*(Note)*		
			RMB/tonne (except coal gas in RMB/m^3)		
Hydrogenated benzene-based chemicals					
Pure benzene	3,434.8	6,200.4	7,171.2	7,363.6	6,290.1
Toluene	3,237.7	4,432.8	6,505.4	6,234.5	6,410.6
Xylene	3,279.9	4,940.7	6,473.8	6,172.7	6,352.8
Energy products					
LNG	3,058.9	4,706.3	6,133.5	6,297.7	4,692.5
Coal gas	0.7	0.7	0.7	0.7	0.8

Note: Calculated by dividing the revenue of each relevant product by the sales volume of such product.

Crude benzene and crude coking coal gas are the primary raw materials for our products. Prices of crude benzene and crude coking coal gas affect our raw material costs and are also one of the factors which affect prices of our products. For more details on our raw materials, see "Business – Raw Materials and Supply" in this prospectus. The supply of crude benzene and crude coking coal gas is also a factor affecting the results of our operations. Tightened environmental regulations or an increased industry consolidation driven by the government in the coal industry could reduce the supply of coal or increase the price of coal. A fluctuation in the supply of crude benzene and crude coking coal gas may increase the prices of them, which in turn will increase the costs of operating our business.

For illustration purpose, we set out below a sensitivity analysis of our gross profit margin with reference to the fluctuation on the average raw material cost per unit during the Track Record Period. The following table hypothesizes the impact of increase or decrease in the average raw material cost per unit on our gross profit margin, while all other factors remain unchanged:

	Increase/decrease in average raw material cost per unit	
Hypothetical fluctuations	**+/-5%**	**+/-10%**
	RMB'000	*RMB'000*
Decrease/increase in gross profit margin		
FY2020	-/+3.5%	-/+7.0%
FY2021	-/+3.7%	-/+7.4%
FY2022	-/+3.5%	-/+7.0%
1H2022	-/+3.5%	-/+6.9%
1H2023	-/+3.6%	-/+7.1%

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

Increases or decreases in the prices of crude benzene and crude coking coal gas may not immediately result in changes in the prices of our products or vice versa. In a rising market for our products, we may benefit from the widening spread between the prices of raw materials and our products, while in a falling market for our products, we may suffer from the narrowing spread. Since the prices of our products and raw materials typically move in tandem, though at different speed and magnitude, we believe we are generally able to negotiate the prices of our products and raw materials taking into account market price fluctuations. For more details on our price risk control policy and inventory control policy, see "Business – Overlapping of Customers and Suppliers Pricing policy" and "Business – Inventory" in this prospectus.

Production Capacity and Sales Volume

During the Track Record Period, the fluctuations of our gross margin of operations were mainly driven by the changes in the average selling prices of our products and the average purchase price of raw materials, while the sales volume of our products was mainly determined by our production capacity and demand of our products. As at 30 June 2023, our processing capacity for hydrogenated benzene-based chemicals and production capacity for LNG was approximately 200,000 tonnes (measured in terms of the processing capacity of crude benzene) per annum and 100 million m^3 (equivalent to approximately 72,000 tonnes), respectively. As at the same date, we have a coal gas processing capacity of 845 million m^3 per annum. For details on our annual capacity, production or processing volume and utilisation rates of our main production lines during the Track Record Period, see "Business – Our Production and Processing Facilities" in this prospectus. The sales volume of our products was primarily capped by our production capacity during the Track Record Period.

Performance of and the Mix of Our Business Segments

Our hydrogenated benzene-based chemicals segment had been our largest business segment in terms of revenue during the Track Record Period, which contributed 54.2%, 72.0%, 58.3%, 61.0% and 60.2% of our total revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively. The segment gross profit margin of our hydrogenated benzene-based chemicals segment was 5.9%, 11.3%, 4.8%, 7.5%, and 7.7% for FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively.

Our energy products segment had been our second largest business segment in terms of revenue during the Track Record Period, which contributed 38.9%, 18.8%, 33.2%, 32.3% and 31.0% of our total revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively. The segment gross profit margin of our energy products segment was 12.3%, 6.6%, 27.0%, 29.9%, and 13.8% for FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively. For details regarding our gross profit and gross profit margin by different segments, see "– Description of Selected Items in Statements of Profit or Loss – Gross Profit and Gross Profit Margin" in this section.

Consequently, our gross profit margins are impacted by our revenue mix of different products sold, and hence the revenue from each segments. Going forward, we will continue to evaluate and adjust our portfolio of our product offerings from time to time to focus on products with higher profit margins, greater market demand and potential to maintain or increase our profitability.

Laws and Regulations Governing our Industry

Our operations are subject to PRC environmental protection laws and regulations relating to the hazardous substances, air and water emissions, water and ground protection and waste management. Our PRC Legal Advisers have advised we were in compliance with the relevant environmental protection laws and regulations in the PRC in all material aspects, and we have not received any sanctions or fines imposed by the PRC environmental authorities for incidents of material non-compliance with respect to our production facilities. We have an environmental team responsible for ensuring that all of our operations are in compliance with applicable environmental protection laws and regulations. Any tightening of the laws and regulations may increase our costs of operation in order to comply all laws and regulations.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

Some of our accounting policies require us to apply estimates and assumptions as well as judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies may have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are summarised below and set forth in detail in Notes 3 and 4 to the Accountants' Report of the Group in Appendix I to this prospectus.

Significant Accounting Policies

Basis of combination

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

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

We reassess whether or not we control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when we obtain control over the subsidiary and ceases when we lose control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date we gain control until the date when we cease to control the subsidiary.

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

Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable. We recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- our performance creates or enhances an asset that the customer controls as we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

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

A receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

Bills receivables classified at Fair Value through Other Comprehensive Income

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

Government Grants

Government grants are not recognised until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which we recognise as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the historical financial information and the corresponding tax base used in the computation of taxable profit. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

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

Key Sources of Estimation Uncertainty

Allowance for Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is based on estimated selling prices less any estimated costs of completion and costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. We reassess the estimation at the end of each reporting period.

Fair Value Measurement of Bills receivables at FVTOCI

As at 31 December 2020, 2021 and 2022 and 30 June 2023, our bills receivables at FVTOCI are measured at fair values with fair values being determined based on observable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques which is reflective of the current market conditions and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Details of fair value measurement of financial instruments are set out in Note 39 of the Accountants' Report contained in the Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table summarises the combined statements of profit or loss and other comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountants' Reports in Appendix I to this prospectus.

	FY2020	**FY2021**	**FY2022**	**1H2022**	**1H2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	1,079,233	1,479,594	2,254,533	1,078,982	1,076,008
Cost of sales	(977,671)	(1,326,461)	(1,966,854)	(914,132)	(969,559)
Gross profit	101,562	153,133	287,679	164,850	106,449
Other income	7,348	5,067	6,354	2,673	5,305
Other gains and losses	(5,650)	(9,707)	(5,535)	(3,295)	(2,026)
Selling and distribution expenses	(11,606)	(11,963)	(15,366)	(7,025)	(10,189)
Administrative expenses	(21,708)	(22,980)	(31,562)	(14,744)	(14,019)
Finance costs	(8,561)	(2,645)	(8,022)	(4,066)	(2,994)
Profit before tax	61,385	110,905	233,548	138,393	82,526
Income tax expense	(16,751)	(31,429)	(39,467)	(21,649)	(16,812)
Profit for the year/period	44,634	79,476	194,081	116,744	65,714
Profit for the year/period attributable to:					
– Owners of the Company	29,092	72,469	138,229	86,694	50,880
– Non-controlling interests	15,542	7,007	55,852	30,050	14,834
	44,634	79,476	194,081	116,744	65,714

DESCRIPTION OF SELECTED ITEMS IN STATEMENTS OF PROFIT OR LOSS

Revenue

We generate our revenue from the (i) production, and/or processing and sale of (a) hydrogenated benzene-based chemicals, which principally include pure benzene, toluene and xylene; and (b) energy products comprising LNG and coal gas; and (ii) trading segment. The revenue from the sale of our products is recognised when the goods are delivered and titles have passed and net of VAT during the relevant periods.

The following table sets forth a breakdown of our revenue by segment during the Track Record Period:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Hydrogenated benzene-based chemicals										
Pure benzene	451,692	41.9	870,960	58.8	1,016,067	45.1	521,649	48.3	490,981	45.7
Toluene	55,361	5.1	59,496	4.0	106,725	4.7	48,818	4.5	42,029	3.9
Xylene	41,540	3.8	80,793	5.5	100,572	4.5	46,434	4.3	68,832	6.4
Other benzene-based chemicals*(Note 1)*	36,125	3.4	54,349	3.7	90,472	4.0	41,800	3.9	45,447	4.2
	584,718	**54.2**	**1,065,598**	**72.0**	**1,313,836**	**58.3**	**658,701**	**61.0**	**647,289**	**60.2**
Energy products										
– LNG*(Note 2)*	180,409	16.7	15,438	1.0	428,250	19.0	192,694	17.9	166,527	15.5
– Coal gas	239,377	22.2	262,790	17.8	319,165	14.2	155,215	14.4	166,923	15.5
	419,786	**38.9**	**278,228**	**18.8**	**747,415**	**33.2**	**347,909**	**32.3**	**333,450**	**31.0**
Trading*(Note 3)*	66,929	6.2	134,800	9.1	181,181	8.0	67,375	6.2	89,666	8.3
Others*(Note 4)*	7,800	0.7	968	0.1	12,101	0.5	4,997	0.5	5,603	0.5
Total revenue	**1,079,233**	**100.0**	**1,479,594**	**100.0**	**2,254,533**	**100.0**	**1,078,982**	**100.0**	**1,076,008**	**100.0**

Notes:

1. Other benzene-based chemicals mainly include heavy benzol and non-aromatic hydrocarbons.

2. LNG includes sale of CNG. CNG is produced by our Group and accounted for an insignificant percentage of our revenue during the Track Record Period. Our revenue from sale of LNG decreased by RMB165.0 million from RMB180.4 million in FY2020 to RMB15.4 million in FY2021, primarily due to the decrease in sales volume of LNG, from over 59,000 tonnes sold in FY2020 to over 3,000 tonnes sold in FY2021, resulting from the reduction in the supply of crude coking coal gas (which is the principal raw material for coal gas for the production of LNG) from the Jinma Group caused by the retirement of two older coking furnaces in 2020 in response to China's environmental protection policies. Our revenue from sale of LNG increased by RMB412.8 million from RMB15.4 million in FY2021 to RMB428.3 million in FY2022 primarily due to the increase in (i) sales volume of LNG from around 3,000 tonnes sold in FY2021 to around 70,000 tonnes sold in FY2022 attributable to the increase in supply of crude coking coal gas from the Jinma Group resulting from the full operation of its new coking furnaces with production capacity of 1.8 million tonnes at the beginning of FY2022; and (ii) average selling price of LNG by 30.3% compared to the average selling price in FY2021, which was generally in line with the increase in market price of LNG primarily driven by geopolitical conflict in FY2022. In FY2022, the geopolitical conflict between Russia and Ukraine led to the decrease in supply of natural gas from Russia. Thus, market prices for natural gas reached its recent peak in FY2022.

3. Trading mainly involves the trading of LNG and refined oil.

4. Others mainly includes the sale of steam.

Hydrogenated benzene-based chemicals

We mainly produce our hydrogenated benzene-based chemicals through our Company. Our hydrogenated benzene-based chemicals segment represented the largest contributor to our total revenue. For FY2020, FY2021, FY2022, 1H2022 and 1H2023, our revenue from sale of hydrogenated benzene-based chemicals was RMB584.7 million, RMB1,065.6 million, RMB1,313.8 million, RMB658.7 million and RMB647.3 million, respectively, representing 54.2%, 72.0%, 58.3%, 61.0% and 60.2%, respectively, of our total revenue for the same periods, which contributed to the largest proportion of our revenue for the same periods. The following table sets forth the details of our sale of hydrogenated benzene-based chemicals during the Track Record Period:

	FY2020	**FY2021**	**FY2022**	**1H2022**	**1H2023**
				(Unaudited)	
Revenue (RMB'000)	584,718	1,065,598	1,313,836	658,701	647,289
Sales volume ('000 tonnes)	177	188	193	96	106
Average selling price (net of VAT) (RMB/tonne)	3,297.0	5,669.6	6,808.7	6,875.4	6,122.5

Hydrogenated benzene-based chemicals are produced through hydrogenation, namely the adding of hydrogen in the presence of catalyst, of crude benzene. During the Track Record Period, our integrated series of hydrogenated benzene-based chemicals mainly consist of pure benzene, toluene and xylene.

Our revenue from hydrogenated benzene-based chemicals segment showed an increasing trend from FY2020 to FY2022 and a decrease from 1H2022 to 1H2023, primarily due to the fluctuations in selling price following the fluctuations in the prevailing market price. While the sales volume is generally affected by the production or processing rate of our production facilities.

During the Track Record Period, we sold heavy benzol to the Jinma Group. The amounts of the average selling prices of heavy benzol that we sold to the Jinma Group are comparable to those of heavy benzol that we sold to Independent Third Party customers. In addition, the fluctuations of average selling prices of heavy benzol that we sold to the Jinma Group during the Track Record Period are generally in line with those of heavy benzol that we sold to Independent Third Party customers. For details of the sales volume and average selling price of our major hydrogenated benzene-based chemicals during the Track Record Period, see "Business – Our Products – Hydrogenated Benzene-based Chemicals – Average selling price and sales volume" in this prospectus.

Energy products segment

During the Track Record Period, our energy products segment comprised production and processing of energy products comprising LNG and coal gas.

LNG

The following table sets forth the details of our sale of LNG under energy products during the Track Record Period:

	FY2020	**FY2021**	**FY2022**	**1H2022**	**1H2023**
				(Unaudited)	
Revenue *(RMB'000)*	180,409	15,438	428,250	192,694	166,527
Sales volume *('000 tonnes)*	59	3	70	31	35
Average selling price *(net of VAT) (RMB/tonne)*	3,058.9	4,706.3	6,133.5	6,297.7	4,692.5

The revenue from sale of our LNG was relatively lower in FY2021, primarily due to the reduction in supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, from the Jinma Group resulting from the retirement of two furnaces.

Our average selling price of LNG showed an increasing trend from FY2020 to FY2022 and a decrease from 1H2022 to 1H2023, following the fluctuations in the prevailing market price. During the Track Record Period, we sold LNG to the Jinma Group under our energy product segment. Save that the amounts of the average selling prices of LNG that we sold to the Jinma Group were higher when the sales volume is lower, the amounts of the average selling prices of LNG that we sold to the Jinma Group are comparable to those of LNG that we sold to Independent Third Party customers. Moreover, since the start of 2023, attributed to the unusually warm winter weather observed in the northern hemisphere, the prominent global markets for natural gas consumption did not attain the anticipated growth of demand. Thus, the prevailing market price in 1H2023 decreased from its previous high price which was caused by geopolitical conflicts between Russia and Ukraine in FY2022.

Coal gas

The following table sets forth the details of our sale of coal gas under energy products during the Track Record Period:

	FY2020	**FY2021**	**FY2022**	**1H2022**	**1H2023**
				(Unaudited)	
Revenue (RMB'000)	239,377	262,790	319,165	155,215	166,923
Sales volume (million m^3)	338	368	432	217	203
Average selling price (net of VAT) (RMB/m^3)	0.7	0.7	0.7	0.7	0.8

Our average selling price of coal gas remained relatively stable from FY2020 to FY2022 and from 1H2022 to 1H2023. During the Track Record Period, we sold coal gas to Jinjiang Refinery and other Independent Third Party customers. The amounts of the average selling prices of coal gas that we sold to Jinjiang Refinery are generally lower than those of coal gas that we sold to other Independent Third Party customers, mainly because Jinjiang Refinery separates the hydrogen content of the coal gas sold by us, instead of applying coal gas in its entirety as a fuel, for its production and sale of hydrogen. Nevertheless, the fluctuations of average selling prices of coal gas that we sold to Jinjiang Refinery during the Track Record Period are generally in line with those of coal gas that we sold to other Independent Third Party customers.

Trading segment

During the Track Record Period, we also procured LNG and refined oil from other suppliers and offer to our retail customers in our self-operated oil and gas stations. The following table sets forth the details of our trading segment during the Track Record Period:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
LNG *(Note)*	30,359	45.4	79,962	59.3	72,629	40.1	40,009	59.4	5,420	6.0
Refined oil and others	36,570	54.6	54,838	40.7	108,552	59.9	27,366	40.6	84,246	94.0
	66,929	100.0	134,800	100.0	181,181	100.0	67,375	100.0	89,666	100.0

Note: LNG under trading segment represented the revenue generated from the sale of LNG which was (i) sold in our oil and gas stations; and (ii) were not produced or processed by us.

We may procure LNG from other suppliers if the price spread against the selling price was considered favourable to our Group. The selling price of LNG (including that of our Group and third-party suppliers) is generally determined with reference to prevailing market price, proximity of location between the sellers and purchasers and supply and demand dynamics.

Due to the lower production volume for LNG in FY2021 as the supply of crude coking coal gas from Jinma Group decreased as mentioned previously, we procured more LNG from other suppliers and sold to our customers.

In FY2022, the procurement from other suppliers increased and trading revenue from LNG remained high in FY2022 primarily due to the surge in market price of LNG in Jiyuan during the outbreak of COVID-19.

Cost of sales

Our cost of sales, which consists of cost of sales of our manufacturing segments and trading segment, represented 90.6%, 89.7%, 87.2%, 84.7% and 90.1% of our total revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively. The largest component of our cost of sales is the cost of raw materials, mainly crude benzene and crude coking coal gas, accounting for 77.5%, 82.6%, 80.3%, 81.5% and 79.1% of our total cost of sales for FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively.

The cost of sales for our manufacturing segments primarily consists of fixed and variable costs associated with our production. It mainly comprises cost of raw materials, direct labour costs and manufacturing overhead (mainly including utility expenses, low value consumables and depreciation and amortisation expenses). Our cost of sales relating to our trading segment primarily includes purchase costs in relation to the products that we sell. The following table sets forth, for the periods indicated, the components of our cost of sales:

	FY2020		**FY2021**		**FY2022**		**1H2022**		**1H2023**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Cost of sales for manufacturing segments[1]										
Cost of raw materials	757,519	77.5	1,096,190	82.6	1,579,623	80.3	744,843	81.5	766,965	79.1
Crude benzene	*491,351*	*50.3*	*886,323*	*66.8*	*1,176,561*	*59.8*	*566,976*	*62.0*	*555,058*	*57.2*
Crude coking coal gas	*261,437*	*26.7*	*207,553*	*15.6*	*390,813*	*19.9*	*167,106*	*18.3*	*209,085*	*21.6*
Other raw materials	*4,731*	*0.5*	*2,314*	*0.2*	*12,249*	*0.6*	*10,761*	*1.2*	*2,822*	*0.3*
Direct labour costs	8,894	0.9	14,085	1.1	19,026	1.0	8,126	0.9	10,440	1.1
Manufacturing overheads	149,198	15.2	107,455	8.1	201,018	10.2	88,846	9.7	104,956	10.8
Total cost of production for manufacturing segments	**915,611**	**93.6**	**1,217,730**	**91.8**	**1,799,667**	**91.5**	**841,815**	**92.1**	**882,361**	**91.0**
Changes in finished goods	3,866	0.4	(12,347)	(0.9)	(1,164)	(0.1)	11,705	1.3	3,081	0.3
Total	919,477	94.0	1,205,383	90.9	1,798,503	91.4	853,520	93.4	885,442	91.3
Cost of sales for trading segments	**57,442**	**5.9**	**118,929**	**9.0**	**166,705**	**8.5**	**59,351**	**6.5**	**84,086**	**8.7**
Others[2]	752	0.1	2,149	0.1	1,646	0.1	1,261	0.1	31	0.0
Total cost of sales	**977,671**	**100.0**	**1,326,461**	**100.0**	**1,966,854**	**100.0**	**914,132**	**100.0**	**969,559**	**100.0**

Notes:

(1) Include hydrogenated benzene-based chemicals and energy products manufacturing segments.

(2) Mainly include PRC taxes and surcharges.

Gross profit and gross profit margin

The gross profit for an individual business segment is calculated as the revenue of the relevant segment after deducting cost of sales of such segment. Our total gross profit represents the sum of each individual business segment's gross profit after deduction of unallocated expenses. The gross profit margin of each business segment is calculated by dividing gross profit of the segment by revenue from such segment for the relevant years. The table below sets forth our segment gross profit and gross profit margin for each of our major business segments during the Track Record Period:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	Segment gross profit	Segment gross profit margin	Segment gross profit	Segment gross profit margin	Segment gross profit	Segment gross profit margin	Segment gross profit	Segment gross profit margin	Segment gross profit	Segment gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Hydrogenated benzene-based chemicals	34,719	5.9	120,135	11.3	62,573	4.8	49,717	7.5	50,159	7.7
Energy products										
– LNG	8,652	4.8	(11,323)	(73.3)	150,417	35.1	76,061	39.5	21,055	12.6
– Coal gas	42,881	17.9	29,712	11.3	51,234	16.1	27,905	18.0	24,831	14.9
Sub-total	51,533	12.3	18,389	6.6	201,651	27.0	103,966	29.9	45,886	13.8
Trading	9,487	14.2	15,871	11.8	14,475	8.0	8,024	11.9	5,580	6.2
Others	6,575		887		10,626		4,404		4,855	
	102,314	9.5	155,282	10.5	289,325	12.8	166,111	15.4	106,480	9.9
Less: PRC taxes and surcharges	(752)		(2,149)		(1,646)		(1,261)		(31)	
Total	**101,562**	**9.4**	**153,133**	**10.3**	**287,679**	**12.8**	**164,850**	**15.3**	**106,449**	**9.9**

During the Track Record Period, the changes in our profit margin of each business segment were mainly driven by (i) the changes in the spread between the average selling prices of our products and the average purchase prices of the main raw materials used in each segment; (ii) the mix of revenue contribution from different segments; and (iii) our relatively stable fixed manufacturing cost, mainly manufacturing overhead, regardless of changes in revenue.

Other Income

Our other income consists primarily of interest income generated from the deposits we maintained at our bank accounts, government grant and subsidies and bills receivables at FVTOCI. The government grant represents various amounts we received from local government from time to time, including those in relation to the recognition and encouragement of advanced enterprises and implementation of desulphurisation and denitrification facilities and grants for the development of advanced manufacturing. For the government grants, we have to fulfil certain conditions, such as, investing in Jiyuan city, constructing and implementing desulphurisation and denitrification facilities which are more environmental friendly. The government grants are non-recurring in nature. We also received government subsidies from the local government in relation to the construction and installation of certain plants and equipment. Such amounts have been deferred and recognised as release of assets-related government subsidies in our other income on a systematic basis over the useful life of the relevant assets.

In FY2022, we also commenced receiving rental income. Our rental income mainly represents the rental from leases of our assets to third party from Ouya Gasoline Station. The following table sets forth the breakdown of our other income for the periods indicated:

	FY2020	**FY2021**	**FY2022**	**1H2022**	**1H2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest income on bank deposits	495	492	1,803	276	2,160
Interest income on bills receivables at FVTOCI	3,267	3,188	1,922	1,195	1,200
Release of asset-related government subsidies	1,232	1,387	1,586	793	793
Government grants	2,334	–	28	–	602
Rental income	–	–	917	408	550
Others	20	–	98	1	–
Total	7,348	5,067	6,354	2,673	5,305

Other Gains and Losses

Our other gains and losses primarily consist of net loss arising on bills receivables at FVTOCI and gain on disposal of scrap steel. Net loss arising from bills receivables at FVTOCI represented the subsequent changes in the carrying amounts for bills receivables at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss.

The following table sets forth the breakdown of our other gains and losses for the periods indicated:

	FY2020	FY2021	FY2022	1H2022	1H2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Net loss arising on bills receivables at FVTOCI	(6,197)	(9,779)	(6,517)	(3,386)	(3,038)
Gain (loss) on disposal/write-off of property, plant and equipment	–	8	(2)	–	(74)
Gain on disposal of scrap steel	177	77	100	16	–
Reversal of impairment loss under ECL model	29	–	–	–	–
Others[(Note)]	341	(13)	884	75	1,086
Total	(5,650)	(9,707)	(5,535)	(3,295)	(2,026)

Note: In 1H2023, others included compensation of RMB1.0 million we received from the government in relation to the return of deposits for the acquisition of land.

Selling and distribution expenses

Our selling and distribution expenses mainly comprised transportation for our products, promotion expenses mainly incurred for our oil and gas stations, travelling and business development expenses which mainly included entertainment expense and travelling expenses and others. The following sets forth the breakdown of our selling and distribution expenses for the years/periods indicated:

	FY2020		FY2021		FY2022		1H2022		1H2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Transportation	9,154	78.9	10,178	85.1	14,514	94.5	6,605	94.0	9,836	96.5
Promotion expenses	1,774	15.3	1,291	10.8	190	1.2	190	2.7	–	–
Travelling and business development expenses	581	5.0	477	4.0	602	3.9	202	2.9	303	3.0
Others	97	0.8	17	0.1	60	0.4	28	0.4	50	0.5
Total	11,606	100.0	11,963	100.0	15,366	100.0	7,025	100.0	10,189	100.0

Our selling and distribution expenses amounted to RMB11.6 million, RMB12.0 million, RMB15.4 million, RMB7.0 million and RMB10.2 million in FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively, representing 1.1%, 0.8%, 0.7%, 0.7% and 0.9% of our total revenue during the respective year/period.

Administrative expenses

Administrative expenses primarily comprised staff costs of administrative personnel, depreciation for our office equipments, right-of-use assets of our offices and amortisation of intangible assets, other taxes, office expenses, professional expenses, bank charges, business development expenses, repair and maintenance and others.

The following table sets forth a breakdown of our administrative expenses for the years/periods indicated:

	FY2020		**FY2021**		**FY2022**		**1H2022**		**1H2023**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Staff costs	8,943	41.2	8,331	36.3	13,866	43.9	6,777	46.0	6,051	43.2
Depreciation and amortisation	4,879	22.5	7,929	34.5	8,076	25.6	4,065	27.6	4,018	28.6
Other taxes	2,479	11.4	3,351	14.6	3,804	12.1	1,807	12.3	2,091	14.9
Business development expenses	265	1.2	175	0.8	871	2.8	386	2.6	389	2.8
Professional expenses	533	2.5	761	3.3	974	3.1	504	3.4	364	2.6
Office expenses	1,384	6.4	900	3.9	1,809	5.7	523	3.5	261	1.9
Bank charges	1,040	4.8	467	2.0	708	2.2	98	0.7	208	1.5
Repair and maintenance	436	2.0	18	0.0	44	0.1	35	0.2	55	0.4
Others	1,749	8.0	1,048	4.6	1,410	4.5	549	3.7	582	4.1
Total	21,708	100.0	22,980	100.0	31,562	100.0	14,744	100.0	14,019	100.0

Administrative expenses amounted to RMB21.7 million, RMB23.0 million, RMB31.6 million, RMB14.7 million and RMB14.0 million in FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively, representing 2.0%, 1.6%, 1.4%, 1.4% and 1.3% of our total revenue during the respective year/period.

Finance costs

Our finance costs represented interest on bank borrowings and lease liabilities. In FY2022 and 1H2023, we have amount of RMB0.6 million and RMB2.3 million capitalised mainly for our construction in progress, respectively. The following sets forth the breakdown of our finance costs for the year indicated:

	FY2020	**FY2021**	**FY2022**	**1H2022**	**1H2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest expenses on:					
– bank borrowings	8,555	2,636	8,601	4,062	5,295
– lease liabilities	6	9	8	4	4
	8,561	2,645	8,609	4,066	5,299
Less: amount capitalised	–	–	(587)	–	(2,305)
	8,561	2,645	8,022	4,066	2,994

Our finance costs amounted to RMB8.6 million, RMB2.6 million, RMB8.0 million, RMB4.1 million and RMB3.0 million in FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively.

Income tax

The PRC corporate income tax provision in respect of operations in the PRC is calculated mainly based on the statutory tax rate of 25% on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

Pursuant to the relevant tax rules and regulation in the PRC, 10% revenue from comprehensive utilisation of resources (資源綜合利用) is exempted from EIT. For more information, see "Regulatory Overview – Laws and Regulations Relating to Taxation – Enterprise income tax" in this prospectus. In FY2020, FY2021, FY2022, 1H2022 and 1H2023, our Group had tax deduction under the scheme of RMB4.3 million, RMB0.4 million, RMB10.9 million, RMB4.8 million and RMB4.1 million, respectively.

Our income tax amounted to RMB16.8 million, RMB31.4 million, RMB39.5 million, RMB21.6 million and RMB16.8 million in FY2020, FY2021, FY2022, 1H2022 and 1H2023, respectively; while our effective tax rate was 27.3%, 28.3%, 16.9%, 15.6% and 20.4% for the respective year/period.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

1H2023 compared to 1H2022

Revenue

Our revenue remained relatively stable at RMB1,079.0 million and RMB1,076.0 million in 1H2022 and 1H2023, respectively, primarily due to the combined effect of the increase in revenue from trading segment and the decrease in revenue from our hydrogenated benzene-based chemicals segment and energy products segment.

Hydrogenated benzene-based chemicals

Our revenue from hydrogenated benzene-based chemicals remained relatively stable at RMB658.7 million in 1H2022 and RMB647.3 million in 1H2023, primarily due to the combined effect of (i) decrease in average selling price by 11.0% following the decrease in prevailing market prices of hydrogenated benzene-based chemicals in 1H2023; and (ii) increase in sales volume by 10.4% from 1H2022 to 1H2023 primarily due to increase in our production and utilisation rate.

Energy products

Our revenue from energy products decreased by RMB14.5 million from RMB347.9 million in 1H2022 to RMB333.5 million in 1H2023, representing a decrease of 4.2%. The decrease was primarily due to the decrease in revenue from the sale of LNG of RMB26.2 million, partially offset by the increase in revenue from the sale of coal gas of RMB11.7 million.

(i) LNG

Our revenue from sale of LNG decreased by RMB26.2 million from RMB192.7 million in 1H2022 to RMB166.5 million in 1H2023. The decrease was mainly due to the decrease in its average selling price by 25.5% price following the decrease in prevailing market price in 1H2023 compared to that in 1H2022. Since the start of 2023, attributed to the unusually warm winter weather observed in the northern hemisphere, the prominent global markets for natural gas consumption did not attain the anticipated growth of demand. Thus, the prevailing market price in 1H2023 decreased from its previous high price which was caused by geopolitical conflicts between Russia and Ukraine in FY2022. The decrease in revenue from sale of LNG was partially offset by the increase in sales volume from around 31,000 tonnes sold in 1H2022 to around 35,000 tonnes sold in 1H2023 driven by increase in production volume.

(ii) Coal gas

Our revenue from sale of coal gas increased by RMB11.7 million from RMB155.2 million in 1H2022 to RMB166.9 million in 1H2023. The increase was mainly resulting from the increase in average selling price from RMB0.7 per tonne in 1H2022 to RMB0.8 per tonne in 1H2023. The increase was partially offset by the decrease in sales volume from 217 million m^3 sold in 1H2022 to 203 million m^3 sold in 1H2023 primarily due to the decrease in sales to Jinjiang Refinery because its production was halted from mid May to July 2023 for maintenance.

Trading

Our revenue from trading increased by RMB22.3 million from RMB67.4 million in 1H2022 to RMB89.7 million in 1H2023. The increase was primarily due to the increase in sales volume of refined oil benefitting from the increase in customers due to increase in traffic from the newly constructed factories around our stations. The increase in revenue from trading was partially offset by the decrease in trading of LNG resulting from the decrease in procurement of LNG from other suppliers in 1H2023.

Cost of sales

Our cost of sales increased by RMB55.5 million from RMB914.1 million in 1H2022 to RMB969.6 million in 1H2023, representing an increase of 6.1%. The increase was primarily due to increase in (i) cost of sales for trading segment of RMB24.7 million, primarily due to the increase in sales volume of refined oil; (ii) raw material costs of RMB22.1 million resulting from the increase in cost of crude coking coal gas of RMB42.0 million mainly attributable to the increase in sales volume of LNG; and (iii) manufacturing overheads of RMB16.1 million resulting from the increase in productions.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by RMB58.5 million from RMB164.9 million in 1H2022 to RMB106.4 million in 1H2023, representing a decrease of 35.4%, primarily due to the decrease in gross profit from energy segment of RMB58.1 million.

Our gross profit margin decreased from 15.3% in 1H2022 to 9.9% in 1H2023, primarily due to the (i) decrease in segment profit margin of our energy products segment; and (ii) decrease in contribution from energy products segment which attained a relatively higher gross profit margin compared to other segments.

Hydrogenated benzene-based chemicals

Our gross profit margin from hydrogenated benzene-based chemicals remained relatively stable at 7.5% and 7.7% in 1H2022 and 1H2023, respectively.

Energy products

Our gross profit margin from energy products decreased from 29.9% in 1H2022 to 13.8% in 1H2023, primarily due to the decrease in average selling price of LNG by 25.5% compared to the average selling price in 1H2022 following the decrease in prevailing market price in 1H2023 from its previous high price which was caused by geopolitical conflicts between Russia and Ukraine in FY2022 as mentioned above.

Trading

Our gross profit margin from trading decreased from 11.9% in 1H2022 to 6.2% in 1H2023, primarily due to the reduction in spread of purchase price and average selling price for our refined oil in order to attract more customers.

Other income

Our other income increased by RMB2.6 million from RMB2.7 million in 1H2022 to RMB5.3 million in 1H2023, representing an increase of 98.5%. The increase was primarily due to the (i) increase in interest income of RMB1.9 million resulting from the increase in average bank balances; and (ii) government grants of RMB0.6 million received in 1H2023 in relation to our operations.

Other gains and losses

Our other losses decreased by RMB1.3 million from RMB3.3 million in 1H2022 to RMB2.0 million in 1H2023, representing a decrease of 38.5%. The decrease was primarily due to the compensation of RMB1.0 million received from the government in 1H2023, in relation to the return of deposits for the acquisition of land.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB3.2 million from RMB7.0 million in 1H2022 to RMB10.2 million in 1H2023, representing an increase of 45.0%. The increase was primarily due to the increase in transportation expenses of RMB3.2 million mainly resulting from the increase in sales volume of hydrogenated benzene-based chemicals which we delivered to our customers' desired destination upon their request in 1H2023.

Administrative expenses

Our administrative expenses remained relatively stable at RMB14.7 million in 1H2022 and RMB14.0 million in 1H2023.

Finance costs

Our finance costs decreased by RMB1.1 million from RMB4.1 million in 1H2022 to RMB3.0 million in 1H2023, representing a decrease of 26.4%. The decrease was primarily due to the amounts capitalised of RMB2.3 million in 1H2023 in relation to our construction in progress for the additional hydrogenated benzene-based chemicals production line in Jiyuan High-Tech Industrial Chemical Park.

Income tax expenses

Our income tax expenses decreased by RMB4.8 million from RMB21.6 million in 1H2022 to RMB16.8 million in 1H2023, representing a decrease of 22.3%. The decrease was primarily due to the decrease in profit before tax. Our effective tax rate increased from 15.6% in 1H2022 to 20.4% in 1H2023 primarily due to the decrease in profit contribution from Jinrui Energy, who enjoyed the exemption of 10% revenue from comprehensive utilisation of resources from EIT.

Profit for the period

As a result of the foregoing, our profit for the period decreased by RMB51.0 million from RMB116.7 million in 1H2022 to RMB65.7 million in 1H2023. Our net profit margin decreased from 10.8% to 6.1%, primarily due to the decrease in gross profit margin attained in 1H2023.

FY2022 compared to FY2021

Revenue

Our revenue increased by RMB774.9 million from RMB1,479.6 million in FY2021 to RMB2,254.5 million in FY2022, representing an increase of 52.4% from FY2021 to FY2022. The increase was primarily due to the increase in revenue from hydrogenated benzene-based chemicals segment and energy products segment.

Hydrogenated benzene-based chemicals

Our revenue from hydrogenated benzene-based chemicals increased by RMB248.2 million from RMB1,065.6 million in FY2021 to RMB1,313.8 million in FY2022, representing an increase of 23.3%. The increase was primarily due to the increase in average selling price of our hydrogenated benzene-based chemicals of 20.1% from FY2021 to FY2022, resulting from the increase in prevailing market price. Our sales volume remained relatively stable, with a slight increase of less than 3% in FY2022 compared to that in FY2021.

Energy products

Our revenue from energy products increased by RMB469.2 million from RMB278.2 million in FY2021 to RMB747.4 million in FY2022, representing an increase of 168.6%, mainly due to increase in revenue from sale of LNG and coal gas.

(i) LNG

Our revenue from sale of LNG increased by RMB412.8 million from RMB15.4 million in FY2021 to RMB428.3 million in FY2022. The increase was primarily due to the increase in (i) sales volume of LNG from around 3,000 tonnes sold in FY2021 to around 70,000 tonnes sold in FY2022 attributable to the increase in supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, from the Jinma Group resulting from the full operation of its new coking furnaces with production capacity of 1.8 million tonnes at the beginning of FY2022; and (ii) average selling price of LNG by 30.3% compared to the average selling price in FY2021, which was generally in line with the increase in market price of LNG primarily driven by geopolitical conflict in FY2022. In FY2022, the geopolitical conflict between Russia and Ukraine led to the decrease in supply of natural gas from Russia. Thus, market prices for natural gas reached its recent peak in FY2022.

(ii) Coal gas

Our revenue from sale of coal gas increased by RMB56.4 million from RMB262.8 million in FY2021 to RMB319.2 million in FY2022. The increase was mainly resulting from the increase in sales volume from 368 million m^3 sold in FY2021 to 432 million m^3 sold in FY2022 resulting from (i) increase in supply of crude coking coal gas from Jinma Group resulting from the full operation of its new furnace in FY2022 which lead to an increase in production of coal gas; (ii) increase in sales to Jinjiang Refinery which separates the hydrogen content of coal gas for production of hydrogen; and (iii) increase in sales to other nearby industrial enterprises.

Trading

Our revenue from trading increased by RMB46.4 million from RMB134.8 million in FY2021 to RMB181.2 million in FY2022, representing an increase of 34.4%. The increase was primarily due to the increase in revenue from sale of refined oil of RMB53.6 million with an increase in (i) sales volume mainly resulting from the increase in number of customers; and (ii) selling price in 2022.

Cost of sales

Our cost of sales increased by RMB640.4 million from RMB1,326.5 million in FY2021 to RMB1,966.9 million in FY2022, representing an increase of 48.3%. The increase was primarily due to increase in raw material costs of RMB483.4 million resulting from the increase in (i) cost of crude benzene of RMB290.2 million mainly attributable to the increase in (a) average purchase price per tonne of crude benzene of 26.2%, following the increase in market price; and (b) sales volume of hydrogenated benzene-based chemicals, of 5,000 tonnes, in FY2022; and (ii) cost of crude coking coal gas of RMB183.3 million mainly attributable to the increase in total volume of LNG sold resulting from the increase in production of LNG because the supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, from the Jinma Group increased as mentioned above.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB134.5 million from RMB153.1 million in FY2021 to RMB287.7 million in FY2022, representing an increase of 87.9%, primarily due to the decrease in gross profit from hydrogenated benzene-based chemicals of RMB57.6 million partially offset by the increase in gross profit from energy products segment of RMB183.3 million.

Our gross profit margin increased from 10.3% in FY2021 to 12.8% in FY2022, primarily due to the (i) increase in segment profit margin of our energy products segment; and (ii) increase in revenue contribution from the sale of LNG which attained a higher gross profit than other products, partially offset by the decrease in segment profit margin of our hydrogenated benzene-based chemicals segment and trading segment.

Hydrogenated benzene-based chemicals

Our gross profit margin from hydrogenated benzene-based chemicals decreased from 11.3% in FY2021 to 7.5% in 1H2022, primarily due to the increase in average purchase price of crude benzene in 1H2022 as compared with FY2021, which was in line with the increase in market price; while our selling price of our hydrogenated benzene-based chemicals increased by a lesser extent from FY2021 to 1H2022, resulting from the time lag to the effect of increase in prevailing market price.

Our gross profit margin from hydrogenated benzene-based chemicals further decreased to 4.8% in FY2022 mainly because the average cost of crude benzene decreased at a lesser extent in the second half of 2022 than the average selling price of hydrogenated benzene-based chemicals in the second half of 2022 and we consumed some of the crude benzene purchased at a higher price.

Energy products

Our gross profit margin from energy products increased from 6.6% in FY2021 to 27.0% in FY2022, primarily due to the increase in gross profit margin from sale of LNG and coal gas.

(i) LNG

Resulting from the decrease in supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, due to the retirement of two furnaces of the Jinma Group in FY2021, we had gross loss from sale of LNG primarily due to the reduction in production of LNG as mentioned above, while certain of the recurring monthly expenses, such as, staff cost, depreciation of LNG plants and machinery and other overheads, incurred during FY2021.

We then attained a gross profit margin of 35.1% of our sale of LNG in FY2022 primarily resulting from the increase in average selling price of LNG by 30.3% compared to the average selling price in FY2021 while the average cost per unit decreased because we enjoyed economies of scales with the significant increase in production volume of LNG in FY2022.

(ii) Coal gas

Our gross profit margin from sale of coal gas increased from 11.3% in FY2021 to 16.1% in FY2022, primarily due to the increase in average selling price of 3.5% while the average cost per unit remained relatively stable in FY2022.

Trading

Our gross profit margin from trading segment decreased from 11.8% in FY2021 to 8.0% in FY2022, primarily due to the decrease in gross profit from refined oil in 2022 resulting from the reduction in spread of purchase price and average selling price for our refined oil in order to attract more customers.

Other income

Our other income increased by RMB1.3 million from RMB5.1 million in FY2021 to RMB6.4 million in FY2022, representing an increase of 25.4%. The increase was primarily due to the (i) increase in interest income of RMB1.3 million resulting from the increase in average bank balances; and (ii) rental income from leasing of one of our oil stations, which was commenced in March 2022. The increase in other income was partially offset by the decrease in interest income on bills receivables at FVTOCI of RMB1.3 million resulting from the decrease in market interest rates.

Other gains and losses

Our other losses decreased by RMB4.2 million from RMB9.7 million in FY2021 to RMB5.5 million in FY2022, representing a decrease of 43.0%. The decrease was primarily due to the decrease in net loss arising on bills receivables at FVTOCI of RMB3.3 million in FY2022 mainly resulting from the decrease in market interest rates.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB3.4 million from RMB12.0 million in FY2021 to RMB15.4 million in FY2022, representing an increase of 28.4%. The increase was primarily due to the increase in transportation expenses of RMB4.3 million primarily resulting from the increase in sales volume of hydrogenated benzene-based chemicals which we delivered to our customers' desired destination upon their request in FY2022.

Administrative expenses

Our administrative expenses increased by RMB8.6 million from RMB23.0 million in FY2021 to RMB31.6 million in FY2022, representing an increase of 37.3%. The increase was primarily due to the increase in (i) staff costs of RMB5.5 million mainly resulting from the increase in both headcounts and their salaries; and (ii) office expense of RMB0.9 million for our business expansion.

Finance costs

Our finance costs increased by RMB5.4 million from RMB2.6 million in FY2021 to RMB8.0 million in FY2022, representing an increase of 203.3%. The increase was primarily due to the increase in interest expenses of RMB6.0 million resulting from the increase in average bank borrowings for our operations.

Income tax expenses

Our income tax expenses increased by RMB8.0 million from RMB31.4 million in FY2021 to RMB39.5 million in FY2022, representing an increase of 25.6%. The increase was primarily due to the increase in profit before tax. Our effective tax rate decreased from 28.3% in FY2021 to 16.9% in FY2022 primarily due to the increase in profits generated from Jinrui Energy, who enjoyed the exemption of 10% revenue from comprehensive utilisation of resources from EIT.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB114.6 million from RMB79.5 million in FY2021 to RMB194.1 million in FY2022. Our net profit margin increased from 5.4% to 8.6%, primarily due to the increase in gross profit margin attained in FY2022.

FY2021 compared to FY2020

Revenue

Our revenue increased by RMB400.4 million from RMB1,079.2 million in FY2020 to RMB1,479.6 million in FY2021, representing an increase of 37.1% from FY2020 to FY2021. The increase was primarily due to the increase in revenue from our hydrogenated benzene-based chemicals segment, partially offset by the decrease in revenue from our energy products segment.

Hydrogenated benzene-based chemicals

Our revenue from hydrogenated benzene-based chemicals increased by RMB480.9 million from RMB584.7 million in FY2020 to RMB1,065.6 million in FY2021, representing an increase of 82.2% from FY2020 to FY2021. The increase was primarily due to the increase in average selling price of our hydrogenated benzene-based chemicals of 72.0% from FY2020 to FY2021, impacted by the increase in price of crude oil, being a driver of the price of benzene-based chemical which is also a major by-product of oil refinery. Our sales volume increased steadily by around 6.2% in FY2021 compared to that in FY2020, resulting from gradual resumption of industrial activities because the global economy began to recover from the COVID-19 outbreak.

Energy products

Our revenue from energy products decreased by RMB141.6 million from RMB419.8 million in FY2020 to RMB278.2 million in FY2021, representing a decrease of 33.7% from FY2020 to FY2021. The decrease was primarily due to the decrease in the sale of LNG, partially offset by the increase in revenue from the sale of coal gas.

(i) LNG

Our revenue from sale of LNG decreased by RMB165.0 million from RMB180.4 million in FY2020 to RMB15.4 million in FY2021, primarily due to the decrease in sales volume of LNG, from over 59,000 tonnes sold in FY2020 to over 3,000 tonnes sold in FY2022, resulting from the reduction in the supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, from the Jinma Group caused by the retirement of two older coking furnaces in 2020 in response to China's environmental protection policies.

(ii) Coal gas

Our revenue from sale of coal gas increased by RMB23.4 million from RMB239.4 million in FY2020 to RMB262.8 million in FY2021. The increase was primarily due to the increase in sales volume from 338 million m^3 sold in FY2020 to 368 million m^3 sold in FY2021, mainly attributable to the increase in sales to Jinjiang Refinery which separates the hydrogen content of coal gas for production and increase in sales resulting from increase in customers in FY2021 resulting from gradual resumption of industrial activities because the global economy began to recover from the COVID-19 outbreak.

Pursuant to the typical coal gas supply contracts between us and our customers (including Jinjiang Refinery), the supply amount of coal gas is generally specified which is generally set with reference to the respective customers' expected usage amount (but no minimum supply amount is stated in the relevant contracts) whereas for the typical LNG supply contracts between us and our customers, the supply amount of LNG is generally dependent on our production capacity and the demand of our customers.

We have been the sole supplier of coal gas to Jinjiang Refinery since 2015 and as confirmed by our Directors, our sale of coal gas to Jinjiang Refinery has been conducted on normal commercial terms and at prices no less than favourable than those other Independent Third Parties. Our average selling price of coal gas remained relatively stable during the Track Record Period. Due to the Jinma Group's retirement of two older coking furnaces in December 2020 in response to China's environmental protection policies, we experienced shortage in the supply of crude coking coal gas, which is the principal raw material for coal gas for the production of LNG, in FY2021. Our in-house production of LNG could not achieve an economy of scale and our revenue from the sale of LNG under our energy products segment experienced a decrease in FY2021. In the case of a shortage in our raw material for coal gas, taking into account the general trend that the prevailing market price of LNG fluctuates whilst the average selling price of coal gas remains stable, our Directors consider that the profitability of the sale of coal gas is more stable than that of the sale of LNG.

As Jinning Energy was granted the exclusive right under the concession agreement to sell coal gas in the operating area in Jiyuan city and that the delivery of coal gas is by pipelines only, if Jinning Energy were to cease or greatly reduce the supply of coal gas to users in the operating area for one year, it will cause material impact to the coal gas customers and Jinning Energy may not be able to rebuild the business relationship when the supply of crude coking coal gas resumes normal. Also, pursuant to the concession agreement, we are obliged to maintain normal operation of coal gas pipelines and maintain the stable supply of coal gas through the pipelines throughout the concession period. The local government of Jiyuan city has the right of early termination of the concession agreement if there is any unauthorised suspension of business that seriously affects public interest and safety on the part of us.

In contrast, we are a price taker in the LNG market. As evidenced by the high churn rate as disclosed in "Business – Our Products – Energy products" in this prospectus, LNG customers can easily find alternative suppliers. At the same time, we can also find new customers at the market price. Therefore, when we experienced shortage in the supply of crude coking coal gas in FY2021 due to Jinma Group's retirement of two older coking furnaces in December 2020 in response to China's environmental protection policies, we reduced our LNG production and maintained the supply of coal gas in general, including the relevant supply to Jinjiang Refinery.

The sales of coal gas increased in FY2021 despite the decrease in supply of crude coking coal gas as mentioned above, primarily due to the demand for coal gas in the operating area of Jinning Energy in Jiyuan High-Tech Industrial Chemical Park and Jinjiang Refinery.

Trading

Our revenue from trading increased by RMB67.9 million from RMB66.9 million in FY2020 to RMB134.8 million in FY2021, representing an increase of 101.4% from FY2020 to FY2021. The increase was primarily due to the increase in trading revenue from LNG of RMB49.6 million resulting from the increase in sales volume in 2022 because of the reduction of production of LNG as mentioned above, therefore we need to procure more LNG from other suppliers to satisfy the demands of our customers.

Cost of sales

Our cost of sales increased by RMB348.8 million from RMB977.7 million in FY2020 to RMB1,326.5 million in FY2021, representing an increase of 35.7% from FY2020 to FY2021. The increase was primarily due to increase in (i) raw material costs of RMB338.7 million resulting from the increase in cost of crude benzene of RMB395.0 million mainly resulting from the increase in (a) total sales volume of our hydrogenated benzene-based chemicals; and (b) average purchase price of crude benzene, partially offset by the decrease in crude coking coal gas mainly due to the decrease in the production of LNG as mentioned above; and (ii) costs of sales for our trading segment of RMB61.5 million for the procurement of LNG for our customers.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB51.6 million from RMB101.6 million in FY2020 to RMB153.1 million in FY2021, representing an increase of 50.8% from FY2020 to FY2021 primarily due to the increase in gross profit from hydrogenated benzene-based chemicals segment of RMB85.4 million, partially offset by the decrease in gross profit from energy products segment of RMB33.1 million.

Our gross profit margin increased from 9.4% in FY2020 to 10.3% in FY2021, primarily due to the increase in segment profit margin of our hydrogenated benzene-based chemicals segment; partially offset by the decrease in segment profit margin of our energy products segment and trading segment.

Hydrogenated benzene-based chemicals

Our gross profit margin from hydrogenated benzene-based chemicals increased from 5.9% in FY2020 to 11.3% in FY2021, primarily due to the increase of average selling prices of our hydrogenated benzene-based chemicals of 72.0%, in line with the increased price trend of crude oil, being a driver of the price of benzene-based chemical which is also a major by-product of oil refinery, in FY2021, while the average cost of crude benzene increased at a lesser extent and we consumed some of the crude benzene purchased at a lower price.

Energy products

Our segment gross profit margin from energy products decreased from 12.3% in FY2020 to 6.6% in FY2021, primarily due to the decrease in gross profit margin from sale of LNG and coal gas.

(i) LNG

Our gross profit margin of sale of LNG was 4.8% in FY2020 and turned to a gross loss in FY2021, primarily due to the substantial reduction in production of LNG as mentioned above, while sales dropped but certain of the recurring monthly expenses, such as, staff cost, depreciation of LNG plants and other overheads, still incurred during FY2021.

(ii) Coal gas

Our gross profit margin from sale of coal gas decreased from 17.9% in FY2020 to 11.3% in FY2021, primarily due to the increase in raw material price of crude coking coal gas by around 8.6%, while the average selling price of coal gas did not increase correspondingly since (a) the increase in our selling price of coal gas is subject to negotiation with our customers and compliance with benchmark rates approved by the pricing authorities in Jiyuan city and therefore may not increase in the same magnitude as the increase in raw material price; and (b) our Group's sale of coal gas in FY2021 did not enjoy the same extent of economies of scale as that in FY2020, particularly a higher processing cost per unit, owing to the decrease in the supply of crude coking coal gas to us in FY2021.

Trading

Our gross profit margin from trading decreased from 14.2% in FY2020 to 11.8% in FY2021, primarily due to the reduction in spread of purchase price and average selling price for refined oil in order to attract more customers.

Other income

Our other income decreased by RMB2.2 million from RMB7.3 million in FY2020 to RMB5.1 million in FY2021, representing a decrease of 31.0% from FY2020 to FY2021. The decrease was primarily due to the recognition of government grants of RMB2.3 million for the development of advanced manufacturing in FY2020, which is non-recurring in FY2021.

Other gains and losses

Our other losses increased by RMB4.0 million from RMB5.7 million in FY2020 to RMB9.7 million in FY2021, representing an increase of 71.8%. The increase was primarily due to the increase in net loss arising on bills receivables at FVTOCI of RMB3.6 million in FY2021 mainly resulting from the increase in market interest rates.

Selling and distribution expenses

Our selling and distribution expenses remained relatively stable at RMB11.6 million and RMB12.0 million in FY2020 and FY2021, respectively.

Administrative expenses

Our administrative expenses increased by RMB1.3 million from RMB21.7 million in FY2020 to RMB23.0 million in FY2021, representing an increase of 5.9%. The increase was primarily due to the increase in depreciation and amortisation of RMB3.1 million from right-of-use assets and intangible assets in FY2021.

Finance costs

Our finance costs decreased by RMB5.9 million from RMB8.6 million in FY2020 to RMB2.6 million in FY2021, representing a decrease of 69.1%. The decrease was primarily due to the decrease in interest expenses on bank borrowings of RMB5.9 million resulting from the decrease in average bank borrowings.

Income tax expenses

Our income tax expenses increased by RMB14.7 million from RMB16.8 million in FY2020 to RMB31.4 million in FY2021, representing an increase of 87.6%. The increase was primarily due to the increase in profit before tax. Our effective tax rate remained relatively stable at 27.3% and 28.3% in FY2020 and FY2021, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB34.8 million from RMB44.6 million in FY2020 to RMB79.5 million in FY2021. Our net profit margin increased from 4.1% to 5.4%, primarily due to the increase in gross profit margin attained in FY2021.

NET CURRENT (LIABILITIES)/ASSETS

We recorded net current liabilities of RMB123.2 million, RMB63.6 million, RMB92.6 million and RMB78.8 million as at 31 December 2020 and 2021, 30 June 2023 and 31 October 2023, respectively, and net current assets of RMB92.6 million as at 31 December 2022. The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 30 June	As at 31 October
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Inventories	48,772	67,438	65,699	53,726	113,170
Trade and other receivables	59,691	55,587	31,135	34,269	119,848
Tax recoverable	–	–	642	1,476	680
Amount due from shareholder	–	–	–	–	–
Amounts due from related parties	–	–	62,380	53,411	53,453
Bills receivables at FVTOCI	108,457	120,424	84,930	119,060	2,198
Restricted bank balances	24,087	23,078	15,208	25,211	25,211
Bank balances and cash	54,443	50,080	92,470	59,756	24,004
	295,450	316,607	352,464	346,909	338,564
Current Liabilities					
Borrowings	61,200	36,000	87,000	146,000	142,000
Trade and other payables	132,642	109,932	144,180	242,803	244,908
Amounts due to shareholders	204,779	214,817	–	19,239	5,312
Amounts due to related parties	114	–	–	–	–
Contract liabilities	10,041	10,504	15,426	18,814	23,699
Lease liabilities	18	23	23	23	666
Tax payable	9,862	8,938	13,243	12,598	798
	418,656	380,214	259,872	439,477	417,383
Net Current (Liabilities)/Assets	(123,206)	(63,607)	92,592	(92,568)	(78,819)

Our net current liabilities decreased from RMB123.2 million as at 31 December 2020 to RMB63.6 million as at 31 December 2021. The decrease was primarily due to the (i) decrease in current portion of borrowings of RMB25.2 million mainly due to the repayment of borrowings; (ii) decrease in trade and other payables of RMB22.7 million; (iii) increase in inventories of RMB18.7 million mainly due to the increase in (a) finished goods primarily due to the increase in prices of hydrogenated benzene-based chemicals; and (b) raw material primarily due to the increase in price of crude benzene; and (iv) bills receivables at FVTOCI of RMB12.0 million, mainly attributable to the increase in revenue.

Our net current liabilities of RMB63.6 million as at 31 December 2021 then turned around to a net current assets of RMB92.6 million as at 31 December 2022, primarily due to the (i) decrease in amounts due to shareholders of RMB214.8 million; and (ii) increase in amounts due from related parties of RMB62.4 million, partially offset by the (i) increase in borrowings of RMB51.0 million as at 31 December 2022; (ii) increase in bank balances and cash of RMB42.4 million; (iii) decrease in bills receivables at FVTOCI of RMB35.5 million; and (iv) increase in trade and other payables of RMB34.2 million.

Our net current assets of RMB92.6 million as at 31 December 2022 then turned around to a net current liabilities of RMB92.6 million as at 30 June 2023, primarily due to the (i) increase in trade and other payables of RMB98.6 million; and (ii) increase in current portion of bank borrowings of RMB59.0 million, partially offset by the increase in bills receivables at FVTOCI of RMB34.1 million as at 30 June 2023.

Our net current liabilities decreased from RMB92.6 million as at 30 June 2023 to RMB78.8 million as at 31 October 2023, primarily due to increase in (i) trade and other receivables of RMB85.6 million; and (ii) inventories of RMB59.4 million, partially offset by the decrease in bills receivables at FVTOCI of RMB116.9 million.

Working Capital Sufficiency

Our Directors confirm that (i) we will continue to closely monitor our net current liabilities position and optimise the composition of our indebtedness in order to achieve net current assets position; and (ii) when any of the above-mentioned short-term loans become due, we will endeavour to either use our internally generated cash to repay them and/or refinance such short-term bank loans with long-term bank loans.

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our positive operating cash flow, available unutilised banking facilities, other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Our Directors are not aware of any other factors that would have a material impact on our liquidity. Details of the proceeds from Global Offering necessary to meet our operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly consisted of buildings and structures, machinery and equipment, motor vehicles, office equipment and construction in progress. Our property, plant and equipment amounted to RMB507.4 million, RMB477.5 million, RMB559.5 million and RMB718.5 million, respectively, as at 31 December 2020, 2021 and 2022 and 30 June 2023.

The following table sets forth our breakdown on property, plant and equipment as at the date indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings and structures	115,766	110,509	104,773	101,140
Machinery and equipment	351,877	338,562	313,524	298,902
Motor vehicles	1,855	1,701	1,439	1,214
Office equipment	18,297	16,404	13,926	12,665
Constructions in progress	19,612	10,321	125,818	304,591
Total	507,407	477,497	559,480	718,512

Our property, plant and equipment decreased from RMB507.4 million as at 31 December 2020 to RMB477.5 million as at 31 December 2021, primarily resulting from depreciation of RMB42.3 million recorded in FY2021. As at 31 December 2022 and 30 June 2023, our property, plant and equipment significantly increased to RMB559.5 million and RMB718.5 million, respectively, mainly due to the construction in progress for the additional hydrogenated benzene-based chemical production line in Jiyuan High-Tech Industrial Chemical Park in FY2022 and 1H2023 partially offset by the deprecation of RMB43.3 million and RMB21.8 million in FY2022 and 1H2023, respectively.

Right-of-use assets

We have consistently adopted IFRS 16 throughout the Track Record Period. Our leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our consolidated statements of financial position. We recognised right-of-use assets at the commencement date of the lease (i.e. the date on which the underlying asset is available for use), except for short-term leases and leases of low value assets (being amount insignificant to our Group during the Track Record Period) which were recognised in our property related expenses.

Our right-of-use assets included (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs we incurred; and (iv) an estimate of the costs to be incurred by us in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Our right-of-use assets increased from RMB79.9 million as at 31 December 2020 to RMB114.0 million as at 31 December 2021 primarily attributable to the addition of a land of RMB36.5 million acquired for the additional hydrogenated benzene-based chemical production line in Jiyuan High-Tech Industrial Chemical Park. Our right-of-use assets then remained relatively stable at RMB111.4 million and RMB110.0 million as at 31 December 2022 and 30 June 2023, respectively.

Intangible assets

During the Track Record Period, our intangible assets are mainly franchise for oil and gas stations. Our intangible assets decreased from RMB54.9 million as at 31 December 2020 to RMB45.3 million as at 31 December 2021, primarily due to the amortisation of RMB16.3 million partially offset by the addition of RMB6.6 million for operating license from the acquisition of Jidong oil station (now known as Lilin oil station) in FY2021. Our intangible assets then decreased to RMB29.0 million as at 31 December 2022, primarily due to amortisation of RMB16.3 million in FY2022. Our other intangible assets decreased to RMB23.8 million as at 30 June 2023, primarily due to amortisation of RMB5.2 million.

Goodwill

Our goodwill were mainly arising from the acquisition of Jinning Energy and oil stations. Our goodwill increased from RMB8.9 million as at 31 December 2020 to RMB10.7 million as at 31 December 2021, due to the acquisition of Jidong oil station (now known as Lilin oil station) in FY2021. Our goodwill then remained stable at RMB10.7 million as at 31 December 2021 and 2022 and 30 June 2023. As at 30 June 2023, our management is not aware of any signs that would trigger the recoverable amount of each CGU to be lower than their respective carrying amount.

Impairment Test

Impairment review on the goodwill has been conducted by the management as at each reporting date according to HKAS 36 "Impairment of assets". We carried out impairment testing on goodwill by comparing the recoverable amounts of each cash-generating units ("CGU") to their carrying amounts. For the purpose of goodwill impairment review, the recoverable amount of CGU (or groups of CGUs) is the higher of its fair value less cost of disposal and its value in use. We have engaged an independent external valuer for performing the goodwill impairment assessments as at 31 December 2020, 2021 and 2022 and 30 June 2023. The management leveraged their extensive experiences in the industries and prepared the forecast based on the past performance and their expectation of future business projection and market developments.

The following table sets forth the carrying amounts of goodwill (net of accumulated impairment losses) allocated to different units as at the date indicated:

	As at 31 December			**As at 30 June**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of coal gas – Jinning Energy (Unit A)	8,001	8,001	8,001	8,001
Retail of refined oil – Ouya Gasoline Station (Unit B)	253	253	253	253
Retail of refined oil – Liandong Gas Station (Unit C)	648	648	648	648
Retail of refined oil – Jidong oil station (now known as Lilin oil station) (Unit D)	N/A	1,767	1,767	1,767
	8,902	10,669	10,669	10,669

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

The recoverable amount of Unit A has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period for the three years ended 31 December 2020, 2021 and 2022 and discount rate was 28.5%, 28.5% and 28.5% as at 31 December 2020, 2021 and 2022, respectively.

The management of our Group uses unchanged pre-tax discount rate for Unit A mainly considering that during the Track Record Period (i) being the exclusive supplier of coal gas in the vicinity of Huancheng Road (環城路) and to the residents of Du Village (杜村) in Chengliu town (承留鎮), Jiyuan city, the production process, customer demands and sales activities of Unit A remained stable, and the gross margin level met the expectation of the management; (ii) with sufficient working capital, Unit A did not raise borrowings and remained stable capital structure; and (iii) the slightly drop of interest rate of government bonds in PRC has immaterial effect on the pre-tax discount rate.

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

As at 31 December 2020, 2021 and 2022, the recoverable amount of Unit A exceeds its carrying amounts by RMB27.0 million, RMB18.0 million and RMB97.3 million, respectively. If the discount rate increased by 2%, while other parameters remain constant, the recoverable amount of Unit A exceeds its carrying amounts by RMB15.7 million, RMB10.4 million and RMB85.5 million, respectively as at 31 December 2020, 2021 and 2022.

Our management believes that any reasonably possible changes in any of these assumptions would not cause the carrying amount of Unit A to exceed its recoverable amount. Our management determines that there is no impairment of Unit A containing goodwill during Track Record Period. Also our management determines that there is no impairment on other units except for Unit B containing goodwill and no reversal of impairment during the Track Record Period after impairment assessment.

Inventories

Our inventories consisted of (i) raw materials, which are primarily crude benzene, and (ii) finished goods, which are primarily hydrogenated benzene-based chemicals and LNG. The following table sets forth a summary of our inventory balances as at the date indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	33,480	40,349	37,128	28,473
Finished goods	15,292	27,089	28,571	25,253
	48,772	67,438	65,699	53,726

Our inventories increased from RMB48.8 million as at 31 December 2020 to RMB67.4 million as at 31 December 2021, primarily attributable to the increase in (i) finished goods of RMB11.8 million primarily due to the increase in prices of hydrogenated benzene-based chemicals; and (ii) raw materials of RMB6.9 million primarily due to the increase in price of crude benzene. Our inventories then remained relatively stable at RMB65.7 million as at 31 December 2022. Our inventories then decreased to RMB53.7 million as at 30 June 2023, primarily due to the decrease in (i) raw materials of RMB8.7 million, following our effort in maintaining reasonable level of inventories adjusting to market conditions and the decrease in price of crude benzene; and (ii) finished goods of RMB3.3 million mainly due to the sales during 1H2023.

We also periodically review our inventory levels for slow-moving inventory, obsolescence or decline in market value. Allowance is made when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete. We did not have any allowance of impairment of inventories during the Track Record Period.

The following table sets forth the turnover days of our inventories for the Track Record Period.

	FY2020	**FY2021**	**FY2022**	**1H2023**
Average turnover days of inventories*(Note)*	17	16	12	11

Note: Inventory turnover days equal average inventory for the relevant year divided by cost of sales for the relevant year and then multiplied by 365 days for FY2020, FY2021 and FY2022, and by 181 days for the 1H2023.

Our average turnover days of inventories remained relatively low at 17 days, 16 days, 12 days and 11 days in FY2020, FY2021, FY2022 and 1H2023, respectively.

As at 31 October 2023, RMB51.4 million or 95.6% of our inventories as at 30 June 2023 had been sold or utilised.

Trade receivables

Our trade receivables represent receivables from the sale of our products. Our trade receivables decreased from RMB21.4 million as at 31 December 2020 to RMB11.9 million as at 31 December 2021, primarily due to the settlement from our customers. Our trade receivables then increased to RMB13.8 million as at 31 December 2022, primarily due to increase in revenue. Our trade receivables increased to RMB16.6 million as at 30 June 2023, primarily due to the increase in revenue generated in June 2023.

Our trading terms with our customers are generally prepayment, payment on delivery and on credit. We seek to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. We have concentration of credit risk resulting from our five largest customers contributed to our revenue during the Track Record Period. Considering the long-term relationships with our customers and the financial position of these customers, our Directors consider that our credit risk is significantly reduced. We do not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The following table sets forth the ageing analysis of the trade receivables (net of allowance for credit losses) based on the invoice date as at the date indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	21,431	11,915	13,463	16,262
91 days to 180 days	–	–	–	–
181-365 days	–	–	204	–
More than 1 year	–	–	90	294
	21,431	11,915	13,757	16,556

As at 30 June 2023, 98.2% of our trade were aged within 90 days. As at the Latest Practicable Date, trade receivables of RMB0.3 million, which was aged over 181 days as at 30 June 2023, had been fully settled. An impairment analysis is performed at the end of each of the years using a provision matrix to measure expected credit losses ("**ECL**"). Impairment on trade receivable is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information. Trade debtors and bills receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments, and the failure of a debtor to engage in a repayment plan with the Group. We did not have impairment loss under ECL model during the Track Record Period, while the reversal of impairment loss under ECL model was RMB29,000, nil, nil and nil in FY2020, FY2021, FY2022 and 1H2023, respectively.

The table below sets forth a summary of average turnover days of trade receivables for the Track Record Period:

	FY2020	FY2021	FY2022	1H2023
Average turnover days of trade receivables*(Note)*	7	4	5	7

Note: Average turnover days of trade receivables equal average trade receivables for the relevant period plus the average trade nature receivables from related parties for the relevant period divided by revenue for the relevant period and then multiplied by 365 days for FY2020, FY2021 and FY2022, and by 181 days for 1H2023.

Our average turnover days of trade receivables remained relatively low at 7 days, 4 days, 5 days and 7 days in FY2020, FY2021, FY2022 and 1H2023.

As at 31 October 2023, all of our trade related receivables outstanding as at 30 June 2023 were settled.

Other receivables

Our other receivables mainly consisted (i) prepayments to suppliers are made in relation to our purchases of raw materials, mainly crude benzene; (ii) prepaid other taxes and charge; and (iii) other receivables.

The following table sets forth the breakdown of our other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to suppliers	3,019	9,432	6,435	11,478
Prepaid other taxes and charges	34,739	34,111	10,744	6,016
Other receivables *(Note)*	502	129	199	219
Total	38,260	43,672	17,378	17,713

Note: Other receivables mainly included prepayment for social security for staff.

Our other receivables increased from RMB38.3 million as at 31 December 2020 to RMB43.7 million as at 31 December 2021, primarily due to the increase in prepayments to suppliers of RMB6.4 million resulting from the increase in price of crude benzene. Our other receivables then decreased to RMB17.4 million as at 31 December 2022, primarily due to the decrease in prepaid other taxes and charges of RMB23.4 million resulting from the refund of value-added tax credit of RMB30.9 million in FY2022. The other receivables remained RMB17.7 million as at 30 June 2023.

Amounts due from related parties

We had amounts due from related parties of nil, nil, RMB62.4 million and RMB53.4 million as at 31 December 2020, 2021 and 2022 and 30 June 2023.

The following table sets forth our amounts due from related parties as at the date indicated:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
Xinyang Steel Jingang Energy Co., Ltd.* 信陽鋼鐵金港能源有限公司 ("Xinyang Jingang")	–	–	32,372	23,411

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jiyuan Fangsheng Chemicals Co., Ltd.* 濟源市方升化學有限公司 ("Fangsheng Chemicals")	–	–	8	–
	–	–	32,380	23,411
Non-trade nature				
Xinyang Jingang	–	–	30,000	30,000

* *For identification purpose only.*

The amounts in trade nature are from contract with customers. None of the balance is past due at the end of each reporting period. For the balance of non-trade nature, the amount represented amounts provided to Xinyang Jingang for the purpose for their operation. The amount was unsecured and interest bearing at 5% and repayable on 31 December 2023. The amounts are expected to be settled upon the Listing.

Bills receivables at FVTOCI

Our bills receivables represent receivables evidenced by bills issued by licensed banks registered in the PRC. We allow our customers to use banks' acceptance bills (which typically mature within 180 days) to settle their purchases with us. These bills, once received by us, may be discounted to cash with banks prior to their maturity dates subject to the payment of discount interest, or endorsed by us to settle our payables.

Under IFRS 9, certain bills which were held by our Group for the practice of discounting or endorsing to financial institutions or suppliers before the bills due for payment were classified as "bills receivables at FVTOCI". As at 31 December 2020, 2021 and 2022 and 30 June 2023, all our bills receivables are classified under "bills receivables at FVTOCI". At 31 December 2020, 2021 and 2022 and 30 June 2023, all the bills are with a maturity period of less than one year. Our bills receivables at FVTOCI increased from RMB108.5 million as at 31 December 2020 to RMB120.4 million as at 31 December 2021, primarily due to the increase in revenue. Our bills receivables at FVTOCI decreased to RMB84.9 million as at 31 December 2022 primarily due to the bills being discounted or endorsed in FY2022. Our bills receivables at FVTOCI increased to RMB119.1 million as at 30 June 2023, primarily due to the increase in revenue in 1H2023.

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

Trade and other payables

Our trade payables represent payables from our purchase of raw materials. Our bills payables represent payables from bills we have issued to our suppliers. Salaries and wages payables mainly represent the wages that we pay to our staff. Other tax payables mainly represent payables for our value-added tax and other taxes. Consideration payable for purchase of property, plant and equipment primarily comprises amounts payable to suppliers for the machine and equipment that we procure and contractors for the construction of our facilities. Accruals mainly comprise the accrued interest expenses and other miscellaneous expenses.

The table below sets forth our trade and other payables as at the dates indicated:

	As at 31 December			**As at 30 June**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	11,288	3,919	10,601	8,327
Bills payables	43,840	45,900	57,000	50,000
	55,128	49,819	67,601	58,327
Salaries and wages payables	4,530	5,403	6,586	1,765
Other tax payables	5,476	5,902	5,138	5,812
Accruals	297	1,149	2,053	454
Interest payable	–	–	231	321
Consideration payable for acquisition of				
– property, plant and equipment	65,322	45,466	58,075	151,056
– business(Note)	–	425	–	–
Obligation arising from acquisition of				
– non-controlling interest in a subsidiary	–	–	–	10,000
Deposit	1,299	1,149	2,901	2,596
Dividend payables	–	–	–	11,400
Other payables	590	619	1,595	1,072
	77,514	60,113	76,579	184,476
	132,642	109,932	144,180	242,803

Note: The amount represented the payables in relation to the acquisition of the business of Jidong oil station (now known as Lilin oil station) from an independent third party in FY2021.

Trade and bills payables

Our trade and bills payables decreased from RMB55.1 million as at 31 December 2020 to RMB49.8 million as at 31 December 2021, primarily due to our settlement to suppliers. Our trade payables then increased to RMB67.6 million as at 31 December 2022, mainly due to the increase in purchase of raw materials for our operations. Our trade payables then decreased to RMB58.3 million as at 30 June 2023, primarily due to the settlement to our suppliers.

The table below sets forth, as at the end of reporting periods indicated, the ageing analysis of our trade and bills payables:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	33,720	23,458	36,959	7,445
91-180 days	16,969	25,922	30,306	50,299
181-365 days	873	214	1	465
More than 1 year	3,566	225	335	118
	55,128	49,819	67,601	58,327

The following table sets out the average trade payables turnover days for the Track Record Period:

	FY2020	**FY2021**	**FY2022**	**1H2023**
Average turnover days of trade payables[(Note)]	12	7	1	4

Note: Average turnover days of trade payables equal average trade payables for the relevant period plus average trade nature amounts payable to related parties and a Shareholder for the relevant period divided by cost of sales for the relevant period and then multiplied by 365 days for FY2020, FY2021 and FY2022, and by 181 days for 1H2023.

Our average turnover days of trade payables remained relatively low and showed a decreasing trend from 12 days in FY2020 to 4 days in 1H2023.

As at 31 October 2023, RMB7.3 million or 87.7% of our trade related payables outstanding as at 30 June 2023 were settled.

Other payables

Our other payables decreased from RMB77.5 million as at 31 December 2020 to RMB60.1 million as at 31 December 2021, primarily due to the decrease in consideration payable for purchase of property, plant and equipment of RMB19.9 million mainly for the settlement of payables for construction in progress for the LNG facility. Our other payables then increased to RMB76.6 million as at 31 December 2022, primarily due to increase in (i) consideration payable for purchase of property, plant and equipment of RMB12.6 million mainly for the additional hydrogenated benzene-based chemical production line in Jiyuan High-Tech Industrial Chemical Park; and (ii) deposits of RMB1.8 million from our customers due to the expansion of our operations. Our other payables increased to RMB184.5 million as at 30 June 2023, primarily due to the increase in (i) consideration payable for purchase of property, plant and equipment of RMB93.0 million mainly for the additional hydrogenated benzene-based chemical production line in Jiyuan High-Tech Industrial Chemical Park; and (ii) dividend payables of RMB11.4 million as at 30 June 2023; and (iii) consideration payable for acquisition of non-controlling interest of RMB10.0 million for the 10% equity interest in Jinrui Energy. We have already paid deposit of RMB10.0 million to the non-controlling shareholder.

Contract liabilities

Our contract liabilities generally represented the unsatisfied performance obligations i.e. receipt in advance from our customers as at 31 December 2020, 2021 and 2022 and 30 June 2023. The contract liabilities were expected to be recognised within one year. Our contract liabilities remained relatively stable at RMB10.0 million as at 31 December 2020 and RMB10.5 million as at 31 December 2021. Our contract liabilities increased to RMB15.4 million as at 31 December 2022, mainly attributable to the expected sales in early 2023. Our contract liabilities then increased to RMB18.8 million as at 30 June 2023, primarily due to increase in receipts in advance for the expected sales in July 2023.

Amounts due to a shareholder/related parties

Amount due to a shareholder

We had amounts due to a shareholder, Jinma Energy of RMB204.8 million, RMB214.8 million, nil and RMB19.2 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. The following table sets forth the table of our amount due to a shareholder as at the date indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jinma Energy				
Trade nature	32,861	–	–	19,239
Non-trade nature	171,918	214,817	–	–
	204,779	214,817	–	19,239

The amount due to Jinma Energy in trade nature are aged within 90 days as at 30 June 2023 and will be settled accordingly to the credit terms. The amount due to Jinma Energy which is non-trade nature was unsecured and interest-free and had no fixed repayment terms, and had been settled in FY2022.

Amounts due to related parties

The amounts due to related parties amounted to RMB0.1 million, nil, nil and nil as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our use of cash primarily related to operating activities and capital expenditure. We have historically financed our operations primarily through a combination of cash flow generated from our operation, proceeds from bank borrowings and amounts due to a shareholder.

In managing our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of unexpected fluctuations in cash flows. Our Group has built an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. We regularly monitor the repayment dates of financial liabilities, including trade payables, other payables and accrued charges, etc. to match with financial resources available to us from time to time. Our Group manages liquidity risk by maintaining adequate financial resources, including existing cash and bank balances and operating cash flows.

We currently expect that our operations will be financed primarily through a combination of cash flow generated from our operation and proceeds from bank borrowing after the Listing. We also expect that there will not be any material change in the uses of cash of our Group, except that we would have additional cash outflow for payment of Listing expenses. We will also have additions funds from proceeds of the Share Offer for implementing our future plans as detailed in "Use of Proceeds" in this prospectus.

Cash Flow

The following table summarises, for the periods indicated, our combined statements of cash flows:

	FY2020	**FY2021**	**FY2022**	**1H2022**	**1H2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	61,385	110,905	233,548	138,393	82,526
– Adjustments for non-cash item	54,995	58,690	65,000	32,856	27,225
– Changes in Working Capital	(32,433)	(35,218)	58,418	6,058	(8,447)
Cash generated from operations	83,947	134,377	356,966	177,307	101,304
Income tax paid	(22,339)	(35,753)	(38,168)	(16,591)	(19,224)
Net cash flows from operating activities	61,608	98,624	318,798	160,716	82,080
Net cash flows used in investing activities	(77,347)	(58,702)	(167,344)	(36,092)	(62,570)
Net cash flows from/(used in) financing activities	12,707	(44,285)	(139,064)	(95,136)	(22,224)
Net increase(decrease) in cash and cash equivalents	(3,032)	(4,363)	12,390	29,488	(2,714)
Cash and cash equivalents at beginning of year/period	57,475	54,443	50,080	50,080	62,470
Cash and cash equivalents at end of year/period	54,443	50,080	62,470	79,568	59,756

Operating activities

In FY2020, we had net cashflow from operating activities of RMB61.6 million, primarily attributable to our profit before tax of RMB61.4 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB33.5 million; (ii) amortisation of intangible assets of RMB16.0 million; and (iii) finance costs of RMB8.6 million. The amount was further adjusted by decrease in movements in working capital of RMB32.4 million and net income tax paid of RMB22.3 million. The decrease in movements in working capital primarily included the decrease in trade and other payables of RMB140.1 million. The decrease in movements in working capital was partially offset by the (i) change in amounts due to shareholders of RMB90.2 million; and (ii) decrease in bills receivables at FVTOCI of RMB18.6 million.

In FY2021, we had net cashflow from operating activities of RMB98.6 million, primarily attributable to our profit before tax of RMB110.9 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB42.3 million; and (ii) amortisation of intangible assets of RMB16.3 million. The amount was further adjusted by decrease in movements in working capital of RMB35.2 million and net income tax paid of RMB35.8 million. The decrease in movements in working capital primarily included (i) change in amounts due to shareholders of RMB32.9 million; and (ii) increase in inventories of RMB18.7 million. The decrease in movements in working capital was partially offset by the decrease in bills receivables at FVTOCI of RMB14.6 million.

In FY2022, we had net cashflow from operating activities of RMB318.8 million, primarily attributable to our profit before tax of RMB233.5 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB43.3 million; (ii) amortisation of intangible assets of RMB16.3 million; and (iii) finance costs of RMB8.0 million. The amount was further adjusted by increase in movements in working capital of RMB58.4 million and net income tax paid of RMB38.2 million. The increase in movements in working capital primarily included (i) decrease in bills receivables at FVTOCI of RMB37.9 million; (ii) decrease in trade and other receivables of RMB24.5 million; and (iii) increase in trade and other payables of RMB21.8 million. The increase in movements in working capital was partially offset by the increase in amounts due from related parties of RMB32.4 million.

In 1H2023, we had net cashflow from operating activities of RMB82.1 million, primarily attributable to our profit before tax of RMB82.5 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB21.8 million; (ii) amortisation of intangible assets of RMB5.2 million; and (iii) finance costs of RMB3.0 million. The amount was further adjusted by decrease in movements in working capital of RMB8.4 million and net income tax paid of RMB19.2 million. The decrease in movements in working capital primarily included (i) increase in bills receivables at FVTOCI of RMB33.0 million; and (ii) decrease in trade and other payables of RMB15.8 million. The decrease in movements in working capital was partially offset by the (i) change in amounts due to shareholder of RMB19.2 million; and (ii) decrease in inventories of RMB12.0 million.

Investing activities

In FY2020, our net cash used in investing activities of RMB77.3 million primarily reflected (i) payments for purchase of property, plant and equipment of RMB60.0 million; (ii) deposit for acquisition of right-of-use assets of RMB16.5 million.

In FY2021, our net cash used in investing activities of RMB58.7 million primarily reflected the (i) payments for purchase of property, plant and equipment and right-of-use assets of RMB31.5 million and RMB20.0 million, respectively; and (ii) acquisition of a business, namely Jidong oil station (now known as Lilin oil station), of RMB10.0 million.

In FY2022, our net cash used in investing activities of RMB167.3 million primarily reflected the (i) payments for purchase of property, plant and equipment of RMB116.6 million; (ii) loan to a related party of RMB30.0 million; and (iii) placement of time deposit of RMB30.0 million.

In 1H2023, our net cash used in investing activities of RMB62.6 million primarily reflected payments for purchase of property, plant and equipment of RMB84.7 million partially offset by the net withdrawal from time deposit of RMB30.0 million.

Financing activities

In FY2020, our net cash from financing activities of RMB12.7 million primarily reflected the (i) net borrowings received from a shareholder of RMB111.1 million, partially offset by the net repayment of bank borrowings of RMB69.8 million; and (ii) dividend paid to shareholder and non-controlling shareholders of subsidiaries of RMB10.2 million and RMB9.8 million, respectively.

In FY2021, our net cash used in financing activities of RMB44.3 million primarily reflected the (i) net repayment of bank borrowings of RMB31.2 million; and (ii) dividend paid to shareholder and non-controlling shareholders of subsidiaries of RMB15.3 million and RMB14.7 million, respectively, partially offset by the net borrowings received from a shareholder of RMB19.6 million.

In FY2022, our net cash used in financing activities of RMB139.1 million primarily reflected repayment of borrowings to a shareholder of RMB214.8 million, partially offset by the net borrowings raised of RMB114.1 million.

In 1H2023, our net cash used in financing activities of RMB22.2 million primarily reflected dividend paid to shareholder and non-controlling shareholders of subsidiaries of RMB63.0 million and RMB25.6 million, respectively, partially offset by the net borrowings raised of RMB76.6 million.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

CAPITAL EXPENDITURES

Our Group's capital expenditures have principally consisted of expenditures on additions of property, plant and equipment, right-of-use assets, intangible assets and investment properties. During the Track Record Period, our Group incurred capital expenditures, which consisted of purchase of property, plant and equipment, right-of-use assets (except for the amounts arising from acquisitions), of RMB76.5 million, RMB51.5 million, RMB116.6 million and RMB84.7 million, respectively. Between 1 July 2023 and the Latest Practicable Date, we incurred capital expenditure of RMB25.1 million mainly for the construction in progress for the additional hydrogenated benzene-based chemical production line in Jiyuan High-Tech Industrial Chemical Park.

For the year ending 31 December 2023, we estimate that the additional capital expenditures will amount to approximately RMB58.0 million primarily for the construction for the additional hydrogenated benzene-based chemical production line and hydrogen gas station.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally though the net proceeds we received from the Global Offering and cash generated from our operating activities and proceeds from borrowings. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

PROPERTY VALUATION

JLL, an independent property valuer, has valued certain of our property interests as at 30 September 2023 and is of the opinion that the total market value in existing state as at such date was RMB190.9 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus. A reconciliation of the net book value of our properties as at 30 September 2023 as set out in the "Accountants' Report" in Appendix I to this prospectus to their fair value as at 30 September 2023 as stated in the property valuation report set out in property valuation report in Appendix III to this prospectus is set out below:

	RMB'000
Net book value as at 30 June 2023	172,844
Add: Additions during the period from 1 July 2023 to 30 September 2023	2,710
Less: Depreciation during the period from 1 July 2023 to 30 September 2023	1,907
Net book value as of 30 September 2023	173,647
Net valuation surplus	17,213
Valuation of properties owned by our Group as at 30 September 2023 as set out in the property valuation report in Appendix III to this prospectus	190,860

CONTRACTUAL AND CAPITAL COMMITMENTS

We had the following capital commitments as at the dates indicated:

	As at 31 December			**As at 30 June**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Acquisition of property, plant and equipment	2,478	590	36,068	23,549

INDEBTEDNESS

The following table sets forth the breakdown of our total indebtedness as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Bank borrowings	82,200	51,000	165,147	241,746	268,762
Lease liabilities	104	170	154	140	4,174
Total	82,304	51,170	165,301	241,886	272,936

Bank borrowings

The following table sets forth the breakdown of our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Bank borrowings					
– Secured and unguaranteed	5,200	–	105,147	147,746	176,762
– Unsecured and unguaranteed	77,000	51,000	60,000	94,000	92,000
Total	82,200	51,000	165,147	241,746	268,762
Fixed-rate borrowings	77,000	51,000	30,000	50,000	50,000
Floating-rate borrowings	5,200	–	135,147	191,746	218,762
Total	82,200	51,000	165,147	241,746	268,762

Our Directors confirm that as at the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth the repayment terms of our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Within one year	61,200	36,000	87,000	146,000	142,000
More than one year, but not more than two years	6,000	15,000	68,147	95,746	70,000
More than two years, but not more than five years	15,000	–	10,000	–	56,762
	82,200	51,000	165,147	241,746	268,762
Less: Amount due for settlement within 12 months shown under current liabilities	(61,200)	(36,000)	(87,000)	(146,000)	(142,000)
Amount due for settlement after 12 months shown under non-current liabilities	21,000	15,000	78,147	95,746	126,762

The following table sets forth the ranges of effective interest rates per annum of our bank borrowings as at the dates indicated:

Effective interest rate per annum:					
– Fixed-rate borrowings	5.30%	5.30%	5.30%	3.85%	3.85%
– Floating-rate borrowings	3.56%-4.90%	N/A	3.99%-5.60%	3.61%-5.60%	3.61%-5.60%

The following table sets forth the pledged assets to banks as securities against general banking facilities, including banks borrowings and bills payables granted to our Group as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Property, plant and equipment	–	–	141,888	410,709	441,968
Right-of-use assets	–	–	51,742	51,177	50,801
Restricted bank balances	24,087	23,078	15,208	25,211	25,211
Bills receivables at FVTOCI	46,352	26,000	27,000	–	–
	70,439	49,078	235,838	487,097	517,980

As at 31 October 2023, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of RMB385.0 million, of which RMB91.2 million was unutilised. We are not committed to draw down the unutilised amount.

During the Track Record Period, our Directors confirmed that we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the date of this prospectus, we did not have any plan for material external debt financing. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this prospectus.

Lease liabilities

Our Group has adopted IFRS 16 consistently throughout the Track Record Period. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's combined statements of financial position.

Our lease liabilities amounted to RMB104,000, RMB170,000, RMB154,000, and RMB140,000 and RMB4.2 million which were unsecured and unguaranteed as at 31 December 2020, 2021 and 2022, 30 June 2023 and 31 October 2023, respectively.

Contingent liabilities

During the Track Record Period and as at 31 October 2023, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Save as aforesaid or as otherwise disclosed herein, and apart from normal trade payables, intra-group liabilities and trade-related amounts due to shareholders and related parties, our Group did not have outstanding at Latest Practicable Date any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended/as at 31 December			For the six months ended/as at 30 June
	2020	**2021**	**2022**	**2023**
Gross Profit Margin (%)[1]	9.4	10.3	12.8	9.9
Net Profit Margin (%)[2]	4.1	5.4	8.6	6.1
Return on equity (%)[3]	7.4	16.8	26.6	9.0
Return on total assets (%)[4]	4.6	8.2	18.9	5.7
Current ratio (times)[5]	0.7	0.8	1.4	0.8
Gearing ratio (%)[6]	16.3	9.2	23.0	36.1

Notes:

(1) Gross profit margin was calculated on gross profit divided by revenue for the respective year/period. See the paragraph headed "Review of Historical Results of Operation" in this section for more details on our gross profit margins.

(2) Net profit margin was calculated on profit for the year/period divided by revenue for the respective year/period. See the paragraph headed "Review of Historical Results of Operation" in this section for more details on our net profit margins.

(3) Return on equity was calculated based on the net profit attributable to the owners of the Company for the year/period for the respective year/period divided by the average equity attributable to owners of the Company as at the respective year/period and multiplied by 100%.

(4) Return on total assets was calculated based on the net profit for the respective year/period divided by the average total assets of the respective year/period and multiplied by 100%.

(5) Current ratio was calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

(6) Gearing ratio was calculated by total interest-bearing borrowings and lease liabilities divided by total equity as at the end of the year/period multiplied by 100%.

Return on equity

Our return on equity increased from 7.4% in FY2020 to 16.8% in FY2021 and further increased to 26.6% in FY2022, primarily due to the increase in profit attributable to the owners of the Company in FY2021 and FY2022. Our return on equity decreased to 9.0% in 1H2023, primarily due to the decrease in profit attributable to the owners of the Company in 1H2023.

Return on total assets

Our return on total assets increased from 4.6% in FY2020 to 8.2% in FY2021 and further increased to 18.9% in FY2022, primarily due to the increase in profit for the year in FY2021 and FY2022. Our return on total assets decreased to 5.7% in 1H2023, primarily due to the decrease in profit for the period in 1H2023.

Current ratio

Our current ratio remained relatively stable at 0.7 times and 0.8 times as at 31 December 2020 and 2021, respectively. Our current ratio then increased to 1.4 times as at 31 December 2022, primarily due to the (i) decrease in amount due to a shareholder of RMB214.8 million; and (ii) increase in amounts due from related parties of RMB62.4 million, partially offset by the increase in borrowings of RMB51.0 million as at 31 December 2022.

Our current ratio then decreased to 0.8 times as at 30 June 2023, primarily due to the (i) increase in current portion of bank borrowings of RMB59.0 million; and (ii) increase in trade and other payables of RMB98.6 million, partially offset by the increase in bills receivables at FVTOCI as at 30 June 2023.

Gearing ratio

Our gearing ratio decreased from 16.3% as at 31 December 2020 to 9.2% as at 31 December 2021, primarily due to the decrease in borrowings resulting from our repayment. Our gearing ratio then increased to 23.0% as at 31 December 2022, primarily due to the increase in borrowings as at 31 December 2022. Our gearing ratio then increased to 36.1% as at 30 June 2023, primarily due to the increase in bank borrowings of RMB76.6 million as at 30 June 2023 in relation to our construction in progress for the additional hydrogenated benzene-based chemicals production line in Jiyuan High-Tech Industrial Chemical Park.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of financial risks, such as market risk, including interest rate risk, credit risk and liquidity risk.

Details of the risk to which we are exposed are set out in note 39 to the Accountants' Reports, the text of which is set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

The total estimated Listing expenses in connection with the Global Offering are RMB38.1 million, representing 13.3% of the gross proceeds from the Global Offering (based on the mid-point of the Offer Price Range of HK$1.3 per shares and assuming no Over-allotment Option will be exercised), among which (i) Listing expenses, including underwriting commission and other expenses fees, are expected to be RMB10.0 million, and (ii) other non-underwriting expenses are expected to be RMB28.1 million, comprising (a) fees and expenses of legal advisers and Reporting Accountant of RMB15.8 million and (b) other fees and expenses of RMB12.3 million. Listing expenses of RMB5.4 million is expected to be recognised as administrative expenses during the year ending 31 December 2023, while RMB32.7 million will be recorded in equity upon the Listing.

DIVIDENDS

The PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in certain aspects from IFRS. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank facilities or other agreements that we or our subsidiaries may enter into in the future.

The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividend.

The dividends declared by Jinning Energy to the non-controlling shareholders amounted to RMB9.8 million, RMB14.7 million, RMB14.7 million and RMB19.6 million, respectively, during FY2020, FY2021, FY2022 and 1H2023. The dividends declared by Jinning Energy to the controlling shareholder amounted to RMB10.2 million, RMB15.3 million, RMB15.3 million and RMB20.4 million, respectively, during FY2020, FY2021, FY2022 and 1H2023.

The dividends declared by Jinrui Energy to the non-controlling shareholders and the controlling shareholder amounted to RMB17.4 million and RMB42.6 million, respectively, during 1H2023.

As at the Latest Practicable Date, the dividends declared during the Track Record Period have been settled. Currently we do not have a formal dividend policy and there is no assurance that dividends of any amount will be declared or be distributed in any year.

DISTRIBUTABLE RESERVES

As at 30 June 2023, we had reserves of RMB454.8 million. See section "Combined Statements of Changes in Equity" of the Accountants' Report contained in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Please see the section "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for our unaudited pro forma adjusted net tangible assets.

EVENTS AFTER THE TRACK RECORD PERIOD

There is certain subsequent event happened after 30 June 2023. For details, see note 42 of the Accountants' Report.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Please see the section headed "Summary – Recent Developments" of this prospectus for details.

FUTURE PLANS

For details of our future plans, see "Business – Our Strategies" in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$269.1 million (equivalent to approximately RMB247.6 million) from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions, incentives and other estimated offering expenses payable by us and assuming an Offer Price of HK$1.3 per H Share, being the mid-point of the indicative Offer Price Range. We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 85.0%, or HK$228.8 million (equivalent to approximately RMB210.5 million), will be used to fund the construction of six to 10 additional gas stations with hydrogen refuelling facilities in Zhengzhou (including Zhengzhou High-Tech Industrial Development Zone and within the 15 gas stations under the cooperation agreement with the Administration Committee). We expect that the total investment cost in respect of the construction of the six to 10 additional hydrogen gas stations to comprise:

  - approximately HK$207.1 million (equivalent to approximately RMB190.5 million) for equipment, property and construction. For estimated breakdown on the purchase of equipment and construction cost of each hydrogen gas station, see "Business – Future Plans For Hydrogen Business – Current and Future Initiatives for Hydrogen Business" in this prospectus; and

  - approximately HK$21.7 million (equivalent to approximately RMB20.0 million) for operation setup costs.

    Subject to the availability of property as mentioned above, we intend to commence the construction of the first out of such six to 10 additional hydrogen gas stations in the first quarter of 2024 and construct three to five hydrogen gas stations per year in general. Based on our experience, the construction of a hydrogen gas station will take around three months to complete. We intend to apply 85.0% or HK$228.8 million (equivalent to approximately RMB210.5 million) of the net proceeds from the Global Offering for constructing six to 10 gas stations with hydrogen refuelling facilities and the remainder will be funded by our internal resources. For details of our future plans for hydrogen business, see "Business – Future Plans For Hydrogen Business – Current and Future Initiatives for Hydrogen Business" in this prospectus;

- approximately 5.0%, or HK$13.4 million (equivalent to approximately RMB12.4 million), will be used for investment in and/or acquisition of selected upstream and downstream market players. For instance, we may consider to invest in and/or acquire minority stake of companies (i) with hydrogen purification capability or engaging in the production of raw materials for the production of hydrogen; (ii) engaging in the manufacture of hydrogen fuel cell vehicles or conversion of vehicles into hydrogen fuel cell vehicles; (iii) engaging in the manufacture of hydrogen fuel cell; and (iv) engaging in the manufacture of equipment and machinery used for a hydrogen gas station, with expected registered capital of each company ranging from RMB10 million to RMB20 million or above and at least three years of track record. We believe that the expected benefits/synergies to our Group by such investment in and/or acquisition of selected upstream and downstream market players include to enable us to (i) attract more demand for hydrogen in relation to our future plans disclosed above. For instance, the investment in and/or acquisition of companies of types (ii) and (iii) above may enable us to replicate our initiative to secure demand for hydrogen like our tripartite framework agreement with Henan Yida Min'an Municipal Service Co., Ltd.* (河南一達民安市政服務有限公司) and Yutong Commercial Vehicle Co., Ltd.* (宇通商用車有限公司), the details of which are set out in "Business – Future Plans for Hydrogen Business – Current and Future Initiatives for Hydrogen Business – Initiatives to secure demand for hydrogen" in this prospectus; and (ii) optimise our source of supply of (a) hydrogen because the investment in and/or acquisition of company(ies) of type (i) above may enable us to broaden the source of hydrogen supply to any reduce reliance; and (b) equipment and machinery required for the operation of a hydrogen gas station.

  As at the Latest Practicable Date, we did not have any specific investment or acquisition target, plan or a definite timeline and had not entered into any definitive agreement or engaged in any active discussion with any potential target. According to Frost & Sullivan, there are over 50 companies in the PRC which are engaged in the above businesses with similar scale. As such, the Directors and Frost & Sullivan are of the view that there are potential targets in the PRC; and

- approximately 10.0%, or HK$26.9 million (equivalent to approximately RMB24.8 million), will be used for working capital and general corporate purposes.

IMPLEMENTATION TIMELINE

The table below sets out the expected implementation timetable for the planned use of proceeds:

	For the years ending 31 December		
	2024	**2025**	**Total**
	(HK$ in millions)		
Construction of six to 10 additional gas stations with hydrogen refuelling facilities in Zhengzhou (including Zhengzhou High-Tech Industrial Development Zone)	114.4	114.4	228.8
Investment in and/or acquisition of selected upstream and downstream market players	5.3	8.1	13.4
Working capital and general corporate purpose	13.5	13.4	26.9
Total	**133.2**	**135.9**	**269.1**

If the Offer Price is set at the high-end or low-end of the proposed Offer Price Range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase or decrease by HK$46.1 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase by HK$45.0 million, assuming an Offer Price of HK$1.3 per H Share, being the mid-point of the proposed Offer Price Range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price Range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by HK$53.0 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

If the net proceeds of the Global Offering are not immediately applied to the above purposes, we will only deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions in Hong Kong and mainland China (as defined under the SFO, the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant PRC Law).

In the event that any of our projects do not proceed as planned, including due to circumstances such as changes in economic conditions or government policies that would render any of our future plans not commercially viable, or force majeure, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering. In such case, we will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

THE CORNERSTONE PLACING

As part of the International Placing, we, the Sole Overall Coordinator and the Sole Sponsor have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities to subscribe, subject to certain conditions, at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 2,000 H Shares) that may be purchased for an aggregate amount of US$21 million (approximately HK$164.4 million[1]) (provided that the Offer Shares to be subscribed by Zhongsheng HK (as defined below) will not exceed 10% of number of Offer Shares offered under the Global Offering assuming that the Over-allotment Option is not exercised) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$1.1 (being the low end of the Offer Price Range set out in this prospectus), the total number of H Shares to be subscribed by our Cornerstone Investors would be 130,624,000 H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) (and provided that the Offer Shares to be subscribed by Zhongsheng HK (as defined below) will not exceed 10% of number of Offer Shares offered under the Global Offering assuming that the Over-allotment Option is not exercised), representing approximately (i) 54.7% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, (ii) 47.5% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised, (iii) 13.7% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iv) 13.2% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK$1.3 (being the mid-point of the Offer Price Range set out in this prospectus), the total number of H Shares to be subscribed by our Cornerstone Investors would be 114,202,000 H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) (and provided that the Offer Shares to be subscribed by Zhongsheng HK (as defined below) will not exceed 10% of number of Offer Shares offered under the Global Offering assuming that the Over-allotment Option is not exercised), representing approximately (i) 47.8% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, (ii) 41.6% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised, (iii) 12.0% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iv) 11.5% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

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1 Calculated based on the conversion rate of US$ to HK$ as set out in the section headed "Information about this prospectus and the Global Offering – Exchange rate conversion".

Assuming an Offer Price of HK$1.5 (being the high end of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by our Cornerstone Investors would be 102,160,000 H Shares (rounded down to the nearest whole board lot of 2,000 of H Shares) (and provided that the Offer Shares to be subscribed by Zhongsheng HK (as defined below) will not exceed 10% of number of Offer Shares offered under the Global Offering assuming that the Over-allotment Option is not exercised), representing approximately (i) 42.8% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, (ii) 37.2% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised, (iii) 10.7% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iv) 10.3% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect.

The Cornerstone Placing will form part of the International Placing and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by our Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company under the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company, and the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public shareholders. If there is over-allocation in the International Placing, there may be deferred delivery of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. The Cornerstone Investors have agreed that the Sole Overall Coordinator may, in its sole discretion, defer the delivery of all or part of the Offer Shares that the Cornerstone Investors have subscribed for to a date later than the Listing Date. All of the Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed for before dealings in the Offer Shares commence on the Stock Exchange.

To our best knowledge, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) each of the Cornerstone Investors is not accustomed to taking instructions from our Company or any of its subsidiaries, Directors, Supervisors, chief executive, Controlling Shareholder, substantial shareholders or existing Shareholders, or any of their respective subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer

Shares; and (iii) none of the subscription of the Offer Shares by the Cornerstone Investor is financed by our Company or its subsidiaries, Directors, Supervisors, chief executive, Controlling Shareholder, substantial shareholders or existing Shareholders, or their respective close associates.

As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. There are no side agreements or arrangements between our Company, any member of the Group, or any of their respective directors, supervisors and officers in the Global Offering and the Cornerstone Investors, or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

The number of H Shares to be subscribed by the Cornerstone Investor may be affected by reallocation of the H Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer, and the reallocation is further described in "Structure and Conditions of the Global Offering – The Hong Kong Public Offer – Reallocation" in this prospectus. The Cornerstone Investors have agreed that, in the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules, which provides that no more than 50% of our Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied, our Company, the Sole Overall Coordinator and the Sole Sponsor have the right to adjust the allocation of the number of Offer Shares to be subscribed by the Cornerstone Investors in their respective absolute discretion, to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules. Details of the actual number of H Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around 19 December 2023.

THE CORNERSTONE INVESTORS

Pursuant to the information provided by our Cornerstone Investors, we set out below a brief description of each of our Cornerstone Investors:

Zhongsheng Holdings Company Limited

Zhongsheng Holdings Company Limited ("**Zhongsheng HK**") is a company incorporated in Hong Kong and its principal activity is investment holding. It is a wholly-owned subsidiary of Zhongsheng Group Holdings Limited ("**Zhongsheng Group Holdings**"), which is in turn a company incorporated in the Cayman Islands in 2008 whose shares have been listed on the Main Board of the Hong Kong Stock Exchange since March 2010 (stock code: 881), and has been included as a constituent of the Hang Seng Index since June 2022. Zhongsheng HK has confirmed that all necessary approvals have been obtained with respect of its relevant Cornerstone Placing and that no specific approval is required from the Stock Exchange or the shareholders of Zhongsheng Group Holdings for the relevant cornerstone investment.

Based on publicly available information, Mr. Huang Yi (黃毅) and Mr. Li Guoqiang (李國强), being the controlling shareholders, through certain acting in concert arrangements hold a total of approximately 48.5% interest in Zhongsheng Group Holdings as at the Latest Practicable Date.

Zhongsheng Group Holdings and its subsidiaries (the "**Zhongsheng Group**") are principally engaged in the sale and service of motor vehicles, with a focus on luxury and mid-to-high end automobile brands. The Zhongsheng Group owns a comprehensive 4S (including sales, spare parts, after-sales services and surveys) nationwide dealership network, and as at 31 December 2022, it had a total number of 417 dealerships, of which 267 were luxury brand dealerships and 150 were mid-to-high-end brand dealerships, covering 25 provinces, municipalities and autonomous regions and over 110 cities in the PRC.

The Zhongsheng Group currently maintains a leading position among luxury brands such as Mercedes-Benz, Lexus, BMW and Audi, as well as mid-to-high-end brands such as Toyota. The Zhongsheng Group ranked first in the list of the "Top 100 Auto Dealer Groups in China" as announced by the China Automobile Dealers Association in May 2023 based on its total sales of RMB179,857 million of and sales volume of 660,517 vehicles for the year 2022.

We became acquainted with Zhongsheng Group Holdings through the business network of our Director Mr. Yiu Chiu Fai. Save for such acquaintance and the subject cornerstone investment, to the best knowledge of our Directors, there is no past or present relationship (including business, employment, family, financing, trust or otherwise) between (i) Zhongsheng HK, its shareholders, directors, senior management and employees, and (ii) our Company, our subsidiaries, our Shareholders, Directors, senior management and employees, or any of their respective associates.

As confirmed by our Company, Jinma Energy (being our Controlling Shareholder) and Zhongsheng Group, there is no benefit through any business arrangement or other relationship between our Controlling Shareholder and Zhongsheng Group to facilitate the Cornerstone Placing.

Genesis M Co., Limited

Genesis M Co., Limited is a company incorporated in Hong Kong and its principal activity is investment holding. It is a wholly-owned subsidiary of Zenith Steel Group Co., Ltd. (中天鋼鐵集團有限公司) ("**Zenith Steel**") which is in turn a company incorporated in the PRC in September 2001. Based on publicly available information, Zenith Steel is held as to approximately 57.20% by an individual named Dong Caiping (董才平), and 13 individuals as to the remaining approximately 42.80% in aggregate (and each such individual holds less than 10% of the interest in Zenith Steel).

Zenith Steel together with its subsidiaries (the "**Zenith Steel Group**"), is an iron and steel conglomerate, whose diverse business segments cover areas including refinery of iron and steel, deep processing of steel, modern logistics, agroecology, education and sports, hotel and commerce.

Zenith Steel has been shortlisted as one of the "Top 500 Chinese Enterprises (中國企業500強)" for 19 consecutive years, and in 2023, it ranked 175th in the "Top 500 Chinese Enterprises (中國企業500強)" and 83rd in the "Top 500 Chinese Manufacturing Enterprises (中國製造業500強)". Honours awarded to the Zenith Steel Group include "The Sixth China Grand Awards for Industry (第六屆中國工業大獎)", "National Enterprise of Technological Innovation (國家科技創新示範企業)" and "Top 10 Chinese Brands of Iron and Steel Enterprise (全國十大卓越品牌鋼鐵企業)".

Zenith Steel is a holder of 22.27% interest in Shenzhen Jinma Energy Co., Ltd* (深圳市金馬能源有限公司) ("**Shenzhen Jinma**"), a 51% owned subsidiary of Jinma Energy, and hence a connected person at the subsidiary level of Jinma Energy. In addition, Zenith Steel effectively holds approximately 15.03% interest in Dong Ming Industrial Group Co., Ltd.* (東銘實業集團有限公司) which is in turn a holder of approximately 4.45% interest in Shenzhen Jinma. Nonetheless, Zenith Steel is neither an existing shareholder of our Company, nor an associate of an existing Shareholder, a Director or a Supervisor of our Company, and therefore it is not a connected person of our Company.

We became acquainted with Zenith Steel through our business network with the Jinma Group. In the ordinary course of its business, the Jinma Group sells coke to and receives consultancy services from the Zenith Steel Group, which constitutes continuing connected transactions under Chapter 14A of the Listing Rules of Jinma Energy, and as confirmed by Jinma Energy, it has complied with the relevant requirements under the Listing Rules in respect of such transactions. The historical transaction amounts in respect of the sale of coke by the Jinma Group to the Zenith Steel Group for the three years ended 31 December 2022 and the six months ended 30 June 2023 are RMB1,470 million, RMB1,246 million, RMB1,312 million, and RMB817 million, representing 20.6%, 16.8%, 10.5% and 13.9% of the revenue of Jinma Energy for the corresponding periods, respectively. The historical amounts in respect of the receipt of consultancy services by the Jinma Group from the Zenith Steel Group for the three years ended 31 December 2022 and the six months ended 30 June 2023 are RMB253,000, RMB776,000, RMB795,000 and RMB187,000. Except for Zenith Steel's interest in Shenzhen Jinma and the aforementioned transactions between the Jinma Group and the Zenith Steel Group, to the best knowledge of our Directors, there is no past or present relationship (including business, employment, family, financing, trust or otherwise) between (i) Zenith Steel, its shareholders, directors, senior management and employees and (ii) our Company, our subsidiaries, our Shareholders, Directors, senior management and employees, or any of their respective associates.

As confirmed by our Company, Jinma Energy (being our Controlling Shareholder) and Zenith Steel, there is no benefit through the business arrangement or other relationship between our Controlling Shareholder and Zenith Steel to facilitate the Cornerstone Placing.

Prosperity Steel United Singapore Pte. Ltd.

Prosperity Steel United Singapore Pte. Ltd. ("**PSU**") is a company incorporated in Singapore in 2003 with limited liability and its principal activity is trading of commodities. PSU is one of the largest iron ore traders in the world and is also very active in trading other commodities including coal and nickel ore.

Based on publicly available information, PSU is wholly-owned by an individual named You Zhenhua (游振華), who is, in turn, an Independent Third Party. PSU is neither an existing Shareholder of the Company, nor an associate of an existing Shareholder, a Director or a Supervisor of the Company, and therefore it is not a connected person of the Company. We became acquainted with PSU through our business network with the Jinma Group. Save for such acquaintance, to the best knowledge of our Directors, there is no past or present relationship (including business, employment, family, financing, trust or otherwise) between (i) PSU, its shareholders, directors, senior management and employees; and (ii) our Company, our subsidiaries, our Shareholders, Directors, senior management and employees, or any of their respective associates.

As confirmed by our Company, Jinma Energy (being our Controlling Shareholder) and PSU, there is no benefit through any business arrangement or other relationship between our Controlling Shareholder and PSU to facilitate the Cornerstone Placing.

Max Success Group Holdings Limited

Max Success Group Holdings Limited is an investment holding company wholly owned by Mr. Yeung Chi Ming ("**Mr. Yeung**"). Mr. Yeung is the managing director of Sun Fai Industrial Co., which is, in turn, a company established in 1987 with a centralised and fully integrated production plant specialised in the production of customised power supply cords, and has obtained international approval standards in 27 countries, which enables Sun Fai Industrial Co. to provide power supply cords globally and provide the full range of support to its clients.

Mr. Yeung is currently a vice secretary of the Joint Committee for The Promotion of The Constitution and Hong Kong Basic Law and a member of the Tuen Mun District Fight Crime Committee. He is also a member of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference.

We became acquainted with Mr. Yeung through the business network of our Director Mr. Yiu Chiu Fai. Save for such acquaintance and the subject cornerstone investment, there is no past or present relationship (including business, employment, family, financing, trust or otherwise) between (i) Mr. Yeung or Max Success Group Holdings Limited or their respective shareholders, directors, senior management and employees, and (ii) our Company, our subsidiaries, our Shareholders, Directors, senior management and employees, or any of their respective associates.

As confirmed by our Company, Jinma Energy (being our Controlling Shareholder) and Mr. Yeung, there is no benefit through the business arrangement or other relationship between our Controlling Shareholder and Mr. Yeung or Max Success Group Holdings Limited to facilitate the Cornerstone Placing.

The table below sets forth details of the Cornerstone Placing:

Based on the Offer Price of HK$1.1 (being the low-end of the indicative Offer Price Range)

			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	**Total investment amount** *(US$'000)*	**Number of Offer Shares to be acquired**(Note 1)	**Approximate percentage of the Offer Shares**	**Approximate percentage of shareholding in the total issued share capital of our Company following the completion of the Global Offering**	**Approximate percentage of the Offer Shares**	**Approximate percentage of shareholding in the total issued share capital of our Company following the completion of the Global Offering**
Zhongsheng Holdings Company Limited(Note 2)	3,357	23,891,000	10%	2.50%	8.70%	2.41%
Genesis M Co., Limited	5,000	35,579,545	14.89%	3.72%	12.95%	3.59%
Prosperity Steel United Singapore Pte. Ltd.	5,000	35,579,545	14.89%	3.72%	12.95%	3.59%
Max Success Group Holdings Limited	5,000	35,579,545	14.89%	3.72%	12.95%	3.59%

Based on the Offer Price of HK$1.3 (being the mid-end of the indicative Offer Price Range)

			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	**Total investment amount** *(US$'000)*	**Number of Offer Shares to be acquired**(Note 1)	**Approximate percentage of the Offer Shares**	**Approximate percentage of shareholding in the total issued share capital of our Company following the completion of the Global Offering**	**Approximate percentage of the Offer Shares**	**Approximate percentage of shareholding in the total issued share capital of our Company following the completion of the Global Offering**
Zhongsheng Holdings Company Limited(Note 2)	3,968	23,891,000	10%	2.50%	8.70%	2.41%
Genesis M Co., Limited	5,000	30,105,769	12.60%	3.15%	10.96%	3.04%
Prosperity Steel United Singapore Pte. Ltd.	5,000	30,105,769	12.60%	3.15%	10.96%	3.04%
Max Success Group Holdings Limited	5,000	30,105,769	12.60%	3.15%	10.96%	3.04%

Based on the Offer Price of HK$1.5 (being the high-end of the indicative Offer Price Range)

			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	**Total investment amount** *(US$'000)*	**Number of Offer Shares to be acquired** *(Note 1)*	**Approximate percentage of the Offer Shares**	**Approximate percentage of shareholding in the total issued share capital of our Company following the completion of the Global Offering**	**Approximate percentage of the Offer Shares**	**Approximate percentage of shareholding in the total issued share capital of our Company following the completion of the Global Offering**
Zhongsheng Holdings Company Limited *(Note 2)*	4,578	23,891,000	10%	2.50%	8.70%	2.41%
Genesis M Co., Limited	5,000	26,091,667	10.92%	2.73%	9.50%	2.63%
Prosperity Steel United Singapore Pte. Ltd.	5,000	26,091,667	10.92%	2.73%	9.50%	2.63%
Max Success Group Holdings Limited	5,000	26,091,667	10.92%	2.73%	9.50%	2.63%

Notes:

1. Calculated based on the conversion rate of US$ to HK$ as set out in the section headed "Information about this prospectus and the Global Offering – Exchange rate conversion" and subject to rounding down to the nearest whole board lot of 2,000 Shares.

2. Zhongsheng Holdings Company Limited has agreed to subscribe for at the Offer Price (i) the number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) that may be purchased with US$6 million, or (ii) 10% of the number of Offer Shares offered under the Global Offering (assuming that the Over-allotment Option is not exercised), whichever the lower.

CONDITIONS PRECEDENT

The subscription obligation of each of our Cornerstone Investors under the respective Cornerstone Investment Agreement is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements,

(b) neither of the Underwriting Agreements having been terminated;

(c) the Listing Committee having granted the listing of, and permission to deal in, the H Shares (including the H Shares to be subscribed for by the relevant Cornerstone Investors) as well as other applicable waivers and approvals, and that such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(d) no relevant laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees or rulings shall have been enacted or promulgated by any court, government, governmental or regulatory authority of all relevant jurisdictions which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, undertakings, acknowledgments and confirmations of the Cornerstone Investors under the Cornerstone Investment Agreements are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investors.

RESTRICTIONS ON DISPOSAL OF H SHARES BY THE CORNERSTONE INVESTORS

Each of our Cornerstone Investors has agreed that, without the prior written consent of us, the Sole Sponsor and the Sole Overall Coordinator, it will not, whether directly or indirectly, at any time during the period of six months from and inclusive of the Listing Date (the "**Lock-up Period**"), dispose of any of the H Shares it has subscribed for or purchased pursuant to the Cornerstone Investor Agreements or any interest in any company or entity holding any H Shares it has subscribed for or purchased pursuant to the Cornerstone Investor Agreements in any way, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investors, including the Lock-up Period restriction.

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited
CCB International Capital Limited
ABCI Securities Company Limited
Central China International Capital Limited
China Everbright Securities (HK) Limited
China Galaxy International Securities (Hong Kong) Co., Limited
CMB International Capital Limited
ICBC International Securities Limited
Livermore Holdings Limited
Maxa Capital Limited
Shenwan Hongyuan Securities (H.K.) Limited
UOB Kay Hian (Hong Kong) Limited
Huaan Securities (Hong Kong) Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 23,892,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus.

Subject to:

(a) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering or otherwise described in this prospectus and such listing of and permission to deal in the H Shares not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the International Underwriting Agreement having been signed and becoming, and continuing to be, unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date; and

(c) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Overall Coordinator (for itself and on behalf of the other Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus, and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Overall Coordinator (for itself and on behalf of the other Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from the Sole Overall Coordinator (for itself and on behalf of the other Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Sole Overall Coordinator:

(i) that any statement contained in any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement) and/or any announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the "**Relevant Documents**"), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Overall Coordinator (for itself and on behalf of the other Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or

(iii) any material breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

(iv) any event, act or omission having occurred which gives or is likely to give rise to any material liability of any of our Company and the Controlling Shareholder (the "**Warrantors**") pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

(v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group ("**Group Company**"); or

(vi) any material breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or

(vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares (including any additional H Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Relevant Documents or the Global Offering; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Relevant Documents or to the issue of any of the Relevant Documents; or

(x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

(xi) any material loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome, coronavirus or such related or mutated forms) or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or

(iv) any new law(s), rule(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), code(s), policy(ies), consent(s), judgement(s), decree(s) or ruling(s) of any Governmental Authority (as defined in the Hong Kong Underwriting Agreement) ("**Laws**"), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, United Kingdom, Singapore or any other jurisdictions relevant to any Group Company or the Global Offering (the "**Specific Jurisdictions**"); or

(v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the H Shares; or

(viii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in "Risk Factors" in this prospectus; or

(ix) any litigation or claim of any third party being threatened or instigated against any Group Company or the Warranting Shareholder or any Directors; or

(x) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors, Supervisors and senior management members of the Group as set out in the "Directors, Supervisors and Senior Management" section of the Prospectus; or

(xi) any of the Directors, Supervisors and senior management members of our Company as set out in "Directors, Supervisors and Senior Management" in this prospectus being charged with an indictable offence or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company; or

(xii) the chairman of the Board or chief executive officer of our Company vacating his or her office; or

(xiii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xiv) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or

(xv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Global Offering; or

(xvi) non-compliance of this prospectus, CSRC Filings and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

(xvii) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any of the other Relevant Documents pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xviii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Overall Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(a) has or is or will or likely to be or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

(b) has or will or likely to have or could be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or

(c) makes or will make or is likely to make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or

(d) has or will or would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that, no further shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except under any of the circumstances provided under Rule 10.08 of the Listing Rules.

By our Controlling Shareholder

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholder has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering or the Over-allotment Option, it shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this prospectus (the "**Relevant Shares**"); or

(b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Our Controlling Shareholder has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any securities in our Company beneficially owned by it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by it will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by our Controlling Shareholder and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the other Hong Kong Underwriters and the Capital Market Intermediaries that, and the Warranting Shareholder undertakes to procure that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect ("**Encumbrance**") over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of any other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of any other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of any other Group Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of any other Group Company, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of any other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of any other Group Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of any other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company has also undertaken that it will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that our Controlling Shareholder would cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**").

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholder

Our Controlling Shareholder has undertaken to each of our Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the other Hong Kong Underwriters and the Capital Market Intermediaries that, except in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(i) at any time during the First Six-Month Period, it shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it and the companies controlled by it (together, the "**Controlled Entities**") shall not,

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it directly or indirectly through its Controlled Entities (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or

(c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above,

in each case, whether any of the foregoing transactions referred to in sub-paragraphs (a), (b) or (c) is to be settled by delivery of Shares or any other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, it shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it would cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company;

(iii) in the event that it enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it shall take all reasonable steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) it shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

The Controlling Shareholder has further undertaken to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the other Hong Kong Underwriters and the Capital Market Intermediaries that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(i) when it pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Sole Overall Coordinator in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Sole Overall Coordinator in writing of such indications.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfiling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. See "Structure and Conditions of the Global Offering – International Placing" in this prospectus.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Overall Coordinator (for itself and on behalf of the International Underwriters) from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to issue and allot up to an aggregate of 35,836,000 additional Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option) and at the Offer Price, to cover, among other things, any over-allocations in the International Placing, if any.

Commission and Expenses

Syndicate members involved in the Global Offering (including all Underwriters) will receive an underwriting commission of 2.5% of the aggregate Offer Price of the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option) ("**Fixed Fees**"). In addition, we may, at our discretion, (i) pay an additional incentive fee of up to 1.0% of the aggregate Offer Price of the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option) to the syndicate members involved in the Global Offering ("**Discretionary Fees**"). Assuming the Discretionary Fees are paid in full, the ratio of the Fixed Fees and the Discretionary Fees is therefore 71:29.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$1.3 (being the mid-point of the stated range of the Offer Price between HK$1.1 and HK$1.5), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, AFRC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount to HK$41.5 million in total.

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the other Hong Kong Underwriters and the Capital Market Intermediaries (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us or any of the other Warrantor of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offer and the International Placing and the Capital Market Intermediaries (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed "Structure and Conditions of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offer of initially 23,892,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in "The Hong Kong Public Offer" in this section; and

- the International Placing of initially 215,018,000 Offer Shares (subject to adjustments and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Of the 215,018,000 Offer Shares initially being offered under the International Placing, 13,386,000 Offer Shares (representing approximately 6.2% and 5.6% of the Offer Shares initially being offered under the International Placing and the Global Offering, respectively) will be offered to Qualifying Jinma Energy Shareholders as an Assured Entitlement as described below in "The Preferential Offering".

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offer; or

- apply for or indicate an interest for the International Placing Shares under the International Placing,

but may not do both (except that Qualifying Jinma Energy Shareholders who are eligible to apply for the Reserved Shares in the Preferential Offering may also either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offer, if eligible; or (ii) indicate an interest for International Placing Shares under the International Placing, if qualified to do so).

The 238,910,000 Offer Shares in the Global Offering will represent 25% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, application monies or procedure for applications relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 23,892,000 Offer Shares, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set forth below in "Conditions of the Global Offering".

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offer is to be divided equally into two pools:

- ***Pool A***: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5 million or less (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable); and

- ***Pool B***: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offer and any application for more than 11,946,000 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation at the discretion of the Sole Overall Coordinator, subject to the following:

(a) where the International Placing Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Sole Overall Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Overall Coordinator deems appropriate;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 23,890,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 47,782,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 71,674,000 Offer Shares (in the case of (1)), 95,564,000 Offer Shares (in the case of (2)) and 119,456,000 Offer Shares (in the case of (3)), representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;

(b) where the International Placing Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 23,890,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 47,782,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price Range (i.e. HK$1.1 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

The Reserved Shares which are offered under the Preferential Offering to Qualifying Jinma Energy Shareholders out of the Offer Shares being offered under the International Placing will not be subject to reallocation between the Hong Kong Public Offer and the International Placing.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering), and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, maximum price of HK$1.5 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of

0.00565% on each Offer Share, amounting to a total of HK$3,030.25 for one board lot of 2,000 H Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in "Pricing and Allocation" in this section, is less than the maximum price of HK$1.5 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus.

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable Jinma Energy Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares on the Main Board of the Stock Exchange and the Global Offering becoming unconditional, Qualifying Jinma Energy Shareholders are being invited to apply for the Reserved Shares in the Preferential Offering as Assured Entitlement (representing approximately 6.2% and 5.6% of the Offer Shares initially being offered under the International Placing and the Global Offering, respectively). The Reserved Shares are being offered out of the International Placing Shares under the International Placing and are not subject to reallocation as described in "– The Hong Kong Public Offer – Reallocation" above. In the event the Over-allotment Option is exercised, the number of Reserved Shares will not change.

The basis of the Assured Entitlement is one Reserved Share for every integral multiple of 40 Jinma Energy Shares held by Qualifying Jinma Energy Shareholders as of 4:30 p.m. on the Record Date

Qualifying Jinma Energy Shareholders should note that Assured Entitlement to Reserved Shares may not represent a number of a full board lot of 2,000 H Shares. Further, the Reserved Shares allocated to the Qualifying Jinma Energy Shareholders will be rounded down to the nearest whole number if required. No odd lot matching services will be provided and dealings in odd lots of the H Shares may be at a price below the prevailing market price for full board lots.

Assured Entitlement of Qualifying Jinma Energy Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange

Qualifying Jinma Energy Shareholders who hold less than 40 Jinma Energy Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares as further described below.

Basis of Allocation for Applications for Reserved Shares

Qualifying Jinma Energy Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering and make a payment of the corresponding amount.

Where a Qualifying Jinma Energy Shareholder applies for Reserved Shares, the Assured Entitlement portion under such application will be satisfied in full (subject to the terms and conditions set out on the designated website of **Blue Form eIPO** service provider, **www.eipo.com.hk** and this prospectus and assuming the conditions of the Preferential Offering are satisfied), but the excess portion under such application will only be satisfied to the extent that there are sufficient Available Reserved Shares (as defined below).

Where a Qualifying Jinma Energy Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying Jinma Energy Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement or who intend to apply for excess Reserved Shares, should apply for a number which is one of the numbers set out in the payment table of numbers and payments on the designated website of **Blue Form eIPO** service provider, **www.eipo.com.hk** and make a payment of the corresponding amount.

To the extent that the excess applications for the Reserved Shares are:

(a) less than the Reserved Shares not taken up by the Qualifying Jinma Energy Shareholders' Assured Entitlement (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Sole Overall Coordinator, to the International Placing;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares.

If there are any H Shares remaining after satisfying the excess applications, such H Shares will be reallocated, at the discretion of the Sole Overall Coordinator, to the International Placing. No preference will be given to any excess application made to top up odd lot holdings to whole lot holdings of H Shares. Nominee companies according to the register of members of Jinma Energy are regarded as single Jinma Energy Shareholder for the purpose of this application.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Placing and the Hong Kong Public Offer. Beneficial Jinma Energy Shareholders (not being Non-Qualifying Jinma Energy Shareholders) whose Jinma Energy Shares are held by a nominee company should note that the Company will regard the nominee company as a single Jinma Energy Shareholder according to the register of members of Jinma Energy. Accordingly, such Beneficial Jinma Energy Shareholders whose Jinma Energy Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Beneficial Jinma Energy Shareholders (not being Non-Qualifying Jinma Energy Shareholders) whose Jinma Energy Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant Jinma Energy Shares in the name of the beneficial owner prior to the Record Date.

Applications by Qualifying Jinma Energy Shareholders for the Hong Kong Offer Shares

In addition to any application for Reserved Shares made through **Blue Form eIPO** service, Qualifying Jinma Energy Shareholders will be entitled to make one application for Hong Kong Offer Shares by applying through the **HKSCC EIPO** Channel or by applying through the **White Form eIPO** service. Qualifying Jinma Energy Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares by applying through the **HKSCC EIPO** Channel or through the **White Form eIPO** service under the Hong Kong Public Offer.

Qualifying Jinma Energy Shareholders and Non-Qualifying Jinma Energy Shareholders

Only Jinma Energy Shareholders whose names appeared on the register of members of Jinma Energy at 4:30 p.m. on the Record Date and who are not Non-Qualifying Jinma Energy Shareholders, are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Jinma Energy Shareholders are those Jinma Energy Shareholders with registered addresses in, or who are otherwise known by Jinma Energy to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Jinma Energy and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Jinma Energy Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction. There were no Non-Qualifying Jinma Energy Shareholders shown on the register of members of Jinma Energy on the Record Date.

Notwithstanding any other provision in this prospectus or on the designated website of **Blue Form eIPO** service provider, **www.eipo.com.hk** the Company reserves the right to permit any Jinma Energy Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

Beneficial Jinma Energy Shareholders who hold Jinma Energy Shares through the Shenzhen-Hong Kong Stock Connect or Shanghai-Hong Kong Stock Connect

Pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Programme and other relevant laws and regulations, the CSDCC does not provide services relating to the subscription of newly issued shares. Accordingly, Beneficial Jinma Energy Shareholders who hold Jinma Energy Shares through the Shenzhen-Hong Kong Stock Connect or Shanghai-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of the Shenzhen-Hong Kong Stock Connect or Shanghai-Hong Kong Stock Connect.

Distribution of this prospectus

A copy of this Prospectus will be despatched to all Qualifying Jinma Energy Shareholders to their address recorded on the register of members of Jinma Energy on the Record Date. See "How to Apply for Hong Kong Offer Shares and Reserved Shares".

Application Procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus and on the designated website of **Blue Form eIPO** service provider, **www.eipo.com.hk**.

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Placing 215,018,000 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the International Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised. The Reserved Shares being offered pursuant to the Preferential Offering are being offered out of the International Shares.

Allocation

The International Placing Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of the International Placing Shares pursuant to the International Placing will be determined by the Sole Overall Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its H Shares, after the listing of the H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Sole Overall Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in "The Hong Kong Public Offer – Reallocation" in this section or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offer, to require the Company to issue up to 35,836,000 H Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), at the Offer Price under the International Placing to, among other things (such as effecting the permitted stabilising actions as set out in "Stabilisation" in this section below), cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional H Shares to be issued pursuant thereto will represent approximately 3.6% of our enlarged issued share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end on the 30th day after the last day for lodging applications under the Hong Kong Public Offer.

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (iii) purchasing, or agreeing to purchase, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our H Shares for the sole purpose of preventing or minimising any reduction in the market price of our H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in H Shares should note that:

- the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the H Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;

- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the H Shares;

- no stabilising action can be taken to support the price of the H Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on Sunday, 14 January 2024 being the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the H Shares, demand for the H Shares, and therefore the price of the H Shares, could fall;

- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

In order to effect stabilisation actions, the Stabilising Manager will arrange cover of up to an aggregate of 35,836,000 H Shares, representing up to 15% of the initial Offer Shares, through deferred delivery arrangements with investors who have been allocated Offer Shares in the International Placing. The deferred delivery arrangements (if specifically agreed by an investor) relate only to the deferral in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid before dealings in the Offers Shares commences on the Stock Exchange. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a deferred basis.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

OVER-ALLOCATION

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using H Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

PRICING AND ALLOCATION

Our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or before Monday, 18 December 2023 (Hong Kong time), and in any event, not later than 12:00 noon on Monday, 18 December 2023 (Hong Kong time).

The Offer Price will not be more than HK$1.5 per Offer Share and is expected to be not less than HK$1.1 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum price of HK$1.5 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK$3,030.25 for one board lot of 2,000 H Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK$1.5, we will refund the respective difference, including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price Range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer publish a notice of the reduction on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.jyqhhg.com** (the contents of the website do not form a part of this prospectus). Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer, you will not be allowed to subsequently withdraw your application. If there is any change to the offer size due to change in the number of Offer Shares initially offered in the Global Offering (other than pursuant to the exercise of the Over-allotment Option and/or reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the indicative Offer Price Range as stated in this prospectus, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our H Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer and issue a supplemental prospectus or a new prospectus, and complete the requisite associated settlement processes on the FINI platform afresh.

In the event of a reduction in the number of Offer Shares, the Sole Overall Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indication of interest in the International Placing, the basis of allotment of Offer Shares available under the Hong Kong Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer and the Preferential Offering are expected to be made available in a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares and Reserved Shares – C. Publication of Results" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in our H Shares in issue and to be issued as described in this prospectus (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option);

- the Offer Price having been agreed between us and the Sole Overall Coordinator (for itself and on behalf the Underwriters);

- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Thursday, 11 January 2024, being the 30th date after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us on or before 12:00 noon on Monday, 18 December 2023 (Hong Kong time), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by the Company on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.jyqhhg.com** on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares – E. Despatch/Collection of H Share Certificates and Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in "Underwriting" in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 20 December 2023, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 20 December 2023.

The H Shares will be traded in board lots of 2,000 H Shares each.

IMPORTANT NOTICE TO INVESTORS
OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offer below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.jyqhhg.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address *(for the* ***White Form eIPO*** *service only)*.

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or a Supervisor or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offer period will begin at 9:00 a.m. on Tuesday, 12 December 2023 and end at 12:00 noon on Friday, 15 December 2023 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	via the **White Form eIPO** service at **www.eipo.com.hk**;	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Tuesday, 12 December 2023 to 11:30 a.m. on Friday, 15 December 2023, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Friday, 15 December 2023, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorised to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorised the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offer.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:

For Individual/Joint Applicants

i. HKID card; or

ii. National identification document; or

iii. Passport; and

- Identity document number

For Corporate Applicants

i. LEI registration document; or

ii. Certificate of incorporation; or

iii. Business registration certificate; or

iv. Other equivalent document; and

- Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint applicants on FINI is capped at four[1] in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

(1) Subject to change, if the Company's Articles of Association and applicable company law prescribe a lower cap

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Sole Overall Coordinator, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	2,000 H Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below. The maximum Offer Price is HK$1.5 per Share. If you are applying through the **HKSCC EIPO** channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong. By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian. If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application
	HK$		*HK$*		*HK$*		*HK$*
2,000	3,030.25	30,000	45,453.83	250,000	378,781.88	1,000,000	1,515,127.50
4,000	6,060.51	40,000	60,605.10	300,000	454,538.26	2,000,000	3,030,255.00
6,000	9,090.76	50,000	75,756.38	350,000	530,294.63	3,000,000	4,545,382.50
8,000	12,121.02	60,000	90,907.66	400,000	606,051.00	4,000,000	6,060,510.00
10,000	15,151.28	70,000	106,058.93	450,000	681,807.38	5,000,000	7,575,637.50
12,000	18,181.54	80,000	121,210.20	500,000	757,563.76	6,000,000	9,090,765.00
14,000	21,211.79	90,000	136,361.48	600,000	909,076.50	7,000,000	10,605,892.50
16,000	24,242.05	100,000	151,512.76	700,000	1,060,589.26	8,000,000	12,121,020.00
18,000	27,272.30	150,000	227,269.13	800,000	1,212,102.00	9,000,000	13,636,147.50
20,000	30,302.56	200,000	303,025.50	900,000	1,363,614.76	11,946,000(1)	18,099,713.11

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except (i) where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "– *A. Applications for Hong Kong Offer Shares and Reserved Shares – 3. Information Required to Apply*" in this section or (ii) where you are a Qualifying Jinma Energy Shareholder, in which case you may also apply for the Reserved Shares through the **Blue Form eIPO** service via **www.eipo.com.hk**. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Placing Shares.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorise us and/or the Sole Overall Coordinator, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that the Relevant Persons[(2)], the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "*– H. Personal Data – 3. Purposes and 4. Transfer of personal data*" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "– C. Publication of Results" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "– *C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares*" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the H Share Registrar or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

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2 As defined in the Prospectus, Relevant Persons would include the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, Joint Bookrunners, and the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering.

B. APPLICATION FOR RESERVED SHARES

1. HOW TO APPLY

Only Jinma Energy Shareholders whose names appeared on the register of members of Jinma Energy at 4:30 p.m. on the Record Date and who are not Non-Qualifying Jinma Energy Shareholder(s) are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Jinma Energy Shareholder(s) are those Jinma Energy Shareholders with registered addresses in, or who are otherwise known by Jinma Energy to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Jinma Energy and our Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Jinma Energy Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction. There were no Non-Qualifying Jinma Energy Shareholders shown on the register of members of Jinma Energy on the Record Date.

Notwithstanding any other provision in this prospectus or on the designated website of **Blue Form eIPO** service provider, **www.eipo.com.hk**, our Company reserves the right to permit any Jinma Energy Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if our Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

Qualifying Jinma Energy Shareholder(s) are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every 40 Jinma Energy Shares held by them as of 4:30 p.m. on the Record Date.

Qualifying Jinma Energy Shareholders who hold less than 40 Jinma Energy Shares as of 4:30 p.m. on the Record Date will not have an Assured Entitlement to the Reserved Shares, but they will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If an application is made by a duly authorised person under a valid power of attorney, the Company and the Sole Overall Coordinator, as the Company's agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority. The Company and the Sole Overall Coordinator, as the Company's agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

You cannot apply for any Reserved Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- are a Director or chief executive of the Company and/or any of the Company's subsidiaries (other than a Director and/or his associates who are Qualifying Jinma Energy Shareholders who may apply for Reserved Shares pursuant to the Preferential Offering);
- are a close associate of any of the above persons; or
- are a Non-Qualifying Jinma Energy Shareholder.

2. WHO CAN APPLY

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying Jinma Energy Shareholder(s) through **Blue Form eIPO** service.

Qualifying Jinma Energy Shareholder(s) may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering and make a payment of the corresponding amount. Qualifying Jinma Energy Shareholder(s) who holds less than 40 Jinma Energy Shares as of 4:30 p.m. on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares but will still be entitled to participate in the Preferential Offering by applying only for excess Reserved Shares.

Where a Qualifying Jinma Energy Shareholder applies for Reserved Shares, the Assured Entitlement portion under such application will be satisfied in full (subject to terms and conditions of an application mentioned above) but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying Jinma Energy Shareholder applies for Reserved Shares, the Assured Entitlement portion under such application will be satisfied in full (subject to the terms and conditions set out on the designated website of **Blue Form eIPO** service provider, **www.eipo.com.hk** and this prospectus and assuming the conditions of the Preferential Offering are satisfied), but the excess portion under such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying Jinma Energy Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying Jinma Energy Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement or who intend to apply for excess Reserved Shares.

To the extent that excess applications for the Reserved Shares are:

(i) less than the "**Available Reserved Shares**", the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Representatives, to the International Placing;

(ii) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(iii) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offers in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares.

If there are any H Shares remaining after satisfying the excess applications, such H Shares will be reallocated, at the discretion of the Joint Representatives, to the International Placing. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of H Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Placing and the Hong Kong Public Offer.

Qualifying Jinma Energy Shareholder(s) who have applied for Reserved Shares under the Preferential Offering through **Blue Form eIPO** service may also make one application through the **HKSCC EIPO** channel or through the **White Form eIPO** service for the Hong Kong Offer Shares in the Hong Kong Public Offer. However, Qualifying Jinma Energy Shareholder(s) will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares through the **HKSCC EIPO** channel or through the **White Form eIPO** service under the Hong Kong Public Offer.

Persons who held their Jinma Energy Shares as of 4:30 p.m. on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC or HKSCC Nominees, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their Jinma

Energy Shares as of 4:30 p.m. on the Record Date in CCASS directly, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

3. DISTRIBUTION OF THIS PROSPECTUS

A copy of this prospectus has been despatched to all Qualifying Jinma Energy Shareholders to their address recorded on the register of members of Jinma Energy on the Record Date.

Distribution of this prospectus into any jurisdiction other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from the Specified Territories except to Qualifying Jinma Energy Shareholder(s) as specified in this prospectus.

Receipt of this prospectus does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus must be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus should not, in connection with the Preferential Offering, distribute or send the same in, into or from, the Specified Territories. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus, into or from the Specified Territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

4. APPLYING THROUGH THE BLUE FORM eIPO SERVICE

If you apply for Reserved Shares online through the **Blue Form eIPO** service:

(a) detailed instructions for application through the **Blue Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the **Blue Form eIPO** Service Provider and may not be submitted to our Company;

(b) you must also be willing to provide a valid e-mail address and a contact telephone number; and

(c) once payment is completed via electronic application instructions given by you or for your benefit, an actual application is deemed to have been made.

5. WHEN MAY APPLICATIONS BE MADE

Application through the Blue Form eIPO service

You may submit your application via the **Blue Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m., Tuesday, 12 December 2023 until 11:30 a.m., Friday, 15 December 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Friday, 15 December 2023 or such later time as sets out in "– *F. Severe Weather Arrangements*" in this section.

Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 15 December 2023, the last application day or such later time as described in "– *F. Severe Weather Arrangements*" in this section. No proceedings will be taken on applications for Reserved Shares and no allotment of any such Reserved Shares will be made until after the closing of the application lists.

How many applications may be made

You should refer to "– *A. Application For Hong Kong Offer Shares – 5. Multiple Applications Prohibited*" in this section for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offer in addition to application(s) for Reserved Shares under the Preferential Offering.

6. ADDITIONAL TERMS AND CONDITIONS AND INSTRUCTIONS

You should refer to the terms on **BLUE Form eIPO** service website for details of the additional terms and conditions and instructions which apply to applications for Reserved Shares.

C. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares and/or Reserved Shares through:

Platform		Date/Time
Applying through **White Form eIPO** service, **Blue Form eIPO** service or **HKSCC EIPO** channel:		
Website	The designated results of allocation at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a with a "search by ID" function. The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**).	24 hours, from 11:00 p.m. on Tuesday, 19 December 2023 to 12:00 midnight on Monday, 25 December 2023 (Hong Kong time)
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.jyqhhg.com** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Tuesday, 19 December 2023 (Hong Kong time).
Telephone	+852 2862 8555 – the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m., from Wednesday, 20 December 2023 to Wednesday, 27 December 2023 (Hong Kong time) on a business day
For those applying through **HKSCC EIPO** channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Monday, 18 December 2023 (Hong Kong time)		

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Monday, 18 December 2023 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the Global Offering, the level of applications in the Hong Kong Public Offer and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.jyqhhg.com** by no later than 11:00 p.m. on Tuesday, 19 December 2023 (Hong Kong time).

D. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES AND/OR RESERVED SHARES

You should note the following situations in which Hong Kong Offer Shares and/or Reserved Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

By applying **Blue Form eIPO** service or through the **HKSCC EIPO** channel or through the **White Form eIPO** service, you agree that your application or application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

(a) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this Prospectus; or

(b) if any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

2. If we or our agents exercise our discretion to reject your application:

We, the Sole Overall Coordinator, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares and/or Reserved Shares is void:

The allocation of Hong Kong Offer Shares and/or Reserved Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications (other than an application (if any) made through **Blue Form eIPO** service in your capacity as a Qualifying Jinma Energy Shareholder). You may refer to the paragraph headed "*– A. Applications for Hong Kong Offer Shares – 5. Multiple Applications Prohibited*" in this section on what constitutes multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering);

- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Sole Overall Coordinator believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations;

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Placing. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

E. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares and/or Reserved Shares allotted to you under the Hong Kong Public Offer and/or the Preferential Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

If you apply through **Blue Form eIPO** service, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application:

- H Share certificate(s) for all the Hong Kong Offer Shares and/or Reserved Shares allocated to you; and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares and/or Reserved Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy but without interest). Part of the identification document number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your identification document number before encashment of your refund cheque(s). Inaccurate completion of your identification document number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Tuesday, 19 December 2023. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid evidence of title at 8:00 a.m. on Wednesday, 20 December 2023 (Hong Kong time), provided that the Global Offer has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service or **Blue Form eIPO** service	**HKSCC EIPO** channel
Despatch of H Share certificate[3]		
For application of equal or more than 1,000,000 Hong Kong Offer Shares or Reserved Shares	**Collection in person:** from H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong **Time:** from 9:00 a.m. to 1:00 p.m. on Wednesday, 20 December[4] 2023 (Hong Kong time) If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. *Note:* If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account. No action by you is required
For application of less than 1,000,000 Hong Kong Offer Shares	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk **Time:** Tuesday, 19 December 2023	

	White Form eIPO service or **Blue Form eIPO** service	**HKSCC EIPO** channel
Refund mechanism for surplus application monies paid by you		
Date	Wednesday, 20 December 2023	Subject to the arrangement between you and your **broker** or **custodian**
Responsible party	H Share Registrar	Your **broker** or **custodian**
Application monies paid through single bank account	**White Form** e-Refund payment instructions/Blue Form e-Refund payment instructions to your designated bank account	Your **broker** or **custodian** will arrange refund to your designated bank account subject to the arrangement Application monies paid between you and it
Application monies paid between you and it through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

3 Except in the event of any Severe Weather Signals (as defined below) in force in Hong Kong on the business day before the Listing Date rendering it impossible for the relevant share certificates to be despatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "*– F. Severe Weather Arrangements*" in this section.

4 As agreed with the issuer and communicated to the subscribers in the relevant subscription channel

F. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Friday, 15 December 2023 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions (collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 15 December 2023.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.jyqhhg.com** of the revised timetable.

If a **Severe** Weather Signal is hoisted on Tuesday, 19 December 2023, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository's service counter so that they would be available for trading on Wednesday, 20 December 2023.

If a **Severe** Weather Signal is hoisted on Wednesday, 20 December 2023:

- for physical H Share certificates of equal or more than 1,000,000 offer shares issued under your own name, you may pick them up from the H Share Registrar's office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, 20 December 2023 or on Thursday, 21 December 2023).

If a **Severe** Weather Signal is hoisted on Tuesday, 19 December 2023:

- for physical H Share certificates of less than 1,000,000 offer shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, 19 December 2023 or on Wednesday, 20 December 2023).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

G. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional adviser for details of the settlement arrangement as such arrangements may affect your rights and interests.

H. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares and/or Reserved Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares and/or Reserved Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares and/or Reserved Shares, or transferring Hong Kong Offer Shares and/or Reserved Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares and/or Reserved Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares and/or Reserved Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares and/or Reserved Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form** e-Refund payment instruction(s) and **Blue Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares and/or Reserved Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares and/or Reserved Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares and/or Reserved Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares and/or Reserved Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares and/or Reserved Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares and/or Reserved Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares and/or Reserved Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-100 received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HENAN JINYUAN HYDROGENATED CHEMICALS CO., LTD. AND HAITONG INTERNATIONAL CAPITAL LTD.

Introduction

We report on the historical financial information of Henan Jinyuan Hydrogenated Chemicals Co., Ltd.* 河南金源氫化化工股份有限公司 (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-100 which comprises the combined statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023, the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and 30 June 2023, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the three years ended 31 December 2022 and the six months ended 30 June 2023 (the "Track Record Period") and a summary of material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-100 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 12 December 2023 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

* For identification purpose only

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessment, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2020, 2021 and 2022 and 30 June 2023, of the Company's financial position as of 31 December 2020, 2021 and 2022 and 30 June 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends were declared or paid by the Company in respect of the Track Record Period, and contains information about dividends declared or paid by the group entities comprising the Group in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 December 2023

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of the accountants' report.

The Historical Financial Information in this report was prepared based on financial statements of the Company and Jiyuan Jinning Energy Co., Ltd.* 濟源市金寧能源實業有限公司 ("Jinning Energy") and the consolidated financial statements of Henan Jinrui Energy Co., Ltd.* 河南金瑞能源有限公司 ("Jinrui Energy") for the Track Record Period and the management accounts of Henan Jinma Qingneng Co., Ltd.* 河南金馬氫能有限公司 ("Jinma Qingneng") for the period from 18 February 2021 (date of establishment) to 30 June 2023 (the "Underlying Financial Statements"). The financial statements of the Company and Jinning Energy and the consolidated financial statements of Jinrui Energy have been prepared in accordance with the accounting policies which conform with the International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the IAASB.

The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

* For identification purpose only.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	*5*	1,079,233	1,479,594	2,254,533	1,078,982	1,076,008
Cost of sales		(977,671)	(1,326,461)	(1,966,854)	(914,132)	(969,559)
Gross profit		101,562	153,133	287,679	164,850	106,449
Other income	*6*	7,348	5,067	6,354	2,673	5,305
Other gains and losses	*7*	(5,650)	(9,707)	(5,535)	(3,295)	(2,026)
Selling and distribution expenses		(11,606)	(11,963)	(15,366)	(7,025)	(10,189)
Administrative expenses		(21,708)	(22,980)	(31,562)	(14,744)	(14,019)
Finance costs	*8*	(8,561)	(2,645)	(8,022)	(4,066)	(2,994)
Profit before tax	*9*	61,385	110,905	233,548	138,393	82,526
Income tax expense	*10*	(16,751)	(31,429)	(39,467)	(21,649)	(16,812)
Profit for the year/period		44,634	79,476	194,081	116,744	65,714
Other comprehensive income (expense):	*11*					
Item that may be reclassified subsequently to profit or loss:						
Fair value gain (loss) on bills receivables at fair value through other comprehensive income ("FVTOCI"), net of income tax		232	35	327	68	(78)
Total comprehensive income for the year/period		44,866	79,511	194,408	116,812	65,636
Profit for the year/period attributable to						
– Owners of the Company		29,092	72,469	138,229	86,694	50,880
– Non-controlling interests		15,542	7,007	55,852	30,050	14,834
Profit for the year/period		44,634	79,476	194,081	116,744	65,714
Total comprehensive income for the year/period attributable to:						
– Owners of the Company		29,324	72,504	138,556	86,762	50,802
– Non-controlling interests		15,542	7,007	55,852	30,050	14,834
Total comprehensive income for the year/period		44,866	79,511	194,408	116,812	65,636

STATEMENTS OF FINANCIAL POSITION

		The Group				The Company			
		As at 31 December			As at 30 June	As at 31 December			As at 30 June
	NOTES	2020	2021	2022	2023	2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS									
Property, plant and equipment	*15*	507,407	477,497	559,480	718,512	173,462	164,674	264,130	420,850
Right-of-use assets	*16*	79,932	114,022	111,353	110,018	24,249	59,642	58,359	57,717
Intangible assets	*17*	54,910	45,251	28,958	23,781	–	–	–	–
Goodwill	*18*	8,902	10,669	10,669	10,669	–	–	–	–
Deferred tax assets	*19*	6,059	6,410	4,796	4,624	1,512	1,771	1,292	1,268
Deposits for acquisition of property, plant and equipment, right-of-use assets and equity investment		19,637	3,239	7,717	6,826	16,522	52	4,673	12,978
		676,847	657,088	722,973	874,430	215,745	226,139	328,454	492,813
CURRENT ASSETS									
Inventories	*20*	48,772	67,438	65,699	53,726	35,215	47,443	54,750	42,723
Trade and other receivables	*21*	59,691	55,587	31,135	34,269	20,385	17,408	24,401	30,266
Tax recoverable		–	–	642	1,476	–	–	642	–
Amounts due from related parties	*22*	–	–	62,380	53,411	–	–	–	–
Bills receivables at FVTOCI	*23*	108,457	120,424	84,930	119,060	103,543	113,722	81,680	114,659
Restricted bank balances	*24*	24,087	23,078	15,208	25,211	16,437	23,078	15,208	25,211
Bank balances and cash	*24*	54,443	50,080	92,470	59,756	4,680	6,117	41,137	44,284
		295,450	316,607	352,464	346,909	180,260	207,768	217,818	257,143
CURRENT LIABILITIES									
Borrowings	*25*	61,200	36,000	87,000	146,000	61,200	36,000	57,000	116,000
Trade and other payables	*26*	132,642	109,932	144,180	242,803	62,777	64,317	99,009	186,134
Amount due to a shareholder	*27*	204,779	214,817	–	19,239	495	–	–	–
Amount due to a related party	*28*	114	–	–	–	114	–	–	–

		The Group				The Company			
		As at 31 December			As at 30 June	As at 31 December			As at 30 June
	NOTES	2020	2021	2022	2023	2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	*29*	10,041	10,504	15,426	18,814	5,931	4,988	6,681	8,144
Lease liabilities		18	23	23	23	–	–	–	–
Tax payable		9,862	8,938	13,243	12,598	1,944	1,048	–	3,286
		418,656	380,214	259,872	439,477	132,461	106,353	162,690	313,564
NET CURRENT (LIABILITIES) ASSETS		(123,206)	(63,607)	92,592	(92,568)	47,799	101,415	55,128	(56,421)
TOTAL ASSETS LESS CURRENT LIABILITIES		553,641	593,481	815,565	781,862	263,544	327,554	383,582	436,392
CAPITAL AND RESERVES									
Paid-in capital	*31*	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Reserves	*31*	301,550	358,754	482,010	454,812	137,306	206,425	229,894	255,399
Equity attributable to owners of the Company		401,550	458,754	582,010	554,812	237,306	306,425	329,894	355,399
Non-controlling interests		104,088	96,395	137,547	115,381	–	–	–	–
TOTAL EQUITY		505,638	555,149	719,557	670,193	237,306	306,425	329,894	355,399
NON-CURRENT LIABILITIES									
Borrowings	*25*	21,000	15,000	78,147	95,746	21,000	15,000	48,147	75,746
Lease liabilities		86	147	131	117	–	–	–	–
Deferred revenue	*32*	17,792	17,685	16,099	15,306	5,238	6,129	5,541	5,247
Deferred tax liabilities	*19*	9,125	5,500	1,631	500	–	–	–	–
		48,003	38,332	96,008	111,669	26,238	21,129	53,688	80,993
		553,641	593,481	815,565	781,862	263,544	327,554	383,582	436,392

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Paid-in capital	Other reserve	FVTOCI reserve	Statutory surplus reserve fund	Retained profits	Special reserve	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000* *(Note i)*	*RMB'000*	*RMB'000* *(Note ii)*	*RMB'000*	*RMB'000* *(Note iii)*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	100,000	129,960	(1,205)	14,284	110,798	28,589	382,426	98,346	480,772
Profit for the year	–	–	–	–	29,092	–	29,092	15,542	44,634
Other comprehensive income for the year	–	–	232	–	–	–	232	–	232
Total comprehensive income for the year	–	–	232	–	29,092	–	29,324	15,542	44,866
Dividends recognised as distribution *(Note 12)*	–	–	–	–	(10,200)	–	(10,200)	(9,800)	(20,000)
Transfer	–	–	–	1,286	(5,237)	3,951	–	–	–
As at 31 December 2020	100,000	129,960	(973)	15,570	124,453	32,540	401,550	104,088	505,638
Profit for the year	–	–	–	–	72,469	–	72,469	7,007	79,476
Other comprehensive income for the year	–	–	35	–	–	–	35	–	35
Total comprehensive income for the year	–	–	35	–	72,469	–	72,504	7,007	79,511
Dividends recognised as distribution *(Note 12)*	–	–	–	–	(15,300)	–	(15,300)	(14,700)	(30,000)
Transfer	–	–	–	6,909	(11,251)	4,342	–	–	–
As at 31 December 2021	100,000	129,960	(938)	22,479	170,371	36,882	458,754	96,395	555,149
Profit for the year	–	–	–	–	138,229	–	138,229	55,852	194,081
Other comprehensive income for the year	–	–	327	–	–	–	327	–	327
Total comprehensive income for the year	–	–	327	–	138,229	–	138,556	55,852	194,408
Dividends recognised as distribution *(Note 12)*	–	–	–	–	(15,300)	–	(15,300)	(14,700)	(30,000)
Transfer	–	–	–	2,314	2,110	(4,424)	–	–	–

	Paid-in capital	Other reserve	FVTOCI reserve	Statutory surplus reserve fund	Retained profits	Special reserve	Sub-total	Non-controlling interests	Total
	Attributable to owners of the Company								
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note i)		*(Note ii)*		*(Note iii)*			
As at 31 December 2022	100,000	129,960	(611)	24,793	295,410	32,458	582,010	137,547	719,557
Profit for the period	–	–	–	–	50,880	–	50,880	14,834	65,714
Other comprehensive expense for the period	–	–	(78)	–	–	–	(78)	–	(78)
Total comprehensive (expense) income for the period	–	–	(78)	–	50,880	–	50,802	14,834	65,636
Obligation to acquire non-controlling interest of a subsidiary *(Note iv)*	–	(20,000)	–	–	–	–	(20,000)	–	(20,000)
Capital injection from controlling shareholder *(Note v)*	–	5,000	–	–	–	–	5,000	–	5,000
Dividends recognised as distribution *(Note 12)*	–	–	–	–	(63,000)	–	(63,000)	(37,000)	(100,000)
Transfer	–	–	–	–	(2,698)	2,698	–	–	–
As at 30 June 2023	100,000	114,960	(689)	24,793	280,592	35,156	554,812	115,381	670,193
(Unaudited)									
As at 1 January 2022	100,000	129,960	(938)	22,479	170,371	36,882	458,754	96,395	555,149
Profit for the period	–	–	–	–	86,694	–	86,694	30,050	116,744
Other comprehensive income for the period	–	–	68	–	–	–	68	–	68
Total comprehensive income for the period	–	–	68	–	86,694	–	86,762	30,050	116,812
Dividends recognised as distribution *(Note 12)*	–	–	–	–	(15,300)	–	(15,300)	(14,700)	(30,000)
Transfer	–	–	–	–	(1,801)	1,801	–	–	–
As at 30 June 2022	100,000	129,960	(870)	22,479	239,964	38,683	530,216	111,745	641,961

Notes:

(i) The balance represents the consideration paid to acquire Jinning Energy and paid-in capital of Jinrui Energy and Jinma Qingneng by Henan Jinma Energy Co., Ltd.* 河南金馬能源股份有限公司 ("Jinma Energy"), the controlling shareholder of the Company, prior to the completion of the Reorganisation as stipulated in Note 1 of the Historical Financial Information.

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

(iii) The Group is required to make appropriations based on its revenue in accordance with CaiQi [2012] No. 16 and CaiZi [2022] No. 136 "Administrative measures for the accrual and use of expenses for work safety by enterprises" that is issued by the Ministry of Finance and the Safety Production General Bureau. The reserve is for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders.

(iv) On 26 June 2023, the Company has entered into equity transfer agreement with Henan Hongkong (Jiyuan) Coking Group Co., Ltd.* 豫港(濟源)焦化集團有限公司 ("Yugang Coking"), pursuant to which Yugang Coking has agreed to sell, and the Company has agreed to purchase 10% of the equity interest in Jinrui Energy at the consideration of RMB20,000,000. The non-controlling shareholder is still entitled to profits sharing until this equity transaction is settled on 14 August 2023. The equity transfer agreement to purchase 10% of the equity interest in Jinrui Energy is a forward contract to purchase the Group's own equity instruments for cash, which results in a financial liability being recognised initially at the redemption amount of RMB20,000,000 with a corresponding debit to equity, and the prepayment of RMB10,000,000 reduced the financial liability to the amount of RMB10,000,000 as at 30 June 2023 (Note 26).

(v) Jinma Energy injected capital of RMB5,000,000 to Jinma Qingneng during the six months ended 30 June 2023, leading to an increase of other reserve.

* For identification purpose only.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	61,385	110,905	233,548	138,393	82,526
Adjustments for:					
Interest income on bank deposits	(495)	(492)	(1,803)	(276)	(2,160)
Interest income on bills receivables at FVTOCI	(3,267)	(3,188)	(1,922)	(1,195)	(1,200)
(Gain) loss on disposal/write-off of property, plant and equipment	–	(8)	2	–	74
Impairment losses under expected credit loss ("ECL") model, net of reversal	29	–	–	–	–
Depreciation of property, plant and equipment	33,502	42,341	43,325	21,573	21,798
Depreciation of right-of-use assets	1,936	2,486	2,669	1,335	1,335
Amortisation of intangible assets	15,961	16,293	16,293	8,146	5,177
Finance costs	8,561	2,645	8,022	4,066	2,994
Release of assets-related government subsidies	(1,232)	(1,387)	(1,586)	(793)	(793)
Operating cash flows before movements in working capital	116,380	169,595	298,548	171,249	109,751
(Increase) decrease in inventories	(5,822)	(18,666)	1,739	10,273	11,973
Decrease (increase) in bills receivables at FVTOCI	18,580	14,592	37,852	(23,832)	(33,034)
(Increase) decrease in trade and other receivables	(2,299)	4,647	24,452	32,648	(3,134)
Decrease (increase) in amounts due from related parties	4,525	–	(32,380)	–	8,969
(Decrease) increase in trade and other payables	(140,144)	(3,279)	21,833	(17,356)	(15,848)
Increase (decrease) in amount due to a related party	6	(114)	–	–	–
Change in amounts due to a shareholder	90,179	(32,861)	–	1,760	19,239
Increase in contract liabilities	2,542	463	4,922	2,565	3,388
Cash generated from operations	83,947	134,377	356,966	177,307	101,304
Income tax paid	(22,339)	(35,753)	(38,168)	(16,591)	(19,224)
NET CASH FROM OPERATING ACTIVITIES	61,608	98,624	318,798	160,716	82,080
INVESTING ACTIVITIES					
Assets-related government subsidies received	–	1,280	–	–	–
Interest on bank balances received	495	492	1,803	276	2,160

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Purchase of property, plant and equipment	(59,989)	(31,461)	(116,613)	(56,261)	(84,727)
Deposit for right-of-use assets	(16,500)	–	–	–	–
Payments for right-of-use assets	–	(19,995)	–	–	–
Proceeds from disposal of property, plant and equipment	7	13	21	–	–
Acquisition of a business *(Note 33)*	–	(10,040)	–	–	–
Payment for acquisition of business in prior year	–	–	(425)	–	–
Loan to a related party	–	–	(30,000)	–	–
Placement of time deposit	–	–	(30,000)	–	–
Withdrawal from time deposit	–	–	–	–	30,000
Placement of restricted bank balances	(252,892)	(83,940)	(61,360)	(26,007)	(52,003)
Withdrawal from restricted bank balances	251,532	84,949	69,230	45,900	42,000
NET CASH USED IN INVESTING ACTIVITIES	(77,347)	(58,702)	(167,344)	(36,092)	(62,570)
FINANCING ACTIVITIES					
Interest paid	(8,561)	(2,645)	(8,378)	(4,026)	(5,209)
New bank borrowings raised	94,400	39,270	199,837	134,690	107,599
Repayment of bank borrowings	(164,220)	(70,470)	(85,690)	(33,000)	(31,000)
Repayment of lease liabilities	(12)	(15)	(16)	(14)	(14)
Borrowings received from a shareholder	133,600	36,278	–	–	–
Repayment of borrowings to a shareholder	(22,500)	(16,703)	(214,817)	(162,786)	–
Deposit for acquisition of non-controlling interest of a subsidiary	–	–	–	–	(10,000)
Capital injection from controlling shareholder	–	–	–	–	5,000
Dividends paid to the shareholder	(10,200)	(15,300)	(15,300)	(15,300)	(63,000)
Dividends paid to non-controlling shareholders of subsidiaries	(9,800)	(14,700)	(14,700)	(14,700)	(25,600)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	12,707	(44,285)	(139,064)	(95,136)	(22,224)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,032)	(4,363)	12,390	29,488	(2,714)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	57,475	54,443	50,080	50,080	62,470
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, REPRESENTED BY					
Bank balances and cash	54,443	50,080	62,470	79,568	59,756

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company, formerly known as Jiyuan Jinyuan Chemicals Co., Ltd.* 濟源市金源化工有限公司 (the "Predecessor"), Henan Jinyuan Hydrogen Energy Technology Co., Ltd.* 河南金源氫能科技股份有限公司 and Henan Jinyuan Hydrogenated Chemicals & Energy Co., Ltd.* 河南金源氫化能源股份有限公司, was established as a limited liability company in the PRC on 23 November 2012 under the Company Law of the PRC.

The parent company of the Company is Jinma Energy.

The principal activities of the Company and its subsidiaries (Note 41) are mainly engaged in the production and sales of hydrogenated benzene-based chemicals, mainly coal gas, liquefied natural gas ("LNG"), trading of LNG and refined oil and provision of other services, including provision of steam ("Other Services").

The Predecessor was wholly-owned by Jinma Energy at the beginning of the Track Record Period.

On 9 June 2023, Jinma Energy entered into an equity transfer agreement with Shanghai Jinma Energy Sources Co., Ltd.* 上海金馬能源有限公司 ("Shanghai Jinma"), a wholly-owned subsidiary of Jinma Energy, for the sale of 1% equity interest in the Predecessor to Shanghai Jinma at the consideration of RMB3,500,000. Following the completion of the equity transfer on 9 June 2023, the Predecessor was held as to 99% by Jinma Energy and 1% by Shanghai Jinma.

On 28 July 2023, the Company was converted from a limited liability company into a joint stock company with 335,000,000 ordinary shares of RMB1 per share.

The address of the registered office and the principal place of business of the Company is West First Ring Road South, Jiyuan, Henan Province, the PRC. The Company established a place of business in Hong Kong at 17th Floor, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong. It was registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance (Cap. 622) on 21 August 2023.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conform with IFRSs issued by the IASB and the principle of merger accounting applicable to group reorganisation under common control (details are set out below).

Prior to the commencement of the corporate reorganisation (the "Reorganisation") in 2023, Jinning Energy, Jinrui Energy and Jinma Qingneng are under the control of Jinma Energy throughout the Track Record Period. To rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange, the Group underwent the Reorganisation, as summarised below and detailed in the section headed "History, Corporate Structure and Reorganisation" in the Prospectus.

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

(i) On 26 June 2023, the Predecessor entered into an equity transfer agreement with Yugang Coking for the Company to acquire 10% equity interest in Jinrui Energy held by Yugang Coking at the consideration of RMB20,000,000. Upon completion of the transaction on 14 August 2023, the Predecessor holds 10% equity interest in Jinrui Energy.

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

* For identification purpose only.

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

(iv) On 16 August 2023, Jinma Energy and the Company entered into an equity transfer agreement, pursuant to which Jinma Energy agreed to transfer its equity interest in Jinma Qingneng to the Company at a consideration of RMB72,359,000, which is settled by the Company issuing 72,350,000 new shares at RMB1 per share. Following the completion of the transaction on 17 August 2023, Jinma Qingneng became a wholly-owned subsidiary of the Company and the merger accounting for business combination involving entities under common control was applied and its assets, liabilities, results, changes in equity and cash flows were included in Historical Financial Information from 18 February 2021 (date of establishment) to the end of Track Record Period, and Jinjiang Refinery would be accounted for as a joint venture of the Group and be recognised as "investment in a joint venture" using the equity method since 31 July 2023, being the date when Jinma Qingneng acquired 49% equity interests in Jinjiang Refinery.

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

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

Since the Group comprises the Company, Jinning Energy, Jinrui Energy and Jinma Qingneng resulting from the Reorganisation, which have always been under the common control of Jinma Energy throughout the Track Record Period or from the respective dates of establishment to 30 June 2023, the Group is regarded as a continuing entity and merger accounting has been applied for the preparation of the Historical Financial Information.

The Historical Financial Information has been prepared under the principles of common control combination as if the Company had been the holding company of Jinrui Energy, Jinning Energy and Jinma Qingneng throughout the Track Record Period. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of establishment. The combined statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates taking into account the respective dates of establishment, where applicable.

As at 30 June 2023, the Group had net current liabilities of approximately RMB92,568,000. In addition, there were outstanding capital commitments amounting to RMB23,549,000 (Note 34). The directors of the Company are of the opinion that, taking into account the current operation of the Group and undrawn banking facilities available to the Group of RMB117,254,000 as at 30 June 2023 (Note 39), the Group has sufficient working capital to enable it to meet in full its financial obligations as and when they fall due in the coming twelve months from the end of the reporting period. Therefore, the Historical Financial Information have been prepared on a going concern basis.

2. APPLICATION OF AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform the International Accounting Standards ("IASs"), IFRSs, amendments and the related interpretations issued by the IASB, which are effective for the Group's financial period beginning on 1 January 2023, throughout the Track Record Period.

Amendments to IFRSs in issue but not yet effective

At the date of this report, the Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after a date to be determined

2 Effective for annual periods beginning on or after 1 January 2024

3 Effective for annual periods beginning on or after 1 January 2025

The directors of the Company considers that the application of all the new and amendments to IFRSs is unlikely to have a material impact on the Group's financial position and performance in foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information have been prepared in accordance with the accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

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

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

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

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

Basis of combination

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

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

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

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

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

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

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

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

Business combination

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

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

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or IFRIC 21 "Levies", in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

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

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

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

Merger accounting for business combination involving businesses under common control

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

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

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

Goodwill

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

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

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Lease liabilities

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

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

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

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

The Group as a lessor

Classification and measurement of leases

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

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

Borrowing costs

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

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

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

Government grants

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

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

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

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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

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

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

Property, plant and equipment

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

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

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

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

Intangible assets

Intangible assets acquired in a business combination

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

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

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

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

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

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

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

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

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

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

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

Inventories

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

(i) Amortised cost and interest income

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

(ii) Bills receivables classified as at FVTOCI

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

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

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

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

(i) Significant increase in credit risk

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

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

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

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Fair value measurement of bills receivables at FVTOCI

As at 31 December 2020, 2021 and 2022 and 30 June, 2023, the Group's financial assets at FVTOCI amounting to RMB108,457,000, RMB120,424,000, RMB84,930,000 and RMB119,060,000 respectively, are measured at fair values with fair values being determined based on observable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques which is reflective of the current market conditions and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Details of fair value measurement of financial instruments are set out in Note 39.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2020				
Segments*	**Refined chemicals**	**Energy products**	**Trading**	**Other Services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods or service					
Sales of goods					
Hydrogenated benzene-based chemicals	584,718	–	–	–	584,718
Coal gas	–	326,408	–	–	326,408
LNG	–	170,381	89,999	–	260,380
Refined oil	–	–	36,700	–	36,700
Others	–	–	–	68	68
	584,718	496,789	126,699	68	1,208,274
Providing services					
Energy supply	–	–	–	7,863	7,863
Total	584,718	496,789	126,699	7,931	1,216,137

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

	For the year ended 31 December 2020		
	Segment revenue	**Eliminations**	**Combined**
	RMB'000	*RMB'000*	*RMB'000*
Refined chemicals	584,718	–	584,718
Energy products	496,789	(77,003)	419,786
Trading	126,699	(59,770)	66,929
Other Services	7,931	(131)	7,800
Revenue from contracts with customers	**1,216,137**	**(136,904)**	**1,079,233**

	For the year ended 31 December 2021				
Segments*	**Refined chemicals**	**Energy products**	**Trading**	**Other Services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods or service					
Sales of goods					
Hydrogenated benzene-based chemicals	1,065,598	–	–	–	1,065,598
Coal gas	–	266,019	–	–	266,019
LNG	–	15,438	79,962	–	95,400
Refined oil	–	–	56,601	–	56,601
Others	–	–	–	417	417
	1,065,598	281,457	136,563	417	1,484,035
Providing services					
Energy supply	–	–	–	692	692
Total	1,065,598	281,457	136,563	1,109	1,484,727

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

	For the year ended 31 December 2021		
	Segment revenue	**Eliminations**	**Combined**
	RMB'000	*RMB'000*	*RMB'000*
Refined chemicals	1,065,598	–	1,065,598
Energy products	281,457	(3,229)	278,228
Trading	136,563	(1,763)	134,800
Other Services	1,109	(141)	968
Revenue from contracts with customers	**1,484,727**	**(5,133)**	**1,479,594**

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

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

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

	For the six months ended 30 June 2022 (unaudited)				
Segments*	**Refined chemicals**	**Energy products**	**Trading**	**Other Services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods or service					
Sales of goods					
Hydrogenated benzene-based chemicals	658,701	–	–	–	658,701
Coal gas	–	196,530	–	–	196,530
LNG	–	192,694	40,009	–	232,703
Refined oil	–	–	27,507	–	27,507
Others	–	–	–	375	375
	658,701	389,224	67,516	375	1,115,816
Providing services					
Energy supply	–	–	7	4,650	4,657
Total	658,701	389,224	67,523	5,025	1,120,473

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

	For the six months ended 30 June 2022 (unaudited)		
	Segment revenue	Eliminations	Combined
	RMB'000	*RMB'000*	*RMB'000*
Refined chemicals	658,701	–	658,701
Energy products	389,224	(41,315)	347,909
Trading	67,523	(148)	67,375
Other Services	5,025	(28)	4,997
Revenue from contracts with customers	**1,120,473**	**(41,491)**	**1,078,982**

	For the six months ended 30 June 2023				
Segments*	**Refined chemicals**	**Energy products**	**Trading**	**Other Services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods or service					
Sales of goods					
Hydrogenated benzene-based chemicals	647,289	–	–	–	647,289
Coal gas	–	229,252	–	–	229,252
LNG	–	163,663	49,227	–	212,890
Refined oil	–	–	84,211	–	84,211
Others	–	–	–	73	73
	647,289	392,915	133,438	73	1,173,715
Providing services					
Energy supply	–	–	95	5,557	5,652
Total	647,289	392,915	133,533	5,630	1,179,367

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

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

	For the six months ended 30 June 2023		
	Segment revenue	**Eliminations**	**Combined**
	RMB'000	*RMB'000*	*RMB'000*
Refined chemicals	647,289	–	647,289
Energy products	392,915	(59,465)	333,450
Trading	133,533	(43,867)	89,666
Other Services	5,630	(27)	5,603
Revenue from contracts with customers	**1,179,367**	**(103,359)**	**1,076,008**

Performance obligations for contracts with customers

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

For sales of and trading as a principal of refined chemicals and energy products, revenue is recognised when control of the products has transferred, being when the products have been delivered to the location specified in the sales contract. Following the delivery, the customer has ability to direct the use of the products and bears the risks of obsolescence and loss in relation to the products.

In general, for some customers with long-term relationships, the normal credit term is within 60 days upon delivery. For other general customers, non-refundable prepayment from these customers is required in advance according to the contracts entered and recognised as a contract liability until the products have been delivered to the customer.

Performance obligation of sales of goods or providing services is part of a contract that has an original expected duration of one year or less. Applying the practical expedient in IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

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

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

Segment revenues and results

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

For the year ended 31 December 2020

	Refined chemicals	Energy products	Trading	Other Services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT REVENUE					
External sales	584,718	419,786	66,929	7,800	1,079,233
Inter-segment sales	–	77,003	59,770	131	136,904
	584,718	496,789	126,699	7,931	1,216,137
Segment profit	34,719	51,533	9,487	6,575	102,314
Other income					7,348
Other gains and losses					(5,650)
Selling and distribution expenses					(11,606)
Administrative expenses					(21,708)
Finance costs					(8,561)
Unallocated expenses					(752)
Profit before tax					61,385

For the year ended 31 December 2021

	Refined chemicals *RMB'000*	Energy products *RMB'000*	Trading *RMB'000*	Other Services *RMB'000*	Total *RMB'000*
SEGMENT REVENUE					
External sales	1,065,598	278,228	134,800	968	1,479,594
Inter-segment sales	–	3,229	1,763	141	5,133
	1,065,598	281,457	136,563	1,109	1,484,727
Segment profit	120,135	18,389	15,871	887	155,282
Other income					5,067
Other gains and losses					(9,707)
Selling and distribution expenses					(11,963)
Administrative expenses					(22,980)
Finance costs					(2,645)
Unallocated expenses					(2,149)
Profit before tax					110,905

For the year ended 31 December 2022

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

For the six months ended 30 June 2022 (unaudited)

	Refined chemicals *RMB'000*	Energy products *RMB'000*	Trading *RMB'000*	Other services *RMB'000*	Total *RMB'000*
SEGMENT REVENUE					
External sales	658,701	347,909	67,375	4,997	1,078,982
Inter-segment sales	–	41,315	148	28	41,491
	658,701	389,224	67,523	5,025	1,120,473
Segment profit	49,717	103,966	8,024	4,404	166,111
Other income					2,673
Other gains and losses					(3,295)
Selling and distribution expenses					(7,025)
Administrative expenses					(14,744)
Finance costs					(4,066)
Unallocated expenses					(1,261)
Profit before tax					138,393

For the six months ended 30 June 2023

	Refined chemicals *RMB'000*	Energy products *RMB'000*	Trading *RMB'000*	Other services *RMB'000*	Total *RMB'000*
SEGMENT REVENUE					
External sales	647,289	333,450	89,666	5,603	1,076,008
Inter-segment sales	–	59,465	43,867	27	103,359
	647,289	392,915	133,533	5,630	1,179,367
Segment profit	50,159	45,886	5,580	4,855	106,480
Other income					5,305
Other gains and losses					(2,026)
Selling and distribution expenses					(10,189)
Administrative expenses					(14,019)
Finance costs					(2,994)
Unallocated expenses					(31)
Profit before tax					82,526

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

Inter-segment sales are charged at prevailing market rates.

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

Other segment information

	Refined chemicals *RMB'000*	**Energy products** *RMB'000*	**Trading** *RMB'000*	**Other Services** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2020						
Amounts included in measure of segment results:						
Depreciation and amortisation	12,149	33,304	3,658	119	2,169	51,399

	Refined chemicals *RMB'000*	**Energy products** *RMB'000*	**Trading** *RMB'000*	**Other Services** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2021						
Amounts included in measure of segment results:						
Depreciation and amortisation	15,902	36,806	5,090	84	3,238	61,120

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

	Refined chemicals *RMB'000*	**Energy products** *RMB'000*	**Trading** *RMB'000*	**Other Services** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
For the six months ended 30 June 2022 (unaudited)						
Amounts included in measure of segment results:						
Depreciation and amortisation	8,031	18,589	2,658	44	1,732	31,054

	Refined chemicals *RMB'000*	**Energy products** *RMB'000*	**Trading** *RMB'000*	**Other Services** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
For the six months ended 30 June 2023						
Amounts included in measure of segment results:						
Depreciation and amortisation	8,065	15,762	2,708	44	1,731	28,310

Entity-wide disclosures

Geographical information

During the Track Record Period, all of the Group's revenue from external customers were generated from the PRC whereas all non-current assets are located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group for the Track Record Period is as below:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Pingmei Shenma *(Note)*	371,678	695,869	925,640	494,562	455,153

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

6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income on bank deposits	495	492	1,803	276	2,160
Interest income on bills receivables at FVTOCI	3,267	3,188	1,922	1,195	1,200
Release of assets-related government subsidies *(Note 32)*	1,232	1,387	1,586	793	793
Government grants	2,334	–	28	–	602
Rental income	–	–	917	408	550
Others	20	–	98	1	–
	7,348	5,067	6,354	2,673	5,305

7. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net loss arising on bills receivables at FVTOCI	(6,197)	(9,779)	(6,517)	(3,386)	(3,038)
Gain (loss) on disposal/write-off of property, plant and equipment	–	8	(2)	–	(74)
Gain on disposal of scrap steel	177	77	100	16	–
Reversal of impairment loss under ECL model	29	–	–	–	–
Others	341	(13)	884	75	1,086
	(5,650)	(9,707)	(5,535)	(3,295)	(2,026)

8. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Interest expense on:					
– bank borrowings	8,555	2,636	8,601	4,062	5,295
– lease liabilities	6	9	8	4	4
	8,561	2,645	8,609	4,066	5,299
Less: amounts capitalised	–	–	(587)	–	(2,305)
	8,561	2,645	8,022	4,066	2,994
Capitalisation rate – per annum	–	–	5.60%	–	5.60%

9. PROFIT BEFORE TAX

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Profit before tax has been arrived at after charging:					
Staff costs					
Directors', chief executive's and supervisors' remuneration *(Note 13)*	562	1,243	1,725	446	452
Other staff costs	17,218	20,169	27,189	12,649	13,795
Retirement benefits *(Note 30)*	120	1,394	1,968	813	1,214
Total staff costs	17,900	22,806	30,882	13,908	15,461
Capitalised in inventories	(8,957)	(14,475)	(17,016)	(7,131)	(9,410)
	8,943	8,331	13,866	6,777	6,051
Depreciation of property, plant and equipment	33,502	42,341	43,325	21,573	21,798
Capitalised in inventories	(30,595)	(37,384)	(38,362)	(19,117)	(19,486)
	2,907	4,957	4,963	2,456	2,312
Depreciation of right-of-use assets	1,936	2,486	2,669	1,335	1,335
Amortisation of intangible assets included in cost of sales	15,961	16,293	16,293	8,146	5,177
Auditors' remuneration	100	100	100	–	–
Cost of inventories recognised as expenses	976,919	1,324,312	1,965,208	912,871	969,528

10. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
PRC Enterprise Income Tax ("EIT")					
– current tax	19,789	34,681	41,252	22,687	17,629
– under-provision in prior years/periods	233	148	579	263	116
Deferred tax *(Note 19)*	(3,271)	(3,400)	(2,364)	(1,301)	(933)
	16,751	31,429	39,467	21,649	16,812

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

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

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before tax	61,385	110,905	233,548	138,393	82,526
Tax charge at the applicable income tax rate of 25%	15,346	27,726	58,387	34,599	20,632
Tax effect of expenses not deductible for tax purposes	694	339	193	246	265
Tax effect of tax losses not recognised	4,868	3,697	–	–	–
Under-provision in prior years/periods	233	148	579	263	116
Tax effect of income not taxable for tax purpose *(Note)*	(4,259)	(386)	(10,909)	(4,817)	(4,092)
Utilisation of tax losses previously not recognised	(104)	–	(8,565)	(8,565)	–
Income tax at concessionary rate	(27)	(95)	(218)	(77)	(109)
Income tax expense	16,751	31,429	39,467	21,649	16,812

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

11. OTHER COMPREHENSIVE INCOME (EXPENSE)

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other comprehensive income (expense) includes:					
Items that may be reclassified subsequently to profit or loss:					
Fair value change arising from bills receivables at FVTOCI	9,770	16,268	12,385	6,897	5,117
Reclassification to profit or loss during the year/period upon derecognition of bills receivables at FVTOCI	(9,538)	(16,233)	(12,058)	(6,829)	(5,195)
	232	35	327	68	(78)

Income tax effect relating to other comprehensive income

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

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

12. DIVIDENDS

No dividends were declared or paid by the Company in respect of the Track Record Period, nor has any dividend been proposed since the end of the Track Record Period.

The dividends declared by Jinning Energy to the non-controlling shareholders amounted to RMB9,800,000, RMB14,700,000, RMB14,700,000, RMB14,700,000 (unaudited) and RMB19,600,000 respectively during the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023. The dividends declared by Jinning Energy to the controlling shareholder amounted to RMB10,200,000, RMB15,300,000, RMB15,300,000, RMB15,300,000 (unaudited) and RMB20,400,000 respectively during the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023.

The dividends declared by Jinrui Energy to the non-controlling shareholders and the controlling shareholder amounted to RMB17,400,000 and RMB42,600,000 respectively during the six months ended 30 June 2023. Save as set out above, no other dividends were declared or paid by Jinrui Energy during the Track Record Period.

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

Directors', Chief Executive's and Supervisors' emoluments

Following the completion of the Reorganisation, the executive directors, non-executive director, independent non-executive directors and supervisors of the Company were appointed on 28 July and 16 August 2023. During the Track Record Period, two managements of the Company received remuneration prior to becoming the director or supervisor of the Company. The details are disclosed as below:

	Fees	**Basic salaries**	**Performance related bonuses**	**Retirement benefits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2020					
Executive director and the chief executive:					
Mr. Wang Zengguang	–	174	200	24	398
Mr. Qiao Erwei	–	–	–	–	–
Non-Executive directors:					
Mr. Yiu Chiu Fai	–	–	–	–	–
Mr. Wang Kaibao	–	–	–	–	–
Mr. Wang Lijie	–	–	–	–	–
Independent non-executive directors:					
Mr. Di Zhigang	–	–	–	–	–
Ms. Wong Yan Ki	–	–	–	–	–
Ms. Leung Sin Yeng Winnie	–	–	–	–	–
Supervisors:					
Mr. Wong Tsz Leung	–	–	–	–	–
Mr. Wu, Zhiqiang	–	–	–	–	–
Mr. Li, Hebao	–	77	72	15	164
	–	251	272	39	562

	Fees	Basic salaries	Performance related bonuses	Retirement benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2021					
Executive director and the chief executive:					
Mr. Wang Zengguang	–	423	351	24	798
Mr. Qiao Erwei	–	86	75	6	167
Non-Executive directors:					
Mr. Yiu Chiu Fai	–	–	–	–	–
Mr. Wang Kaibao	–	–	–	–	–
Mr. Wang Lijie	–	–	–	–	–
Independent non-executive directors:					
Mr. Di Zhigang	–	–	–	–	–
Ms. Wong Yan Ki	–	–	–	–	–
Ms. Leung Sin Yeng Winnie	–	–	–	–	–
Supervisors:					
Mr. Wong Tsz Leung	–	–	–	–	–
Mr. Wu, Zhiqiang	–	–	–	–	–
Mr. Li, Hebao	–	133	130	15	278
	–	642	556	45	1,243

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

	Fees	Basic salaries	Performance related bonuses	Retirement benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2022 (unaudited)					
Executive directors and the chief executive:					
Mr. Wang Zengguang	–	214	–	16	230
Mr. Qiao Erwei	–	125	–	7	132
Non-Executive directors:					
Mr. Yiu Chiu Fai	–	–	–	–	–
Mr. Wang Kaibao	–	–	–	–	–
Mr. Wang Lijie	–	–	–	–	–
Independent non-executive directors:					
Mr. Di Zhigang	–	–	–	–	–
Ms. Wong Yan Ki	–	–	–	–	–
Ms. Leung Sin Yeng Winnie	–	–	–	–	–
Supervisors:					
Mr. Wong Tsz Leung	–	–	–	–	–
Mr. Wu, Zhiqiang	–	–	–	–	–
Mr. Li, Hebao	–	77	–	7	84
	–	416	–	30	446

	Fees	Basic salaries	Performance related bonuses	Retirement benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2023					
Executive director and the chief executive:					
Mr. Wang Zengguang	–	213	–	20	233
Mr. Qiao Erwei	–	126	–	12	138
Non-Executive directors:					
Mr. Yiu Chiu Fai	–	–	–	–	–
Mr. Wang Kaibao	–	–	–	–	–
Mr. Wang Lijie	–	–	–	–	–
Independent non-executive directors:					
Mr. Di Zhigang	–	–	–	–	–
Ms. Wong Yan Ki	–	–	–	–	–
Ms. Leung Sin Yeng Winnie	–	–	–	–	–
Supervisors:					
Mr. Wong Tsz Leung	–	–	–	–	–
Mr. Wu, Zhiqiang	–	–	–	–	–
Mr. Li, Hebao	–	69	–	12	81
	–	408	–	44	452

The emoluments of executive directors shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The performance related bonuses were determined by the management of the Group by reference to the performance.

Five individuals with the highest emoluments

One of the five individuals with the highest emoluments in the Group was a director of the Company for the Track Record Period, whose emoluments is included in the disclosure above. The emoluments of the remaining individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, wages and allowance	633	732	1,082	518	525
Performance related bonuses	478	680	510	–	–
Retirement benefits	60	46	65	29	55
	1,171	1,458	1,657	547	580

The number of the highest paid employees who are not the directors nor supervisors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
				(unaudited)	
Nil to Hong Kong Dollar ("HK$") 1,000,000	4	3	4	4	4

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

14. EARNINGS PER SHARE

No earnings per share information is presented as such information is not meaningful having regard to the purpose of this report and the result of the Group during the Track Record Period are presented on a combined basis as set out in Note 1.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and structures *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2020	110,743	395,135	211	35,625	51,818	593,532
Additions	4,809	3,767	1,758	281	44,692	55,307
Transfer	18,907	57,991	–	–	(76,898)	–
Disposals	–	–	(45)	–	–	(45)
At 31 December 2020	134,459	456,893	1,924	35,906	19,612	648,794
Addition on acquisition of business *(Note 33)*	422	–	–	511	–	933
Additions	1,486	1,455	230	120	8,212	11,503
Transfer	–	17,503	–	–	(17,503)	–
Disposals	–	(6)	–	–	–	(6)
At 31 December 2021	136,367	475,845	2,154	36,537	10,321	661,224
Additions	1,526	8,076	182	50	115,497	125,331
Disposals	–	(749)	–	–	–	(749)
At 31 December 2022	137,893	483,172	2,336	36,587	125,818	785,806
Additions	–	2,131	–	–	178,773	180,904
Write-off	(85)	–	(22)	–	–	(107)
At 30 June 2023	137,808	485,303	2,314	36,587	304,591	966,603
Depreciation						
At 1 January 2020	14,067	78,638	4	15,214	–	107,923
Provided for the year	4,626	26,378	103	2,395	–	33,502
Eliminated on disposals	–	–	(38)	–	–	(38)
At 31 December 2020	18,693	105,016	69	17,609	–	141,387
Provided for the year	7,165	32,268	384	2,524	–	42,341
Eliminated on disposals	–	(1)	–	–	–	(1)
At 31 December 2021	25,858	137,283	453	20,133	–	183,727
Provided for the year	7,262	33,091	444	2,528	–	43,325
Eliminated on disposals	–	(726)	–	–	–	(726)
At 31 December 2022	33,120	169,648	897	22,661	–	226,326
Provided for the period	3,564	16,753	220	1,261	–	21,798
Eliminated on write-off	(17)	–	(16)	–	–	(33)
At 30 June 2023	36,668	186,401	1,100	23,922	–	248,091
Carrying values						
At 31 December 2020	115,766	351,877	1,855	18,297	19,612	507,407
At 31 December 2021	110,509	338,562	1,701	16,404	10,321	477,497
At 31 December 2022	104,773	313,524	1,439	13,926	125,818	559,480
At 30 June 2023	101,140	298,902	1,214	12,665	304,591	718,512

The Company

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

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

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

16. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands
	RMB'000
As at 1 January 2020	81,868
Depreciation charged during the year	(1,936)
As at 31 December 2020	79,932
Additions	36,495
Addition on acquisition of business *(Note 33)*	81
Depreciation charged during the year	(2,486)
As at 31 December 2021	114,022
Depreciation charged during the year	(2,669)
As at 31 December 2022	111,353
Depreciation charged during the period	(1,335)
As at 30 June 2023	110,018

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

Leasehold lands	2%-20%

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Total cash outflow for leases	16,518	20,019	24	18	18

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

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

Restrictions or covenants on leases

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

The Company

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

17. INTANGIBLE ASSETS

The Group

	Franchise right *RMB'000* *(Note i)*	Operating license *RMB'000* *(Note ii)*	Total *RMB'000*
Cost			
At 1 January and 31 December 2020	93,502	22,385	115,887
Addition on acquisition of business *(Note 33)*	–	6,634	6,634
At 31 December 2021, 31 December 2022 and 30 June 2023	93,502	29,019	122,521
Amortisation			
At 1 January 2020	44,525	491	45,016
Charge for the year	14,842	1,119	15,961
At 31 December 2020	59,367	1,610	60,977
Charge for the year	14,842	1,451	16,293
At 31 December 2021	74,209	3,061	77,270
Charge for the year	14,842	1,451	16,293
At 31 December 2022	89,051	4,512	93,563
Charge for the period	4,451	726	5,177
At 30 June 2023	93,502	5,238	98,740
Carrying values			
At 31 December 2020	34,135	20,775	54,910
At 31 December 2021	19,293	25,958	45,251
At 31 December 2022	4,451	24,507	28,958
At 30 June 2023	–	23,781	23,781

Notes:

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

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

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

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	years	*years*	*years*	*years*
Franchise right – sales of coal gas	2.3	1.3	0.3	–
Operating license of refined oil	18.3	17.3	16.3	15.8

18. GOODWILL

The Group

	Jinning Energy	**Gas Stations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January 2020 and 31 December 2020	8,001	3,068	11,069
Addition on acquisition of business *(Note 33)*	–	1,767	1,767
At 31 December 2021, 31 December 2022 and 30 June 2023	8,001	4,835	12,836
Impairment			
At 1 January 2020, 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 *(Note)*	–	2,167	2,167
Carrying values			
At 31 December 2020	8,001	901	8,902
At 31 December 2021	8,001	2,668	10,669
At 31 December 2022	8,001	2,668	10,669
At 30 June 2023	8,001	2,668	10,669

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

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

	Numbers of CGUs			
	2020/12/31	**2021/12/31**	**2022/12/31**	**2023/06/30**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Subsidiary engaged in distribution and sales of coal gas	1	1	1	1
Gas stations engaged in retail of refined oil	2	3	3	3
	3	4	4	4

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

	Goodwill			
	2020/12/31	**2021/12/31**	**2022/12/31**	**2023/06/30**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of coal gas – Jinning Energy (Unit A)	8,001	8,001	8,001	8,001
Retail of refined oil - Ouya Gasoline Station (as defined in Note 41) (Unit B)	253	253	253	253
Retail of refined oil – Liandong Gas Station (Unit C)	648	648	648	648
Retail of refined oil – Jidong Gas Station (Unit D)	N/A	1,767	1,767	1,767
	8,902	10,669	10,669	10,669

In addition to goodwill above, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGUs for the purpose of impairment assessment. The carrying values of the operating license of refined oil are determined and allocated to Unit B, Unit C and Unit D based on the purchase price allocation exercise. Unit C and Unit D are included in Jinrui Gas (as defined in Note 41).

The recoverable amount of Unit A has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period for the years ended 31 December 2020, 2021 and 2022 and pre-tax discount rate listed as follows:

	2020/12/31	**2021/12/31**	**2022/12/31**
Pre-tax discount rate	28.5%	28.5%	28.5%

The management of the Group adopted a pre-tax discount rate of 28.5% for Unit A for each of the reporting period mainly considering that during the Track Record Period, (i) the Group being the exclusive supplier of coal gas in the vicinity of Huancheng Road (環城路) and to the residents of Du Village (杜村) in Chengliu town (承留鎮), Jiyuan city, the production process, customer demands and sales activities of Unit A remained stable, and the gross margin level was in line with the expectation of the management; (ii) with sufficient working capital, Unit A did not raise any borrowings and maintained stable capital structure; and (iii) the slightly changes in interest rate of government bonds in PRC had immaterial effect on the pre-tax discount rate.

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

As at 31 December 2020, 2021 and 2022, the recoverable amount of Unit A exceeds its carrying amount by RMB27,042,000, RMB17,954,000 and RMB97,300,000 respectively. If the discount rate increased by 2%, while other parameters remain constant, the recoverable amount of Unit A exceeds its carrying amount by RMB15,708,000, RMB10,398,000 and RMB85,475,000 respectively as at 31 December 2020, 2021 and 2022.

The management of the Group determines that there is no impairment of Unit A during the Track Record Period and believes that any reasonably possible changes in any of these assumptions would not cause the carrying amount of Unit A to exceed its recoverable amount. Also management of the Group determines that there is no further impairment on Unit B and no impairment on other units during the Track Record Period after impairment assessment. As at 30 June 2023, the management of the Group is not aware of any impairment indicator that would trigger the recoverable amounts of these units to be lower than their respective carrying amounts.

19. DEFERRED TAX ASSETS/LIABILITIES

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

The Group

	ECL provision	Accelerated tax depreciation	Fair value change of bills receivables at FVTOCI	Fair value adjustments upon acquisition of business	Deferred revenue	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	2	–	245	(11,100)	4,593	(6,260)
(Charge) credit to profit or loss	(2)	–	35	3,546	(308)	3,271
Charge to the other comprehensive income	–	–	(77)	–	–	(77)
At 31 December 2020	–	–	203	(7,554)	4,285	(3,066)
Credit (charge) to profit or loss	–	–	47	3,380	(27)	3,400
Charge to the other comprehensive income	–	–	(12)	–	–	(12)
Addition on acquisition *(Note 33)*	–	–	–	588	–	588
At 31 December 2021	–	–	238	(3,586)	4,258	910
(Charge) credit to profit or loss	–	(944)	28	3,676	(396)	2,364
Charge to the other comprehensive income	–	–	(109)	–	–	(109)

	ECL provision	Accelerated tax depreciation	Fair value change of bills receivables at FVTOCI	Fair value adjustments upon acquisition of business	Deferred revenue	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022	–	(944)	157	90	3,862	3,165
Credit (charge) to profit or loss	–	81	16	1,034	(198)	933
Credit to the other comprehensive income	–	–	26	–	–	26
At 30 June 2023	–	(863)	199	1,124	3,664	4,124
(Unaudited)						
At 1 January 2022	–	–	238	(3,586)	4,258	910
(Charge) credit to profit or loss	–	(137)	(22)	1,658	(198)	1,301
Charge to the other comprehensive income	–	–	(23)	–	–	(23)
At 30 June 2022	–	(137)	193	(1,928)	4,060	2,188

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

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	6,059	6,410	4,796	4,624
Deferred tax liabilities	(9,125)	(5,500)	(1,631)	(500)
	(3,066)	910	3,165	4,124

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

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

The Company

	Accelerated tax depreciation	Fair value change of bills receivables at FVTOCI	Deferred revenue	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	–	245	1,368	1,613
Credit (charge) to profit or loss	–	35	(59)	(24)
Charge to the other comprehensive income	–	(77)	–	(77)
At 31 December 2020	–	203	1,309	1,512
Credit to profit or loss	–	47	224	271
Charge to the other comprehensive income	–	(12)	–	(12)
At 31 December 2021	–	238	1,533	1,771
(Charge) credit to profit or loss	(250)	28	(148)	(370)
Charge to the other comprehensive income	–	(109)	–	(109)
At 31 December 2022	(250)	157	1,385	1,292
Credit (charge) to profit or loss	8	16	(74)	(50)
Credit to the other comprehensive income	–	26	–	26
At 30 June 2023	(242)	199	1,311	1,268
(Unaudited)				
At 1 January 2022	–	238	1,533	1,771
(Charge) credit to profit or loss	–	(22)	(73)	(95)
Charge to the other comprehensive income	–	(23)	–	(23)
At 30 June 2022	–	193	1,460	1,653

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

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

20. INVENTORIES

The Group

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	33,480	40,349	37,128	28,473
Finished goods	15,292	27,089	28,571	25,253
	48,772	67,438	65,699	53,726

The Company

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

21. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables – contract with customers	21,431	11,915	13,757	16,556
Other receivables	502	129	199	219
Prepayments to suppliers	3,019	9,432	6,435	11,478
Prepaid other taxes and charges	34,739	34,111	10,744	6,016
	59,691	55,587	31,135	34,269

As at 1 January 2020, the carrying amount of trade receivables net of allowance for ECL from contracts with customers amounted to RMB19,377,000.

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

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	21,431	11,915	13,463	16,262
181 – 365 days	–	–	204	–
More than 1 year	–	–	90	294
	21,431	11,915	13,757	16,556

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

The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 39.

The Company

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

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

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

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

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

The Company does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 39.

22. AMOUNTS DUE FROM RELATED PARTIES

The Group

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
Xinyang Steel Jingang Energy Co., Ltd.* 信陽鋼鐵金港能源有限公司 ("Xinyang Jingang") *(Note i)*	–	–	32,372	23,411
Jiyuan Fangsheng Chemicals Co., Ltd.* 濟源市方升化學有限公司 ("Fangsheng Chemicals") *(Note ii)*	–	–	8	–
	–	–	32,380	23,411
Non-trade nature				
Xinyang Jingang *(Note iii)*	–	–	30,000	30,000
	–	–	30,000	30,000
Total	–	–	62,380	53,411

* For identification purpose only.

Notes:

(i) The entity is controlled by Jinma Energy.

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

(iii) The balance as at 1 January 2020 is amounted to nil. Its maximum amounts outstanding during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 are nil, nil, RMB30,000,000 and RMB30,000,000, respectively. The amount was unsecured and bearing an annual interest of 5% and will be repaid before 31 December 2023.

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

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
Within 90 days	–	–	31,592	–
91 – 180 days	–	–	788	21,039
181 – 365 days	–	–	–	2,372
	–	–	32,380	23,411

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

The Group does not hold any collateral over these balances.

Detail of impairment assessment of amounts due from related parties are set out in Note 39.

23. BILLS RECEIVABLES AT FVTOCI

The Group

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivables	108,457	120,424	84,930	119,060

The Company

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

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

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

Details of impairment assessment are set out in Note 39.

24. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

The Group

Restricted bank balances and bank balances carry interest at prevailing market interest rates ranging from 0.20% to 1.65% per annum as at the end of each reporting period. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group holds time deposits amounting to nil, nil, RMB30,000,000 and nil, respectively, included in the bank balances.

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

Details of impairment assessment of bank balances are set out in Note 39.

The Company

Restricted bank balances and bank balances carry interest at prevailing market interest rates ranging from 0.20% to 1.30% per annum as at the end of each reporting period. The Company holds no time deposits as at the end of each reporting period.

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

Details of impairment assessment of bank balances are set out in Note 39.

25. BORROWINGS

The Group

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	82,200	51,000	165,147	241,746
Secured	5,200	–	105,147	147,746
Unsecured *(Note)*	77,000	51,000	60,000	94,000
	82,200	51,000	165,147	241,746
Fixed-rate borrowings	77,000	51,000	30,000	50,000
Floating-rate borrowings	5,200	–	135,147	191,746
	82,200	51,000	165,147	241,746
Carrying amount repayable: (based on scheduled payment terms)				
Within one year	61,200	36,000	87,000	146,000
More than one year, but not more than two years	6,000	15,000	68,147	95,746
More than two years, but not more than five years	15,000	–	10,000	–
	82,200	51,000	165,147	241,746
Less: Amount due for settlement within 12 months shown under current liabilities	(61,200)	(36,000)	(87,000)	(146,000)
Amount due for settlement after 12 months shown under non-current liabilities	21,000	15,000	78,147	95,746

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

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

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Effective interest rate per annum:				
– Fixed-rate borrowings	5.30%	5.30%	5.30%	3.85%
– Floating-rate borrowings	3.56%-4.90%	N/A	3.99%-5.60%	3.61%-5.60%

The Company

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

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

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

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

26. TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	11,288	3,919	10,601	8,327
Bills payables	43,840	45,900	57,000	50,000
	55,128	49,819	67,601	58,327
Salaries and wages payables	4,530	5,403	6,586	1,765
Other tax payables	5,476	5,902	5,138	5,812
Accruals	297	1,149	2,053	454
Interest payable	–	–	231	321
Consideration payable for acquisition of				
– property, plant and equipment	65,322	45,466	58,075	151,056
– business	–	425	–	–
Obligation arising from acquisition of				
– non-controlling interest a subsidiary	–	–	–	10,000
Refundable deposit from suppliers	1,299	1,149	2,901	2,596
Dividend payables	–	–	–	11,400
Other payables	590	619	1,595	1,072
	77,514	60,113	76,579	184,476
	132,642	109,932	144,180	242,803

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

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	33,720	23,458	36,959	7,445
91 – 180 days	16,969	25,922	30,306	50,299
181 – 365 days	873	214	1	465
Over 1 year	3,566	225	335	118
	55,128	49,819	67,601	58,327

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

The Company

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

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

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

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

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

27. AMOUNT DUE TO A SHAREHOLDER

The Group

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
Jinma Energy	32,861	–	–	19,239
Non-trade nature				
Jinma Energy *(Note)*	171,918	214,817	–	–
Total	204,779	214,817	–	19,239

Note: The balance as at 1 January, 2020 is amounted to RMB57,318,000. Its maximum amounts outstanding during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 are RMB171,918,000, RMB214,817,000, nil and nil, respectively. The amount was unsecured and interest-free and had no repayment terms.

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

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

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
Within 90 days	15,805	–	–	19,239
91 – 180 days	17,056	–	–	–
	32,861	–	–	19,239

The Company

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

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

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

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

28. AMOUNT DUE TO A RELATED PARTY

The Group and the Company

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
Jinjiang Refinery	114	–	–	–

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

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

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

29. CONTRACT LIABILITIES

The Group

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of goods	10,041	10,504	15,426	18,814

As at 1 January 2020, contract liabilities amounted to RMB7,499,000.

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sale of goods				
Balance at the beginning of the year/period	7,499	10,041	10,504	15,426
Decrease in contract liabilities as a result of recognition of revenue during the year/period	(7,499)	(10,041)	(10,504)	(15,426)
Increase in contract liabilities as a result of receiving prepayments for sale of goods during the year/period	10,041	10,504	15,426	18,814
Balance at the end of the year/period	10,041	10,504	15,426	18,814

The Company

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

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

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

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

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

30. RETIREMENT BENEFIT PLANS

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

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefit of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government. The contributions to these plans recognised as employee benefit charged to profit or loss and capitalised as production costs as incurred for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023 under such arrangement are RMB159,000, RMB1,439,000, RMB2,039,000, RMB844,000 (unaudited) and RMB1,258,000, respectively.

31. PAID-IN CAPITAL AND RESERVES

The paid-in capital of RMB100,000,000 at the end of each reporting period represented the paid in capital of the Company prior to the completion of the Reorganisation as stipulated in Note 1 of the Historical Financial Information.

Reserves of the Company:

Below table sets out the details of the reserves of the Company

	FVTOCI reserve	Statutory surplus reserve fund	Retained profits	Special reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	(1,205)	14,284	90,209	20,921	124,209
Profit for the year	–	–	12,865	–	12,865
Other comprehensive income for the year	232	–	–	–	232
Total comprehensive income for the year	232	–	12,865	–	13,097
Transfer	–	1,286	924	(2,210)	–
As at 31 December 2020	(973)	15,570	103,998	18,711	137,306
Profit for the year	–	–	69,084	–	69,084
Other comprehensive income for the year	35	–	–	–	35
Total comprehensive income for the year	35	–	69,084	–	69,119
Transfer	–	6,909	(5,176)	(1,733)	–

	FVTOCI reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Special reserve RMB'000	Total RMB'000
As at 31 December 2021	(938)	22,479	167,906	16,978	206,425
Profit for the year	–	–	23,142	–	23,142
Other comprehensive income for the year	327	–	–	–	327
Total comprehensive income for the year	327	–	23,142	–	23,469
Transfer	–	2,314	(97)	(2,217)	–
As at 31 December 2022	(611)	24,793	190,951	14,761	229,894
Profit for the period	–	–	25,583	–	25,583
Other comprehensive expense for the period	(78)	–	–	–	(78)
Total comprehensive (expense) income for the period	(78)	–	25,583	–	25,505
Transfer	–	–	(761)	761	–
As at 30 June 2023	(689)	24,793	215,773	15,522	255,399
(Unaudited)					
As at 1 January 2022	(938)	22,479	167,906	16,978	206,425
Profit for the period	–	–	25,875	–	25,875
Other comprehensive income for the period	68	–	–	–	68
Total comprehensive income for the period	68	–	25,875	–	25,943
Transfer	–	–	(562)	562	–
As at 30 June 2022	(870)	22,479	193,219	17,540	232,368

32. DEFERRED REVENUE

The Group

	As at 31 December 2020 RMB'000	2021 RMB'000	2022 RMB'000	As at 30 June 2023 RMB'000
Assets-related government subsidies	17,792	17,685	16,099	15,306

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group received nil, RMB1,280,000, nil, nil (unaudited) and nil in relation to incentives for certain plants and equipment acquired by the Group. The amounts were recorded as deferred revenue and released to profit or loss on a systematic basis over the useful lives of the relevant assets. During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, subsidy income of approximately RMB1,232,000, RMB1,387,000, RMB1,586,000, RMB793,000 (unaudited) and RMB793,000 was released to profit or loss.

The Company

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

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

33. ACQUISITION OF BUSINESS

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

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

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

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

Goodwill arising on acquisition

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

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

Net cash outflows arising on acquisition

	RMB'000
Cash consideration paid	10,040

Impact of acquisition on the results of the Group

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

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

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

34. CAPITAL COMMITMENTS

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of:				
Acquisition of property, plant and equipment	2,478	590	36,068	23,549

35. PLEDGE OF ASSETS

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

The Group

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment *(Note)*	–	–	141,888	410,709
Right-of-use assets	–	–	51,742	51,177
Restricted bank balances	24,087	23,078	15,208	25,211
Bills receivables at FVTOCI	46,352	26,000	27,000	–
	70,439	49,078	235,838	487,097

Note: As at 30 June 2023, carrying amounts of property, plant and equipment of approximately RMB274,747,000 was pledged to banks as securities but no hypothecation has been established.

The Company

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

Note: As at 30 June 2023, carrying amounts of property, plant and equipment of approximately RMB274,747,000 was pledged to banks as securities but no hypothecation has been established.

36. TRANSFER OF FINANCIAL ASSETS

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

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Endorsed bills for settlement of payables	152,173	353,130	162,406	105,274
Discounted bills for raising cash	84,267	214,484	277,421	220,730
Outstanding endorsed and discounted bills receivables	236,440	567,614	439,827	326,004

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

37. RELATED PARTIES' TRANSACTIONS

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

(a) Transactions with related parties

Other than the transactions and balances with related parties disclosed elsewhere in the Historical Financial Information, the Group entered into the following transactions with its related parties during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of products and services to:					
Jinma Energy	12,032	4,833	17,617	7,695	8,289
Bohigh Chemicals *(Note i)*	11,839	18,891	30,644	12,449	11,039
Zhongdong Energy *(Note ii)*	42	119	523	291	216
Xinyang Jingang	–	71	30,331	374	19,372
Jinjiang Refinery	80,368	99,123	120,103	60,198	52,081
Fangsheng Chemical	–	–	7	–	–
Yan'an Jinneng *(Note iii)*	55	347	N/A	N/A	N/A
Purchase of raw materials and services from:					
Jinma Energy	394,889	296,574	387,553	172,953	178,333
Bohigh Chemicals	529	128	600	280	–
Jinma Zhongdong	–	–	337,958	155,125	183,531
Jinjiang Refinery	5,523	6,303	8,749	4,315	3,951

Notes:

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

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

(iii) Yan'an Jinneng Railway Logistics Technology Co., Ltd.* 延安金能鐵路物流科技有限公司 ("Yan'an Jinneng") was a fellow subsidiary of the Company since its establishment on 21 May 2020 and ceased to be a related party due to being disposed by Jinma Energy on 30 September 2021.

(b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the Track Record Period was as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and allowance	261	899	1,077	542	552
Performance related bonuses	292	727	1,164	–	–
Retirement benefits	30	54	91	36	51
	583	1,680	2,332	578	603

Key management represents the directors of the Company disclosed in Note 13 and other senior management personnel of the Group. The remuneration of key management is determined with reference to the performance of the Group and the individuals.

* For identification purpose only.

38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt (which includes borrowings, lease liabilities, amount due to a shareholder in non-trade nature, net of cash and cash equivalents) and equity attributable to owners of the Company (comprising paid-in capital and reserves).

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

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Bills receivables at FVTOCI	108,457	120,424	84,930	119,060
Financial assets at amortised cost				
– Bank balances and cash	54,443	50,080	92,470	59,756
– Restricted bank balances	24,087	23,078	15,208	25,211
– Trade and other receivables*	21,933	12,044	13,956	16,775
– Amounts due from related parties	–	–	62,380	53,411

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

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Amortised cost				
– Borrowings	82,200	51,000	165,147	241,746
– Trade and other payables*	122,636	98,627	132,456	235,226
– Amount due to a shareholder	204,779	214,817	–	19,239
– Amount due to a related party	114	–	–	–

* Excluded salaries and wages payables, and other tax payables.

The Company

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

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

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

* Excluded salaries and wages payables, and other tax payables.

Financial risk management objectives and policies

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

Interest rate risk

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to cash flow interest rate for the floating-rate (depends on Loan Prime Rate) borrowings, assuming that the floating-rate borrowings outstanding at the end of each reporting period was outstanding for the whole relevant period. If the interest rate on the floating-rate borrowings had been 50 basis points higher/lower, and all other variables were held constant, the Group's profit after tax would decrease/increase by approximately RMB20,000, nil, RMB507,000 and RMB719,000 for the years ended 31 December 2020, 2021, 2022 and six months ended 30 June 2023, respectively. This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings as at 31 December 2020, 2021, 2022 and 30 June 2023.

If the interest rate on the floating-rate borrowings had been 50 basis points higher/lower, and all other variables were held constant, the Company's profit after tax would decrease/increase by approximately RMB20,000, nil, RMB282,000 and RMB532,000 for the years ended 31 December 2020, 2021, 2022 and six months ended 30 June 2023, respectively. This is mainly attributable to the Company's exposure to interest rates on its floating-rate borrowings as at 31 December 2020, 2021, 2022 and 30 June 2023.

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

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

Credit risk and impairment assessment

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

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

Trade-related Receivables arising from contracts with customers

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

The Group has concentration of credit risk resulting from the Group's the five largest customers contributed to the Group's revenue during the Track Record Period. The percentage of Trade-related Receivables attributable to these five largest customers amounted to 64%, 76%, 21% and 90% as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

The Group also has concentration of credit risk in respect of the five largest outstanding balances, i.e. approximately 95%, 99%, 99% and 99% of total Trade-related Receivables outstanding balances as at 31 December 2020, 2021, 2022, and 30 June 2023, respectively.

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

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

Other receivables

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

Bank balances and restricted bank balances

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

Bills receivables at FVTOCI

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

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

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

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

The Group

	External credit rating	Internal credit rating	12m or lifetime ECL	As at 31 December 2020	2021	2022	As at 30 June 2023
				Gross carrying amount			
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivables at FVTOCI							
Bills receivables	AAA – A	N/A	12m ECL	108,457	120,424	84,930	119,060
Financial assets at amortised cost							
Amounts due from related parties (non-trade nature)	N/A	Low risk	12m ECL	–	–	30,000	30,000
Trade-related Receivables	N/A	Low risk	Lifetime ECL (not credit-impaired)	21,431	11,915	45,843	39,673
		Watch list	Lifetime ECL (not credit-impaired)	–	–	294	294
				21,431	11,915	46,137	39,967
Bank balances and restricted bank balances	AAA – AA+	N/A	12m ECL	78,530	73,158	107,678	84,967
Other receivables	N/A	Low risk	12m ECL	502	129	199	219

The Company

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

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

The Group

Gross carrying amount

Internal credit rating	As at 31 December 2020 Average loss rate	Trade-related Receivables *RMB'000*	ECL (not credit-impaired) *RMB'000*	As at 31 December 2021 Average loss rate	Trade-related Receivables *RMB'000*	ECL (not credit-impaired) *RMB'000*
Low risk	0.05%	21,431	–*	0.13%	11,915	–*

Internal credit rating	As at 31 December 2022 Average loss rate	Trade-related Receivables *RMB'000*	ECL (not credit-impaired) *RMB'000*	As at 30 June 2023 Average loss rate	Trade-related Receivables *RMB'000*	ECL (not credit-impaired) *RMB'000*
Low risk	0.10%	45,843	–*	0.10%	39,673	–*
Watch list	1.00%	294	–*	1.00%	294	–*
		46,137	–		39,967	–

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

The Company

Gross carrying amount

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

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

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

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

Liquidity risk

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

The Group and the Company relies on bank borrowings as a significant source of liquidity. As at 31 December 2020, 2021, 2022 and 30 June 2023, the Group had unutilised bank facilities of approximately RMB4,800,000, RMB27,000,000, RMB194,853,000 and RMB117,254,000, respectively. And as at 31 December 2020, 2021, 2022 and 30 June 2023, the Company had unutilised bank facilities of approximately RMB4,800,000, RMB27,000,000, RMB184,853,000 and RMB117,254,000, respectively.

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

The Group

Liquidity tables

	As at 31 December 2020						
	Interest rate	**Carrying amounts**	**On demand or within 1 year**	**1 year to 2 years**	**2 years to to 5 years**	**>5 years**	**Total undiscounted cash flows**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	3.56%~5.30%	82,200	62,583	7,019	15,329	–	84,931
Lease liabilities	4.50%~5.96%	104	24	24	73	129	250
Trade and other payables	N/A	122,636	122,636	–	–	–	122,636
Amount due to a shareholder	N/A	204,779	204,779	–	–	–	204,779
Amount due to a related party	N/A	114	114	–	–	–	114
		409,833	390,136	7,043	15,402	129	412,710

	As at 31 December 2021						
	Interest rate	**Carrying amounts**	**On demand or within 1 year**	**1 year to 2 years**	**2 years to to 5 years**	**>5 years**	**Total undiscounted cash flows**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	3.56%~5.30%	51,000	37,018	15,329	–	–	52,347
Lease liabilities	4.50%~5.96%	170	24	24	73	105	226
Trade and other payables	N/A	98,627	98,627	–	–	–	98,627
Amount due to a shareholder	N/A	214,817	214,817	–	–	–	214,817
		364,614	350,486	15,353	73	105	366,017

	Interest rate	Carrying amounts	On demand or within 1 year	1 year to 2 years	2 years to to 5 years	>5 years	Total undiscounted cash flows
			As at 31 December 2022				
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	3.99%~5.60%	165,147	92,391	70,313	10,187	–	172,891
Lease liabilities	4.50%~5.96%	154	24	24	73	81	202
Trade and other payables	N/A	132,456	132,456	–	–	–	132,456
		297,757	224,871	70,337	10,260	81	305,549

	Interest rate	Carrying amounts	On demand or within 1 year	1 year to 2 years	2 years to to 5 years	>5 years	Total undiscounted cash flows
			As at 30 June 2023				
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	3.61%~5.60%	241,746	154,885	98,568	–	–	253,453
Lease liabilities	4.50%~5.96%	140	24	24	55	81	184
Trade and other payables	N/A	235,226	235,226	–	–	–	235,226
Amount due to a shareholder	N/A	19,239	19,239	–	–	–	19,239
		496,351	409,374	98,592	55	81	508,102

The Company

Liquidity tables

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

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

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

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

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

Some of the Group's and the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Fair value measurements of financial instruments

The Group

Financial assets	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 31 December			As at 30 June		
	2020	2021	2022	2023		
Bills receivables at FVTOCI	Assets-RMB108,457,000	Assets-RMB120,424,000	Assets-RMB84,930,000	Assets-RMB119,060,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.

The Company

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

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management considers that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the combined statements of financial position approximate their fair values.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings	Borrowing from a shareholder	Dividend Payable	Lease liabilities	Interest payables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	152,020	57,318	–	116	–	209,454
Financing cash flows *(Note)*	(69,820)	111,100	(20,000)	(18)	(8,555)	12,707
Dividend declared	–	–	20,000	–	–	20,000
Bill receivables from shareholder	–	3,500	–	–	–	3,500
Finance costs recognised	–	–	–	6	8,555	8,561
At 31 December 2020	82,200	171,918	–	104	–	254,222
Financing cash flows *(Note)*	(31,200)	19,575	(30,000)	(24)	(2,636)	(44,285)
Dividend declared	–	–	30,000	–	–	30,000
Acquisition of a business *(Note 33)*	–	–	–	81	–	81
Bill receivables from shareholder	–	23,324	–	–	–	23,324
Finance costs recognised	–	–	–	9	2,636	2,645
At 31 December 2021	51,000	214,817	–	170	–	265,987
Financing cash flows *(Note)*	114,147	(214,817)	(30,000)	(24)	(8,370)	(139,064)
Dividend declared	–	–	30,000	–	–	30,000
Finance costs recognised	–	–	–	8	8,601	8,609
At 31 December 2022	165,147	–	–	154	231	165,532
Financing cash flows *(Note)*	76,599	–	(88,600)	(18)	(5,205)	(17,224)
Dividend declared	–	–	100,000	–	–	100,000
Finance costs recognised	–	–	–	4	5,295	5,299
At 30 June 2023	241,746	–	11,400	140	321	253,607
At 1 January 2022	51,000	214,817	–	170	–	265,987
Financing cash flows *(Note)* (unaudited)	101,690	(162,786)	(30,000)	(18)	(4,022)	(95,136)
Dividend declared (unaudited)	–	–	30,000	–	–	30,000
Finance costs recognised (unaudited)	–	–	–	4	4,062	4,066
At 30 June 2022 (unaudited)	152,690	52,031	–	156	40	204,917

Note: The cash flows represent new bank borrowings raised, the repayment of bank borrowings, borrowing received from a shareholder, repayment of borrowings to a shareholder, interest paid, repayments of lease liabilities and dividend paid received in the combined statements of cash flows.

41. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries.

Name of subsidiary*	Place and date of establishment/ incorporation	Equity interest attributable to the Group As at 31 December 2020 %	2021 %	2022 %	As at 30 June 2023 %	At date of this report %	Paid-in registered capital	Principal activities
Directly held:								
Jinning Energy	PRC 2 July 2007	51	51	51	51	51	RMB10,000,000	Distribution and sale of coal gas
Jinrui Energy	PRC 24 May 2016	71	71	71	71	81	RMB100,000,000	Manufacturing and sale of LNG
Jinma Qingneng	PRC 18 February 2021	N/A	80	100	100	100	2020, 2021 and 2022 – nil 30 June 2023 – RMB5,000,000/ RMB200,000,000	Provision of multimodal transportation, warehouse and distribution services for coal products
Indirectly held:								
Henan Jinrui Gas Co., Ltd. 河南金瑞燃氣有限公司 ("Jinrui Gas")	PRC 24 May 2016	71	71	71	71	81	RMB25,500,000	Sales and retail of LNG and oil
Jiyuan Ouya Gasoline Station Co., Ltd. 濟源市歐亞加油站有限公司 ("Ouya Gasoline Station")	PRC 26 April 2012	71	71	71	71	81	RMB500,000	Sales and retail of refined oil

* English name for identification only.

All the subsidiaries of the Company are domestic limited liability companies. None of the subsidiaries had any debt securities outstanding as at 31 December 2020, 2021, 2022 and 30 June 2023 or at any time during the Track Record Period.

The audited financial statements of the Company and its subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprise and were audited by the following certified public accountants registered in the PRC.

Name of enterprise	Financial year ended	Name of auditors
The Company	31 December 2020	Deloitte Touche Tohmatsu Certified Public Accountants LLP 德勤華永會計師事務所(特殊普通合夥)
	31 December 2021	Deloitte Touche Tohmatsu Certified Public Accountants LLP 德勤華永會計師事務所(特殊普通合夥)
	31 December 2022	Deloitte Touche Tohmatsu Certified Public Accountants LLP 德勤華永會計師事務所(特殊普通合夥)
Jinning Energy	31 December 2020	Deloitte Touche Tohmatsu Certified Public Accountants LLP 德勤華永會計師事務所(特殊普通合夥)

Name of enterprise	Financial year ended	Name of auditors
	31 December 2021	Deloitte Touche Tohmatsu Certified Public Accountants LLP 德勤華永會計師事務所(特殊普通合夥)
	31 December 2022	Deloitte Touche Tohmatsu Certified Public Accountants LLP 德勤華永會計師事務所(特殊普通合夥)
Jinrui Energy	31 December 2020	Note i
	31 December 2021	Shanghai Certified Public Accountants (Special General Partners) Henan Branch 上會會計師事務所(特殊普通合夥)河南分所
	31 December 2022	Shanghai Certified Public Accountants (Special General Partners) Henan Branch 上會會計師事務所(特殊普通合夥)河南分所
Jinrui Gas	31 December 2020	Henan Huifeng Chenghe Certified Public Accountants Co., Ltd. 河南滙豐誠和會計師事務所有限公司
	31 December 2021	Shanghai Certified Public Accountants (Special General Partners) Henan Branch 上會會計師事務所(特殊普通合夥)河南分所
	31 December 2022	Shanghai Certified Public Accountants (Special General Partners) Henan Branch 上會會計師事務所(特殊普通合夥)河南分所

Notes:

(i) No statutory financial statements have been prepared for Jinrui Energy for the year ended 31 December 2020 as there were no requirements to issue audited statutory financial statements by the local authorities.

(ii) No statutory financial statements have been prepared for Jinma Qingneng since its establishment as there were no requirements to issue audited statutory financial statements by the local authorities.

(iii) No statutory financial statements have been prepared for Ouya Gasoline Station for each of the year ended 31 December 2020, 2021 and 2022 as there were no requirements to issue audited statutory financial statements by the local authorities.

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

Name of subsidiary	Proportion ownership interest held by non-controlling interests				Profit (loss) allocated to non-controlling interests					Accumulated non-controlling interests			
	At 31 December			At 30 June	Year ended 31 December			Six months ended 30 June		At 31 December			At 30 June
	2020	2021	2022	2023	2020	2021	2022	2022	2023	2020	2021	2022	2023
	%	%	%	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Jinning Energy	49	49	49	49	14,664	9,517	16,740	9,175	8,064	66,575	61,392	63,432	51,896
Jinrui Energy	29	29	29	29	878	(2,510)	39,112	20,875	6,770	37,513	35,003	74,115	63,485
					15,542	7,007	55,852	30,050	14,834	104,088	96,395	137,547	115,381

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

Jinning Energy

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	43,914	43,433	60,231	37,818
Non-current assets	119,938	102,476	87,502	87,857
Current liabilities	19,450	15,794	17,167	19,553
Non-current liabilities	8,534	4,824	1,113	211
Net equity	135,868	125,291	129,453	105,911
Equity attributable to owners of the Company	69,293	63,899	66,021	54,015
Equity attributable to non-controlling interests	66,575	61,392	63,432	51,896

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	326,463	266,436	415,089	196,904	229,323
Expenses *(Note)*	286,728	240,795	370,081	172,091	207,569
Profit and total comprehensive income for the year/period	29,927	19,423	34,162	18,719	16,458
Profit and total comprehensive income attributable to					
– the owners of the Company	15,263	9,906	17,422	9,544	8,394
– the non-controlling interests	14,664	9,517	16,740	9,175	8,064
Profit and total comprehensive income for the year/period	29,927	19,423	34,162	18,719	16,458
Dividends declared and paid to non-controlling interests	9,800	14,700	14,700	14,700	19,600
Net cash from operating activities	47,315	36,625	44,262	21,109	26,631
Net cash (used in) from investing activities	(38,492)	(6,784)	(36,097)	4,826	812
Net cash used in financing activities	(20,000)	(30,000)	(30,000)	(30,000)	(40,000)
Net cash outflow	(11,177)	(159)	(21,835)	(4,065)	(12,557)

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

Jinrui Energy

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	74,714	68,918	82,415	50,797
Non-current assets	337,336	324,156	302,377	295,319
Current liabilities	270,185	261,580	88,015	96,360
Non-current liabilities	13,232	12,379	41,209	30,676
Net equity	128,633	119,115	255,568	219,080
Equity attributable to owners of the Company	91,120	84,112	181,453	155,595
Equity attributable to non-controlling interests	37,513	35,003	74,115	63,485

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	263,936	150,934	621,000	264,868	302,541
Expenses *(Note)*	259,850	159,880	468,376	187,482	279,740
Profit (loss) and total comprehensive income (expense) for the year/period	3,188	(9,518)	136,453	71,987	23,512
Profit (loss) and total comprehensive income (expense) attributable to					
– the owners of the Company	2,310	(7,008)	97,341	51,112	16,742
– the non-controlling interests	878	(2,510)	39,112	20,875	6,770
Profit (loss) and total comprehensive income (expense) for the year/period	3,188	(9,518)	136,453	71,987	23,512
Dividends declared and paid to non-controlling interests	–	–	–	–	17,400

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash from (used in) operating activities	44,971	(7,692)	189,841	137,449	40,005
Net cash (used in) from investing activities	(27,759)	(17,501)	(40,163)	(7,209)	23,273
Net cash (used in) from financing activities	(12,579)	19,551	(150,471)	(95,664)	(59,755)
Net cash inflow (outflow)	4,633	(5,642)	(793)	34,576	3,523

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

42. EVENTS AFTER THE TRACK RECORD PERIOD

Subsequent to the end of the Track Record Period, the Company converted into a joint stock company with 335,000,000 ordinary shares of RMB1 per share and issued additional 381,730,000 ordinary shares, which included (i) 201,060,000 shares for acquisitions of the equity interests in Jinrui Energy and Jinning, (ii) 72,350,000 shares for the acquisitions of the equity interest in Jinma Qingneng and (iii) 108,320,000 shares for acquisitions of the coke granules coal gas facilities by the Company, pursuant to the Reorganisation as detailed in Note 1. In addition, on 17 August 2023, the Group completed the Reorganisation.

As stated in Note 1 to the Historical Financial Information, Jinma Qingneng acquired 49% equity interest in Jinjiang Refinery on 31 July 2023 and Jinma Qingneng became a wholly-owned subsidiary of the Company on 17 August 2023. Following the completion of these transactions, Jinjiang Refinery would be accounted for as a joint venture of the Group, which is accounted for under equity method since 31 July 2023.

The major financial information of Jinjiang Refinery for the Track Record Period has been prepared in accordance with the accounting policies set out in Note 3 and Note A below, which conform with IFRSs issued by IASB.

Statement of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
	NOTES	2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	*B*	151,271	182,612	283,752	143,399	116,754
Cost of sales		(145,761)	(176,070)	(222,689)	(109,321)	(95,586)
Gross profit		5,510	6,542	61,063	34,078	21,168
Other income	*C*	5,301	6,245	7,143	311	798
Other gains and losses	*D*	(282)	63	(267)	(14)	(137)
Finance costs		(953)	(68)	–	–	–
Administrative expenses		(5,113)	(5,964)	(5,385)	(1,981)	(1,801)
Profit before tax	*E*	4,463	6,818	62,554	32,394	20,028
Income tax expense	*F*	–	–	–	–	(2,088)
Profit and total comprehensive income for the year/period		4,463	6,818	62,554	32,394	17,940

Statement of Financial Position

	NOTES	As at 31 December 2020	2021	2022	As at 30 June 2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*H*	106,643	86,709	70,613	62,667
Right-of-use assets	*I*	23,400	22,873	22,345	22,081
Investment properties	*J*	–	3,364	3,121	3,000
Deposits for acquisition of property, plant and equipment		6	–	–	402
		130,049	112,946	96,079	88,150
CURRENT ASSETS					
Inventories	*K*	6,285	3,293	938	639
Trade and other receivables	*L*	281	119	419	375
Tax recoverable		–	–	635	275
Amount due from a shareholder	*M*	3,200	6,643	44,321	20
Amount due from a related party	*N*	114	–	–	–
Bills receivables at fair value through other comprehensive income ("FVTOCI")	*O*	600	–	15,131	23,235
Bank balances and cash	*P*	8,639	11,444	38,633	38,785
		19,119	21,499	100,077	63,329
CURRENT LIABILITIES					
Borrowings	*Q*	10,000	–	–	–
Trade and other payables	*R*	19,060	7,761	17,160	4,664
		29,060	7,761	17,160	4,664
NET CURRENT (LIABILITIES) ASSETS		(9,941)	13,738	82,917	58,665
TOTAL ASSETS LESS CURRENT LIABILITIES		120,108	126,684	178,996	146,815
CAPITAL AND RESERVES					
Paid-in capital	*S*	100,000	100,000	100,000	100,000
Reserves		9,291	16,109	68,663	36,603
TOTAL EQUITY		109,291	116,109	168,663	136,603
NON-CURRENT LIABILITY					
Deferred revenue	*T*	10,817	10,575	10,333	10,212
		120,108	126,684	178,996	146,815

Statement of Changes in Equity

	Paid-in capital *RMB'000*	**Statutory surplus reserve fund** *RMB'000* *(Note)*	**Retained profits** *RMB'000*	**Total** *RMB'000*
As at 1 January 2020	100,000	3,015	1,813	104,828
Profit for the year	–	–	4,463	4,463
Transfer	–	460	(460)	–
As at 31 December 2020	100,000	3,475	5,816	109,291
Profit for the year	–	–	6,818	6,818
Transfer	–	680	(680)	–
As at 31 December 2021	100,000	4,155	11,954	116,109
Profit for the year	–	–	62,554	62,554
Dividends recognised as distribution *(Note G)*	–	–	(10,000)	(10,000)
Transfer	–	6,255	(6,255)	–
As at 31 December 2022	100,000	10,410	58,253	168,663
Profit for the period	–	–	17,940	17,940
Dividends recognised as distribution *(Note G)*	–	–	(50,000)	(50,000)
As at 30 June 2023	100,000	10,410	26,193	136,603
(Unaudited)				
As at 1 January 2022	100,000	4,155	11,954	116,109
Profit for the period	–	–	32,394	32,394
Dividends recognised as distribution *(Note G)*	–	–	(10,000)	(10,000)
As at 30 June 2022	100,000	4,155	34,348	138,503

Note: Pursuant to the relevant laws in the PRC, Jinjiang Refinery is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of Jinjiang Refinery) to the reserve fund (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of Jinjiang Refinery and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of Jinjiang Refinery.

Statement of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	4,463	6,818	62,554	32,394	20,028
Adjustments for:					
Interest income on bank deposits	(18)	(32)	(345)	(59)	(180)
Interest income on bills receivables at FVTOCI	(6)	–	(124)	–	(76)
(Gain) loss on disposal of property, plant and equipment	(50)	(71)	1	–	(17)
Depreciation of property, plant and equipment	16,661	16,487	16,416	8,216	8,209
Depreciation of right-of-use assets	528	527	528	264	264
Depreciation of investment properties	–	163	243	121	121
Finance costs	953	68	–	–	–
Investment income from financial assets at fair value through profit or loss ("FVTPL")	(22)	–	–	–	–
Release of assets-related government subsidies	(242)	(242)	(242)	(121)	(121)
Operating cash flows before movements in working capital	22,267	23,718	79,031	40,815	28,228
(Increase) decrease in inventories	(5,416)	2,992	2,355	661	299
Decrease (increase) in bills receivables at FVTOCI	506	600	(15,007)	(7,700)	(8,028)
(Increase) decrease in trade and other receivables	(162)	162	(300)	(13,233)	44
Decrease (increase) in amounts due from a shareholder	234	(3,443)	(37,678)	6,643	44,301
(Increase) decrease in amounts due from a related party	(114)	114	–	–	–
(Decrease) increase in trade and other payables	(3,990)	(1,299)	9,399	6,623	(12,496)
Cash generated from operations	13,325	22,844	37,800	33,809	52,348
Income tax paid	–	–	(635)	(635)	(1,728)
NET CASH FROM OPERATING ACTIVITIES	13,325	22,844	37,165	33,174	50,620

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
INVESTING ACTIVITIES					
Interest on bank balances received	18	32	345	59	180
Investment in financial assets at FVTPL	(48,500)	–	–	–	–
Proceeds from disposal of financial assets at FVTPL	55,022	–	–	–	–
Purchase of property, plant and equipment	(491)	(445)	(321)	(146)	(669)
Proceeds from disposal of property, plant and equipment	268	442	–	–	21
NET CASH FROM (USED IN) INVESTING ACTIVITIES	6,317	29	24	(87)	(468)
FINANCING ACTIVITY					
Interest paid	(953)	(68)	–	–	–
Bank borrowings raised	20,000	–	–	–	–
Repayment of bank borrowings	(40,000)	(10,000)	–	–	–
Dividends paid to shareholders	–	(10,000)	(10,000)	(10,000)	(50,000)
NET CASH USED IN FINANCING ACTIVITY	(20,953)	(20,068)	(10,000)	(10,000)	(50,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,311)	2,805	27,189	23,087	152
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	9,950	8,639	11,444	11,444	38,633
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, REPRESENTED BY					
Bank balances and cash	8,639	11,444	38,633	34,531	38,785

A. Material Accounting Policy Information

Apart from material accounting policy information set out in Note 3, Jinjiang Refinery has also applied the following accounting policy during the Track Record Period.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by Jinjiang Refinery under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straightline method.

B. Revenue

Revenue from contracts with customers

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of hydrogen	151,271	182,612	283,752	143,399	116,754

Performance obligations for contracts with customers

Jinjiang Refinery is mainly engaged the production and sales of hydrogen, for which revenue is recognised at point in time.

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

In general, the normal credit term is within 30 days upon delivery.

Performance obligation of sales of goods is part of a contract that has an original expected duration of one year or less. Applying the practical expedient in IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

C. Other Income

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income on bank deposits	18	32	345	59	180
Interest income on bills receivables at FVTOCI	6	–	124	–	76
Release of assets-related government subsidies *(Note T)*	242	242	242	121	121
Refund of value-added tax	4,385	5,764	5,806	–	–
Government grants	252	–	58	–	201
Rental Income	–	147	220	110	220
Others	398	60	348	21	–
	5,301	6,245	7,143	311	798

D. Other Gains and Losses

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net loss arising on bills receivables at FVTOCI	(281)	–	(245)	–	(76)
Gain (loss) on disposal of property, plant and equipment	50	71	(1)	–	17
Others	(51)	(8)	(21)	(14)	(78)
	(282)	63	(267)	(14)	(137)

E. Profit before tax

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax has been arrived at after charging:					
Staff costs	7,141	8,778	10,611	4,817	3,527
Retirement benefits	34	391	444	202	248
Total staff costs	7,175	9,169	11,055	5,019	3,775
Capitalised in inventories	(4,616)	(5,425)	(7,766)	(3,740)	(3,093)
	2,559	3,744	3,289	1,279	682
Depreciation of property, plant and equipment	16,661	16,487	16,416	8,216	8,209
Capitalised in inventories	(15,705)	(15,705)	(15,809)	(7,883)	(7,934)
	956	782	607	333	275
Depreciation of right-of-use assets	528	527	528	264	264
Depreciation of investment properties	–	163	243	121	121
Cost of inventories recognised as expenses	144,296	174,409	220,065	108,002	94,582

F. Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
PRC Enterprise Income Tax ("EIT") – current tax	–	–	–	–	2,088

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

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

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax	4,463	6,818	62,554	32,394	20,028
Tax charge at the applicable income tax rate of 25%	1,116	1,705	15,639	8,099	5,007
Tax effect of expenses not deductible for tax purposes	25	59	48	5	12
Tax effect of income not taxable for tax purpose *(Note)*	(3,782)	(4,565)	(7,094)	(3,585)	(2,919)
Tax effect of tax losses not recognised	2,641	2,801	–	–	–
Utilisation of tax losses previously not recognised	–	–	(8,593)	(4,519)	(12)
Income tax expense	–	–	–	–	2,088

Note: Pursuant to the relevant tax rules and regulation in the PRC, 10% revenue from Comprehensive Utilisation of Resources ("資源綜合利用") is exempted from EIT. During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, Jinjiang Refinery had tax deduction under the scheme of RMB3,782,000, RMB4,565,000, RMB7,094,000, RMB3,585,000 (unaudited) and RMB2,919,000, respectively.

G. Dividends

The dividends declared by Jinjiang Refinery to the shareholders amounted to nil, nil, RMB10,000,000, RMB10,000,000 (unaudited) and RMB50,000,000 respectively during the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023.

H. Property, plant and equipment

	Buildings and structures *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2020	22,095	163,680	492	687	94	187,048
Additions	–	446	–	39	–	485
Disposals	–	(406)	–	–	–	(406)
At 31 December 2020	22,095	163,720	492	726	94	187,127
Additions	–	61	370	20	–	451
Disposals	–	(571)	(402)	–	(94)	(1,067)
Transfer to investment properties	(4,850)	–	–	–	–	(4,850)
At 31 December 2021	17,245	163,210	460	746	–	181,661
Additions	–	156	–	165	–	321
Disposals	–	–	–	(18)	–	(18)
At 31 December 2022	17,245	163,366	460	893	–	181,964
Additions	–	36	101	130	–	267
Disposals	–	–	(87)	–	–	(87)
At 30 June 2023	17,245	163,402	474	1,023	–	182,144
Depreciation						
At 1 January 2020	4,896	58,171	463	481	–	64,011
Provided for the year	1,114	15,451	5	91	–	16,661
Eliminated on disposals	–	(188)	–	–	–	(188)
At 31 December 2020	6,010	73,434	468	572	–	80,484
Provided for the year	951	15,459	23	54	–	16,487
Eliminated on disposals	–	(315)	(381)	–	–	(696)
Transfer to investment properties	(1,323)	–	–	–	–	(1,323)
At 31 December 2021	5,638	88,578	110	626	–	94,952
Provided for the year	864	15,426	70	56	–	16,416
Eliminated on disposals	–	–	–	(17)	–	(17)
At 31 December 2022	6,502	104,004	180	665	–	111,351
Provided for the period	431	7,711	37	30	–	8,209
Eliminated on disposals	–	–	(83)	–	–	(83)
At 30 June 2023	6,933	111,715	134	695	–	119,477
Carrying values						
At 31 December 2020	16,085	90,286	24	154	94	106,643
At 31 December 2021	11,607	74,632	350	120	–	86,709
At 31 December 2022	10,743	59,362	280	228	–	70,613
At 30 June 2023	10,312	51,687	340	328	–	62,667

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

Buildings and structures	5%
Machinery and equipment	5%-10%
Motor vehicles	19%-24%
Office equipment	19%-32%

I. Right-of-use Assets

	Leasehold lands
	RMB'000
As at 1 January 2020	23,928
Depreciation charged during the year	528
As at 31 December 2020	23,400
Depreciation charged during the year	527
As at 31 December 2021	22,873
Depreciation charged during the year	528
As at 31 December 2022	22,345
Depreciation charged during the period	264
As at 30 June 2023	22,081

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

Leasehold lands	2%

During the Track Record Period, Jinjiang Refinery paid no cash for the lease.

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The leasehold lands were pledged for borrowing as set out in Note Q.

J. Investment Properties

Jinjiang Refinery leases out office buildings under an operating lease with rentals payable monthly. The lease runs for an initial period of 3 years from 1 May 2021.

Jinjiang Refinery is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the functional currency of Jinjiang Refinery. The lease contracts do not contain residual value guarantee and lessee's option to purchase the property at the end of lease term.

	Investment properties *RMB'000*
Cost	
At 1 January 2020, 2021	–
Transfer from property, plant and equipment	4,850
At 31 December 2021, 2022 and 30 June 2023	4,850
Depreciation	
At 1 January 2020, 2021	–
Transfer from property, plant and equipment	1,323
Provided for the year	163
At 31 December 2021	1,486
Provided for the year	243
At 31 December 2022	1,729
Provided for the period	121
At 30 June 2023	1,850
Carrying values	
At 31 December 2020	–
At 31 December 2021	3,364
At 31 December 2022	3,121
At 30 June 2023	3,000

As at 31 December 2020, 2021 and 2022 and 30 June 2023, none of Jinjiang Refinery's investment properties have been pledged to secure banking facilities.

K. Inventories

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials *(Note)*	6,285	3,293	938	639

Note: Raw materials are mainly adsorbents and catalysts to be used in the production process.

L. Trade and other receivables

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables – contract with customers	–	–	234	94
Other receivables	117	100	101	101
Prepaid other taxes and charges	164	19	84	180
	281	119	419	375

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

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

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	–	–	234	94

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

Jinjiang Refinery does not hold any collateral over these balances.

M. Amount due from a shareholder

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
Luoyang Refinery Co., Ltd.* 洛陽煉化有限責任公司 ("Luoyang Refinery")	3,200	6,643	44,321	20

* English name for identification only.

The balance as at 1 January 2020 is amounted to RMB3,434,000.

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
Within 90 days	3,200	6,643	44,321	20

The normal credit term to the customers is within 30 days. None of the balance is past due at the end of each reporting period.

Jinjiang Refinery does not hold any collateral over these balances.

N. Amount due from a related party

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
The Company	114	–	–	–

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

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

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

The normal credit term to the customers is within 30 days. None of the balance is past due at the end of each reporting period.

Jinjiang Refinery does not hold any collateral over these balances.

O. Bills receivables at FVTOCI

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivables	600	–	15,131	23,235

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

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

P. Bank balances and cash

Bank balances carry interest at prevailing market interest rates ranging from 0.2% to 1.9% per annum as at the end of each reporting period.

Q. Borrowings

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	10,000	–	–	–
Secured *(Note)*	10,000	–	–	–
Floating-rate borrowings	10,000	–	–	–
Carrying amount repayable: (based on scheduled payment terms)				
Within one year shown under current liabilities	10,000	–	–	–

Note: As at 31 December 2020, Jinjiang Refinery's borrowings of RMB10,000,000 were secured by leasehold lands with carrying amount of RMB23,400,000.

The effective interest rate of the Jinjiang Refinery's bank borrowings is 5.1%.

R. Trade and other payables

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	4,840	3,930	6,385	1,698
Salaries and wages payables	1,626	1,523	3,649	688
Other tax payables	1,308	1,161	4,687	105
Consideration payable for acquisition of property, plant and equipment	396	229	236	216
Accruals	660	722	1,750	1,800
Dividend payables	10,000	–	–	–
Refundable deposit from suppliers	4	4	4	4
Other payables	226	192	449	153
	19,060	7,761	17,160	4,664

The normal credit term to Jinjiang Refinery is within 30 days.

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	3,828	3,474	5,902	499
91 – 180 days	135	109	14	1,000
181 – 365 days	200	108	440	170
Over 1 year	677	239	29	29
	4,840	3,930	6,385	1,698

S. Paid-in capital

	As at 31 December						As at 30 June	
	2020		2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Luoyang Refinery	51,000	51	51,000	51	51,000	51	51,000	51
Jinma Energy	49,000	49	49,000	49	49,000	49	49,000	49
	100,000	100	100,000	100	100,000	100	100,000	100

T. Deferred revenue

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets-related government subsidies	10,817	10,575	10,333	10,212

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, subsidy income of approximately RMB242,000, RMB242,000, RMB242,000, RMB121,000 (unaudited) and RMB121,000 was released to profit or loss.

U. Related parties' transactions

Details of transactions between Jinjiang Refinery and other related parties are disclosed below.

(a) Transactions with related parties

Other than the transactions and balances with related parties disclosed in Notes L and M above, Jinjiang Refinery entered into the following transactions with its related parties during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of products and services to:					
Luoyang Refinery and its subsidiary	145,917	176,424	274,742	139,084	112,694
Jinma Energy and its subsidiaries	5,523	6,303	8,969	4,315	3,951
Purchase of raw materials and services from:					
Jinma Energy and its subsidiaries	118,049	104,098	126,689	63,258	78,747

In the opinion of the directors of Jinjiang Refinery, the related party transactions were carried out in the ordinary course of business, at terms negotiated and mutually agreed between Jinjiang Refinery and the respective related parties.

(b) Compensation of key management personnel

The remuneration of key management personnel of Jinjiang Refinery during the Track Record Period was as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and allowance	384	397	401	199	199
Performance related bonuses	427	788	1,077	438	443
Retirement benefit	28	26	28	13	15
	839	1,211	1,506	650	657

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

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 30 June 2023.

The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended 31 December 2022 and the six months ended 30 June 2023 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 as derived from the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	Note 1	*Note 2*		*Note 3*	*Note 4*
Based on a minimum offer price of HK$1.10 per H Share	527,258	205,157	732,415	0.95	1.03
Based on a maximum offer price of HK$1.50 per H Share	527,258	289,983	817,241	1.05	1.14

Notes:

(1) The amount is calculated based on the audited combined net assets of the Group attributable to the owners of the Company as at 30 June 2023 amounting to approximately RMB554,812,000, extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus and adjusted for goodwill and intangible assets attributable to the owners of the Company of approximately RMB10,669,000 and RMB16,885,000, respectively.

(2) The estimated net proceeds from the Global Offering are based on 238,910,000 H Shares to be issued at a minimum offer price of HK$1.10 (equivalent to RMB1.01) or a maximum offer price of HK$1.50 (equivalent to RMB1.38) per H Share, respectively, after deduction of the estimated listing expenses and share issue costs (including underwriting fees and other related expenses) incurred or expected to be incurred by the Group other than listing expenses which has been recognised in profit or loss up to 30 June 2023. It does not take into account any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased pursuant to the Company's general mandates as described in the section headed "Structure and Conditions of The Global Offering" in this prospectus.

For the purpose of calculating the estimated net proceeds from the Global Offering, the translation of Hong Kong dollars into Renminbi was made at the exchange rate of HK$1.00 to RMB0.91991. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is arrived at on the basis of 774,970,000 Shares in total, assuming that the issuance of 238,910,000 H Shares pursuant to the Global Offering had been completed on 30 June 2023. The 72,350,000 and 108,320,000 Shares issued subsequent to 30 June 2023 to acquire equity interest in Jinma Qingneng, which held the 49% equity interests of Jinjiang Refinery, and the coke granules coal gas facilities from Jinma Energy respectively (the "Subsequent Acquisitions") as described in the section headed "History, Corporate Structure and Reorganisation" in this prospectus are not included. It also does not take into account any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased pursuant to the Company's general mandates as described in the section headed "Structure and Conditions of The Global Offering" in this prospectus.

(4) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 per Share are converted to Hong Kong dollars at the rate of RMB0.91991 to HK$1.00. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollar, or vice versa, at that rate or at any other rates or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2023.

(6) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share in the table on page II-1 does not take into account the Shares issued and changes of adjusted combined net tangible assets due to Subsequent Acquisitions, as detailed in note (3) above, since the Subsequent Acquisitions are not directly attributable to the Global Offering.

However, had the Subsequent Acquisitions been taken into account (i) the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 would be adjusted by a total amount of RMB196,088,000, comprising the carrying amounts of the 49% equity interest in Jinjiang Refinery of RMB87,762,000 and the coke granules coal gas facilities of RMB108,326,000 to be recognised by the Group, to RMB928,503,000 and RMB1,013,329,000 based on the minimum and maximum offer price of HK$1.10 and HK$1.50 per H Share, respectively and (ii) the total number of Shares used in the calculation of the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 per Share would be 955,640,000, assuming the issuance of 180,670,000 Shares for the Subsequent Acquisitions and 238,910,000 H Shares pursuant to the Global Offering had been completed on 30 June 2023, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share would have been RMB0.97 and RMB1.06 (equivalent to HK$1.06 and HK$1.15 (at the exchange rate set out in note (4) above)), based on the minimum and maximum offer price of HK$1.10 and HK$1.50 per H Share, respectively.

(7) The property interests (including certain buildings and structures, construction in progress and leasehold lands) of the Group as at 30 September 2023 have been valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer. With reference to the calculation of net valuation surplus as set out in the section headed "Financial Information" to this prospectus, based on the valuation of the Group's property interests as set out in Appendix III, the net valuation surplus of these properties is approximately RMB17,213,000, which has not been included in the above unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company. Such net valuation surplus will not be incorporated in the Group's financial statements in the future. If the net valuation surplus were to be included in the Group's financial statements, an additional annual depreciation charge of approximately RMB1,778,000 would be incurred.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Henan Jinyuan Hydrogenated Chemicals Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Henan Jinyuan Hydrogenated Chemicals Co., Ltd.* 河南金源氫化化工股份有限公司 (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 30 June 2023 and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 12 December 2023 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at 30 June 2023 as if the Global Offering had taken place at 30 June 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 December 2022 and the six months ended 30 June 2023, on which an accountants' report set out in Appendix I to the Prospectus has been published.

* *For identification purpose only*

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 December 2023

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 30 September 2023 of the selected property interests held by the Company and its subsidiaries.

JLL®
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
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979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

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公司牌照號碼：C-030171

12 December 2023

The Board of Directors
Henan Jinyuan Hydrogenated Chemicals Co., Ltd.
17th Floor, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

Dear Sirs,

In accordance with your instructions to value the selected properties held by Henan Jinyuan Hydrogenated Chemicals Co., Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 September 2023 (the "valuation date").

These property interests form part of the non-property activities of the Group and each has a carrying amount representing 15% or more of the Group's total assets and therefore a valuation report of these property interests is required to be included in this listing document.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of property and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Brightstone Lawyers, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

The site inspection was carried out in August 2023 by Ms. Queena Qiao who has obtained a bachelor degree in asset appraisal and has 7 years' valuation experience in the real estate industry of the PRC and Ms. Cassie Hu who has 3 years' valuation experience in the real estate industry of the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 29 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held and occupied by the Group in the PRC

No.	**Property**	**Market value in existing state as at 30 September 2023** *RMB*
1.	A parcel of land, 9 buildings and various structures located at the eastern side of Jinma Avenue and the western side of Longxing Taiye Jiyuan City Henan Province The PRC	24,000,000
2.	3 parcels of land, 14 buildings, various structures and various industrial buildings under construction located at the western side of Sangyu River and the northern side of planned South Jinjiang Road Jiyuan City Henan Province The PRC	100,790,000
3.	2 parcels of land, 6 buildings and various structures located at the southern side of planned Lihu Road and the western side of West Ring Road Jiyuan City Henan Province The PRC	66,070,000
	Total:	**190,860,000**

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2023 *RMB*
1.	A parcel of land, 9 buildings and various structures located at the eastern side of Jinma Avenue and the western side of Longxing Taiye Jiyuan City Henan Province The PRC	The property comprises a parcel of land with a site area of approximately 60,852.00 sq.m. and 9 buildings and various ancillary structures erected thereon which were completed in various stages between 2007 and 2020. The buildings mainly include an office building, 7 industrial buildings and a warehouse with a total gross floor area of approximately 3,346.93 sq.m. The structures mainly include roads, boundary walls, cesspit and shed. The land use rights of the property have been granted for a term expiring on 16 February 2067 for industrial use.	The property was occupied for production, office and ancillary purposes as at the valuation date.	24,000,000

Notes:

1. Pursuant to 2 Real Estate Title Certificates – Yu (2017) Ji Yuan Shi Bu Dong Chan Quan Di No. 0000651 and Yu (2023) Ji Yuan Shi Bu Dong Chan Quan Di No. 0015118, the land use rights of a parcel of land with a site area of approximately 60,852.00 sq.m. have been granted to Jiyuan Jinning Energy Co., Ltd. (濟源市金寧能源實業有限公司, "Jinning Energy", a 51% subsidiary of the Company), for a term expiring on 16 February 2067 for industrial use and 9 buildings with a total gross floor area of approximately 3,346.93 sq.m. are owned by Jinning Energy.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jinning Energy is the legal user of the state-owned land use rights of the property. Jinning Energy has the rights to occupy, use, receive benefit from, transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the use terms specified in the relevant Real Estate Title Certificates; and

   b. Jinning Energy legally holds the building ownership rights of the property. Jinning Energy has the rights to occupy, use, receive benefit from, transfer, lease, mortgage or otherwise dispose of the building ownership rights of the property within the use terms specified in the relevant Real Estate Title Certificates.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2023 *RMB*
2.	3 parcels of land, 14 buildings, various structures and various industrial buildings under construction located at the western side of Sangyu River and the northern side of planned South Jinjiang Road Jiyuan City Henan Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 208,057.49 sq.m. and 14 buildings and various ancillary structures erected thereon which were completed in various stages between 2013 and September 2023. The buildings mainly include 2 warehouses, 2 water pump houses, 2 control rooms, a compressor room, 2 guard rooms and 5 industrial buildings with a total gross floor area of approximately 8,044.24 sq.m. The structures mainly include pipelines, roads, boundary walls and sheds. Apart from the completed buildings mentioned above, there are various industrial buildings which were under construction (the "CIP") as at the valuation date. The CIP is scheduled to be completed in December 2023. Upon completion, the CIP will have a gross floor area of approximately 931.69 sq.m. The land use rights of the property have been granted for terms expiring on 9 March 2061, 19 February 2069 and 20 January 2071 for industrial use.	The completed portions of the property were occupied for production, office and ancillary purposes and the remaining portion of the property was under construction as at the valuation date.	100,790,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – No. 4108812020801570 dated 30 December 2020, the land use rights of a parcel of land with a site area of approximately 104,043.49 sq.m. were contracted to be granted to Jiyuan Jinyuan Chemicals Co., Ltd. (濟源市金源化工有限公司), currently known as Henan Jinyuan Hydrogenated Chemicals Co., Ltd. (河南金源氫化化工股份有限公司, "the Company"), for a term of 50 years for industrial use commencing from the land delivery date. The land premium was RMB31,993,345.5.

2. Pursuant to 3 Real Estate Title Certificates – Yu (2018) Ji Yuan Shi Bu Dong Chan Quan Di No. 0006449, Yu (2023) Ji Yuan Shi Bu Dong Chan Quan Di No. 0015122 and Yu (2023) Ji Yuan Shi Bu Dong Chan Quan Di No. 0016131, the land use rights of 2 parcels of land with a total site area of approximately 168,854.49 sq.m. have been granted to the Company, for terms expiring on 9 March 2061 and 20 January 2071 for industrial use, and 13 buildings with a total gross floor area of approximately 7,926.18 sqm. and 2 structures including a shed and a platform with a total gross floor area of approximately 6,022.81 sqm. are owned by the Company.

3. Pursuant to a Real Estate Title Certificate – Yu (2023) Ji Yuan Shi Bu Dong Chan Quan Di No. 0015119, the land use rights of a parcel of land with a site area of approximately 39,203.00 sq.m. have been granted to the Company, for a term expiring on 19 February 2069 for industrial use and a building with a gross floor area of approximately 118.06 sq.m. is owned by the Company.

4. Pursuant to a Land Lease Agreement, portion of the land of the property with a site area of approximately 1,600.00 sq.m. is leased to Henan Jinma Zhongdong Energy Company Limited (河南金馬中東能源有限公司, "Jinma Zhongdong") for industrial purpose from 1 August 2023 to 1 August 2026, and the annual rental as at the valuation date was RMB40,000, inclusive of VAT.

5. As advised by the Company, the CIP of the property has obtained the investment project registration certificate but has not obtained the Construction Work Completion and Inspection Acceptance Certificate as at the valuation date, therefore such portion of the property is determined as construction in progress, the total construction cost of the CIP of the property which was under construction as at the valuation date is estimated to be approximately RMB1,250,000, of which RMB875,000 had been paid up to the valuation date.

6. The replacement cost (excluding the land) of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,250,000.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Company is the legal user of the state-owned land use rights of the property. The Company has the rights to occupy, use, receive benefit from and upon consent from the mortgagee to transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the use terms specified in the relevant Real Estate Title Certificates;

   b. The Company legally holds the building ownership rights of portions of the property mentioned in notes 2 and 3. The Company has the rights to occupy, use, receive benefit from and upon consent from the mortgagee to transfer, lease, mortgage or otherwise dispose of the building ownership rights of these portions of the property within the use terms specified in the relevant Real Estate Title Certificates;

   c. For the CIP of the property with a total planned gross floor area of approximately 931.69 sq.m. which was under application for Construction Work Planning Permit and Construction Work Commencement Permit, according to the certification dated August 2023 issued by Jiyuan Planning Bureau and Jiyuan Housing and Construction Bureau, as the Company has applied for the afore-mentioned permits, it is confirmed that retrospective treatment (including administrative penalties such as demolition within a time limit, confiscation and fine) will not be taken on the Company; and

   d. Pursuant to a Fixed Asset Loan Contract, the property is subject to a mortgage in favour of Zhongyuan Bank Jiyuan Branch as security to guarantee the obligation under the loan contract for a loan amount of RMB225,000,000 with a term from 5 September 2022 to 31 August 2027.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2023 *RMB*
3.	2 parcels of land, 6 buildings and various structures located at the southern side of planned Lihu Road and the western side of West Ring Road Jiyuan City Henan Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 79,435.00 sq.m. and 6 buildings and various ancillary structures erected thereon which were completed in 2018. The buildings mainly include 6 industrial buildings with a total gross floor area of approximately 5,613.47 sq.m. The structures mainly include roads, boundary walls and gate. The land use rights of the property have been granted for terms expiring on 9 March 2061 and 6 March 2067 for industrial use.	The property was occupied for office, production and ancillary purposes as at the valuation date.	66,070,000

Notes:

1. Pursuant to 2 Real Estate Title Certificates – Yu (2023) Ji Yuan Shi Bu Dong Chan Quan Di Nos. 0014971 and 0014972, the land use rights of 2 parcels of land with a total site area of approximately 79,435.00 sq.m. have been granted to Henan Jinrui Energy Co., Ltd. (河南金瑞能源有限公司, "Jinrui Energy", a 81% subsidiary of the Company)for terms expiring on 9 March 2061 and 6 March 2067 for industrial use and 6 buildings with a total gross floor area of approximately 5,613.47 sq.m. are owned by Jinrui Energy.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jinrui Energy is the legal user of the state-owned land use rights of the property. Jinrui Energy has the rights to occupy, use, receive benefit from and upon consent from the mortgagee to transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the use terms specified in the relevant Real Estate Title Certificates;

   b. Jinrui Energy legally holds the building ownership rights of the property. Jinrui Energy has the rights to occupy, use, receive benefit from and upon consent from the mortgagee to transfer, lease, mortgage or dispose the land use rights of the property within the use terms specified in the relevant Real Estate Title Certificates; and

   c. Pursuant to a Maximum Amount Mortgage Contract, the property is subject to a mortgage in favour of Industrial and Commercial Bank of China Limited Jiyuan Branch as security to guarantee the obligation under the mortgage contract for a maximum remaining loan amount of RMB60,000,000 with a term from 15 June 2022 to 30 June 2025.

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital tax, value added tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

A. The PRC Taxation

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) promulgated by the Standing Committee of the NPC on September 10, 1980 and latest amended on August 31, 2018 and the Regulation on the Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) promulgated by the State Council on January 28, 1994 and latest amended on December 18, 2018 (hereinafter collectively referred to as the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) adopted by the NPC on March 16, 2007 and latest amended on December 29, 2018 and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and revised on April 23, 2019 (hereinafter collectively referred to as the "**EIT Law**"), the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% corporate income tax on

PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Notice of the SAT on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued and came into effect on November 6, 2008 further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") promulgated on August 21, 2006, the mainland government may levy taxes on the dividends paid by a PRC resident company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends paid by the PRC resident company unless such Hong Kong resident directly holds 25% or more of the equity interest in the PRC resident company, then such tax shall not exceed 5% of the total dividends paid by the PRC resident company. The Fifth Protocol of the Arrangement (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), promulgated and came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax laws and regulations, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC resident companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong

Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the relevant PRC tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the relevant PRC tax authorities.

Taxation on Share Transfer

Income tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Notice on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax.

On December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Notice on Relevant Issues Concerning the Individual Income Tax on Individual Income from Transfer of Non-tradable Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on January 1, 2010, stating that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market in the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the aforesaid notice and the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax over on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) which was jointly issued and implemented by the MOF, the SAT and the CSRC on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares of the PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the

PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or arrangements on avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Tax Law of the of the PRC (《中華人民共和國印花稅法》) issued on June 10, 2021 and came into effect on July 1, 2022, the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC are taxpayers of stamp tax, and shall pay stamp tax. Therefore, the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the transfer and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in the PRC under the PRC laws.

B. Hong Kong Taxation

Tax on dividends

No tax is payable in Hong Kong in respect of dividends paid by us.

Capital gains and profit tax

No tax is imposed in Hong Kong in respect of capital gains from the sales of H Shares. However, trading gains from the sales of H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for, or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable, and no estate duty clearance papers are needed for the application of a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

2. PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to the "**Regulatory Overview**" chapter of this prospectus.

3. FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorisation of the People's Bank of China (the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996 and latest amended on August 5, 2008, is currently the principal foreign exchange control regulation of the PRC. This regulation applies to the foreign exchange receipts and payments and foreign exchange operations of domestic institutions and individuals of the PRC, as well as the foreign exchange receipts and payments and foreign exchange operations of overseas institutions and individuals of the PRC. Under this regulation, Renminbi is generally freely convertible for current accounts, such as trade in goods, trade in services and payment of gains, but not freely convertible for capital accounts, such as equity investments, loans, investment in securities, unless prior approval or registration is obtained.

According to the Announcement of the PBOC on Reforming the RMB Exchange Rate Regime (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》), which was issued and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

In accordance with the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors (《外國投資者境內直接投資外匯管理規定》), which was promulgated by the SAFE on May 11, 2013 with effect from May 13, 2013 and partially invalidated on December 30, 2019, the administration by the SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by the SAFE and its branches.

According to the Decision of the State Council on a Group of Administrative Approval Items Cancelled or Adjusted and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into Renminbi domestic accounts.

According to the Circular on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing(《關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014, the Circular, a domestic enterprise shall, within 15 working days after the completion of the issuance of the overseas listing, register the overseas listing with the Foreign Exchange Bureau at the place where it is registered. The proceeds from the issuance of overseas listing by a domestic company may be remitted to the corresponding domestic account or deposited in an overseas account, and the use of the proceeds shall be consistent with the content of the prospectus and other public disclosure documents.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially invalidated on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign-Funded Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), promulgated on March 30, 2015, came effective on June 1, 2015 and partially invalidated on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in Renminbi (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay Renminbi bank loans that have been on lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

Pursuant to the Notice of the SAFE on Reforming and Regulating the Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》)promulgated by the SAFE on June 9, 2016, income of the foreign exchange under the capital account that is subject to discretionary settlement (including foreign exchange capital, foreign debts and funds repatriated from overseas listing, etc.) may handle foreign exchange settlement at banks based on the actual business needs of the domestic institutions. The proportion of discretional foreign exchange settlement of income under the capital account of a domestic institution is temporarily determined as 100%. The SAFE may adjust the above ratio in a timely manner based on international balance of payments.

According to the Notice of the SAFE on Optimising Foreign Exchange Administration to Support Foreign Business Development (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》)promulgated by the SAFE on April 10, 2020, qualified enterprises are allowed to make domestic payments by using income under capital accounts such as capital funds, foreign debts and overseas listing, without the need to provide proof of authenticity to the banks in advance on a case-by-case basis, provided that the use of funds is authentic and in compliance with regulations and the current requirements for the administration of the use of income under capital accounts. The relevant banks conduct post-transaction spot checks on such businesses in accordance with relevant requirements.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC as well as the additional regulatory provisions of the Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of our Company, see "Regulatory Overview" in this prospectus.

PRC LAWS AND REGULATIONS

PRC Legal System

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 Amendment) (《中華人民共和國立法法(2023修正)》) (the "**Legislation Law**"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical culture protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such regulations and rules.

PRC Judicial System

Under the Constitution and the PRC Law on the Organisation of the People's Courts (2018 Revision) (《中華人民共和國人民法院組織法(2018修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial organ in the PRC. It supervises the judicial administration of the people's courts at all levels.

The PRC Civil Procedure Law (2023 Amendment) (《中華人民共和國民事訴訟法(2023修正)》) (the "**Civil Procedure Law**"), which was adopted in 1991 and amended in 2007, 2012, 2017, 2021 and 2023, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the principle of reciprocity to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgement or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgement made by the court within the stipulated time, the court will, upon application by either party, enforce the judgement in accordance with the law.

A party seeking to enforce a judgement or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgement or ruling. A foreign judgement or ruling may also be recognised and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

The Company Law, Overseas Listing Trial Measures and Guidance for Articles of Association

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The PRC Company Law (2018 Amendment) (《中華人民共和國公司法(2018修正)》) which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest amendment of which was implemented on October 26, 2018;

- The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five relevant guidelines which were promulgated by the CSRC on February 17, 2023 pursuant to Securities Law of the PRC, came into effect on March 31, 2023, and were applicable to the direct and indirect overseas share subscription and listing of domestic companies; and

- The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the "**Guidance for Articles of Association**") which was latest amended and came into effect on January 5, 2022 by the CSRC. The related Guidance for Articles of Association are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled "Appendix VI – Summary of the Articles of Association" in this document.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidance for Articles of Association applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its debts for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method with offering and issuing shares to the public shall file the approval issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Overseas Listing Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorise the domestic company to file with the CSRC on their behalf. The domestic unlisted shares mentioned in the preceding paragraph refer to the shares that have been issued by domestic enterprises but have not been listed or listed for trading on domestic exchanges. Domestic unlisted shares shall be centrally registered and deposited with domestic securities registration and settlement institutions. The registration and settlement arrangements of overseas listed shares shall be subject to the provisions of overseas listing places.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offering of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Overseas Listing Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Overseas Listing Trial Measures, domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish the document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days from the date of the resolution on the reduction;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who request and are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorised by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be cancelled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralised trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company Law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law and the Guidance for Articles of Association, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' general meeting exercises the following principal functions:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and change of company form;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;

- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;

- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

- whenever the board of directors deems necessary;

- when the board of supervisors proposes; or

- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Guidance for Articles of Association, after the notice of the general meeting of shareholders is issued, the general meeting of shareholders shall not be postponed or cancelled without justifiable reasons, and the proposals listed in the notice of general meeting of shareholders shall not be cancelled. In the event of postponement or cancellation, the convener shall make an announcement and explain the reasons at least two working days before the original meeting date.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Guidance for Articles of Association, the board of directors and the Secretary of the board of directors will cooperate with the general meeting of shareholders convened by the board of supervisors or shareholders. The board of directors will provide the register of shareholders on the date of equity registration. Moreover, when a general meeting of shareholders is held, all directors, supervisors and the secretary of the board of directors of the company shall attend the meeting, and managers and other senior management personnel shall attend the meeting as nonvoting delegates.

Pursuant to the Guidance for Articles of Association, shareholders who individually or jointly hold more than 3% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before the general meeting of shareholders. The convener shall issue a supplementary notice of the general meeting of shareholders within two days after receiving the proposal and announce the contents of the interim proposal.

Under the Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Guidance for Articles of Association, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) equity incentive plan; (iv) the company purchases or sells major assets within one year or the amount of guarantee exceeds 30% of the company's total audited assets in the latest period; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters stipulated by laws, administrative regulations or the Articles of Association, as well as other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempted from that liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offence of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or

- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Guidance for Articles of Association.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;

- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings as a non-voting representative.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favour of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their fiduciary duty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company which has issued shares to the public must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Guidance for Articles of Association provide that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following:

(i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association occurred; (ii) the shareholders' general meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked, or the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to liquidate the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;

- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to apply for deregistration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Overseas Listing Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this article. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 Revision) (《中華人民共和國證券法(2019修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

Securities Law and Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (2017 Amendment) (《中華人民共和國仲裁法(2017修正)》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognise and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangements of the Supreme People's Court on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000 and was amended by the Supplemental Arrangement of the Supreme People's Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (2021) (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排(2021)》). In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgement and its enforcement

According to the Arrangement of the Supreme People's Court between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**") promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgement, defined with payment amount and enforcement power, made between the court of PRC and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of Mainland China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of Mainland China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of Mainland China or the court of the Hong Kong Special Administrative Region to recognised and enforce the final judgement made in Mainland China or Hong Kong that meet certain conditions of the aforementioned regulations.

On January 18, 2019, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersede the Arrangement.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and SFC issued a Joint Announcement regarding principles for the prospective implementation of the pilot programme of an interconnection mechanism for transactions in the Shanghai and Hong Kong stock markets, approving in principle the launch of the pilot programme that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "**Shanghai-Hong Kong Stock Connect**") by the Shanghai Stock Exchange (hereinafter referred to as "**SSE**"), the Stock Exchange, China Securities Depository and Clearing Corporation Limited (hereinafter referred to as "**CSDCC**") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot programme, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot programme, it is required by SFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and SFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC amended the Provisions on the Recordation of the Placement of Shares to Existing Domestic Shareholders by Hong Kong-Listed Companies under the Southbound Trading Link (《關於港股通下香港上市公司向境內原股東配售股份的備案規定》) which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

1 OVERVIEW

This Appendix contains the summary of the principal provisions of the Articles of Association. The Articles of Association of the Company shall take effect on the date of the H Shares being listed on the Stock Exchange. The main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association of the Company, and therefore it may not contain all the information that is important for potential investors.

2 SHARE

(1) Issuance of Shares

Shares of the Company shall take the form of share certificates. The shares issued by the Company shall be denominated in RMB. The par value per share is RMB1.00.

Each share of the same class shall have the same rights. Shares of the same class issued at the same time shall be issued on the same conditions and at the same price.

The Company may, upon prior regulatory approval, issue different classes of share. Different classes of shares may carry different special rights. Any change to those rights shall be approved by a special resolution at a general meeting of that class. The minimum quorum for attendance at a class general meeting shall be at least one-third of the shareholders of that class.

(2) Increase, Decrease and Repurchase of Shares

The Company may increase share capital by the following means:

i. public offering of shares;

ii. private offering of shares;

iii. bonus issue to existing shareholders;

iv. conversion of capital reserve into share capital;

v. Other means approved by the laws, administrative regulations and relevant regulatory authorities.

Our Company may decrease our registered Share capital and shall comply with the procedures stipulated in Company Law, other related regulations, the Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

The Company shall not repurchase its shares, except in one of the following circumstances:

i. It reduces its registered capital;

ii. It merges with other companies holding its shares;

iii. It uses shares for employee share ownership schemes or share incentive schemes;

iv. The Shareholders raise objections to resolutions by the general meeting ("General Meeting") on the merger or division of the Company, and thus requiring the Company to repurchase their Shares;

v. It uses shares for conversion of corporate bonds issued by the Company that could be converted into its share certificates;

vi. It is necessary for the Company to maintain its value and rights and interests of Shareholders.

The Company may purchase its own Shares through public centralised trading, or through other means recognised by the laws, administrative regulations, the CSRC and the Stock Exchange. Where the Company repurchases its shares under the circumstances set out in items (i) and (ii) above, a resolution shall be passed at the General Meeting. Where the Company repurchases its shares under the circumstances set out in items (iii), (v) and (vi) above, a resolution may be passed at a Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the Articles of Association or as authorised by the General Meeting.

(3) Transfer of Shares

Shares of the Company held by the promoters shall not be transferred within one year from the date of establishment of the Company. Shares issued by the Company prior to the public offering of shares shall not be transferred within one year from the date on which the Company's shares are listed and traded on the Stock Exchange.

The Directors, Supervisors, and senior management of our Company shall declare, to our Company, information on their holdings of the Shares of our Company and the changes thereto. The Shares transferrable by them during each year of their term of office shall not exceed 25 percent of their total holdings of the Shares of our Company. The Shares that they hold in our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded. The aforesaid persons shall not transfer their Shares of our Company within half a year from the date of their resignation.

3 RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Shareholders are entitled to rights and assumes obligations pursuant to the classification of their shares. Shareholders holding the same classified share have the same rights and assume the same obligations.

The rights of ordinary shares holders are as follows:

i. the right to receive dividends and benefits distributed in other forms according to the number of Shares they hold;

ii. the right to legally require, convene, preside over, participate in or authorise proxies of Shareholders to attend the General Meeting and exercise corresponding voting rights as well as right of speech;

iii. the right to supervise company's operations and make suggestions or enquiries;

iv. the right to transfer, donate or pledge their Shares in accordance with laws, administrative regulations and the Articles of Association;

v. the right to read the Articles of Association, the list of Shareholders, Company bond stubs, General Meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;

vi. the right to participate in the distribution of the remaining properties of the Company in the event of its termination or liquidation in accordance with the proportion of the shares they hold;

vii. the right to require the Company to purchase their shareholdings in the event of their objection to resolutions of the General Meetings concerning merger or division of the Company;

viii. other rights prescribed in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Where any Shareholder demands to read the relevant information or obtain any of the aforesaid materials, he shall submit to the Company written documents proving the class(es) and number of shares he holds. the Company shall provide the relevant information or materials in accordance with the Shareholder's demand after verifying the Shareholder's identity.

The obligations of ordinary shares holders are as follows:

i. to abide by laws, administrative regulations and the Articles of Association;

ii. to pay for the shares pursuant to the quantity and the method of subscription;

iii. not to withdraw capital contribution after approval for registration from the Company except for circumstances specified in laws and regulations;

iv. not to abuse Shareholder' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of shareholders to damage the interests of the Company's creditors;

v. to perform other duties prescribed in laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Any company Shareholder who abuses Shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of the Company as an independent legal entity or the limited liability of Shareholders to evade debts and seriously damages the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

4 RESTRICTIONS ON RIGHTS OF CONTROLLING SHAREHOLDERS

The Controlling Shareholders and actual controllers of the Company shall not use their connected relationship to damage the legitimate interests of the Company. Those who violate the foregoing provisions shall be liable for compensation.

In addition, the Controlling Shareholders and actual controllers of the Company shall have a fiduciary duty to the Company. Our Controlling Shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the lawful interests of the Company or of public Shareholders in any way such as via the distribution of profits, an asset reorganisation, external investments, the use of Company's funds or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the Company or of public Shareholders.

5 RULES ON GENERAL MEETINGS

(1) General Provisions of General Meetings

The shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers:

i. to decide on the Company's business policies and investment plans;

ii. to elect and replace Directors and Supervisors who are not employee representatives and to decide on matters relating to the remuneration of Directors and Supervisors;

iii. to consider and approve the reports of the Board of Directors;

iv. to consider and approve the reports of the Board of Supervisors;

v. to consider and approve the annual financial budgets and final accounts of the Company;

vi. to consider and approve the Company's profit distribution plans and loss recovery plans;

vii. to resolve on the increase or reduction of the registered capital of the Company;

viii. to resolve on the issue of corporate bonds;

ix. to resolve on the merger, division, dissolution, liquidation or change of corporate form of the Company;

x. to resolve on the amendments to the Articles of Association;

xi. to resolve on the appointment and dismissal of the accounting firm of the Company;

xii. to consider and approve the guarantee matters stipulated in the Articles of Association;

xiii. to consider and approve the purchase or disposal of material assets within one year with an amount exceeding 30% of the latest audited total assets of the Company;

xiv. to consider and approve the change in use of proceeds;

xv. to consider and approve share incentive schemes and employee share ownership schemes;

xvi. to consider and approve other matters required by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association to be decided by the general meeting.

The General Meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

The Company shall convene an extraordinary general meeting within two months from the date of occurrence of any of the following circumstances:

i. where the number of directors falls below the number prescribed in the Company Law or below two-thirds of the number prescribed in the Articles of Association;

ii. where the Company's unfunded losses reach one- third of total Share capital paid in;

iii. where Shareholders who individually or jointly hold more than 10% of the Company's shares request holding of such a meeting;

iv. where the Board of Directors deems it necessary;

v. where the Board of Supervisors proposes such a meeting;

vi. in any other circumstances prescribed by laws, administrative regulations, departmental rules, the Listing Rules and other securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

(2) Summoning of General Meetings

General meetings shall be summoned by the Board of Directors ("The Board").

The independent non-executive Directors are entitled to propose to the Board to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether or not to convene the extraordinary general meeting within 10 days after receiving the proposal from the independent non-executive Directors. If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. If the Board does not agree to convene the extraordinary general meeting, it shall explain the reasons and make an announcement.

The Board of Supervisors shall have the right to propose to the Board to convene an extraordinary general meeting in writing. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. Any changes to the original proposal made in the notice shall be approved by the Board of Supervisors. If the Board does not agree to convene the extraordinary general meeting or fails to give a reply within 10 days after receiving the proposal, the Board shall be deemed to be unable or fail to perform the duty of convening the general meeting, and the Board of Supervisors may summon and preside over the meeting on its own.

Shareholders individually or jointly holding 10% or more of the Company's shares shall have the right to request the Board in writing to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. Any change to the original request made in the notice shall be subject to the consent of the relevant shareholders. If the Board does not agree to convene an extraordinary general meeting or does not reply within 10 days upon receipt of the proposal, the shareholders individually or jointly holding more than 10% of the Company's shares shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting, and such proposal shall be made in writing. If the Board of Supervisors agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within five days upon receipt of the request. Any changes to the original request in the notice shall be approved by the relevant shareholders. If the Board of Supervisors fails to issue the notice of the general meeting within the prescribed period, it shall be deemed that the Board of Supervisors will not convene and preside over the general meeting, and shareholders individually or jointly holding 10% or more of the Company's shares for more than 90 consecutive days may summon and preside over the meeting by themselves.

(3) Proposals at General Meetings

When the Company convenes a general meeting, the Board, the Board of Supervisors and shareholders individually or jointly holding more than 3% of the Company's shares shall have the right to submit proposals to the Company.

Shareholders individually or jointly holding 3% or more of the Company's shares may submit provisional proposals in writing to the convener 10 days before a general meeting is convened. The convener shall issue a supplementary notice of the general meeting within 2 days upon receipt of the proposal to announce the contents of the provisional proposal, and shall submit it to the general meeting for consideration. The contents of the provisional proposal shall fall within the scope of power of the general meeting, and the subject issues for discussion and the specific matters to be resolved shall be clearly stated therein.

Except as provided in the preceding paragraph or as provided in the securities regulatory rules of the place where the company's shares are listed, the convener shall not amend the proposals set out in the notice of the general meeting or add any new proposals after issuing the notice of the general meeting.

(4) Notice of General Meetings

When convening a General Meeting, the convener shall issue an announcement 20 days before it is convened. When convening an extraordinary general meeting, the convener shall issue an announcement 15 days before it is convened. When the Company calculates the starting period of "20 days" and "15 days", it does not include the date of the meeting, but includes the date of the notice.

The notice of the General Meeting shall be made in writing, including the following contents:

i. the venue, the time and the duration of the meeting;

ii. the matters and proposals submitted for consideration at the meeting;

iii. a prominent written statement as follows: all ordinary Shareholders (including preferred shareholders whose voting rights have been restored) have the right to attend the General Meeting, and may authorise in written form a proxy, who need not necessarily be a Shareholder, to attend and vote at the meeting;

iv. the share registration date of the shareholders who are entitled to attend the meeting;

v. the names and phone number of the standing contact person for meeting affairs;

vi. the time and procedure for voting by internet or other means.

The notice of the General Meeting and the supplementary notice shall fully and completely disclose all the specific contents of all proposals. If the matter to be discussed needs the opinion of independent non-executive Directors, the opinions and reasons of independent non-executive Directors will be disclosed at the same time when the notice of General Meeting or supplementary notice is issued. The end time of on-site General Meeting shall not be earlier than that of voting by network or other means.

The share registration date shall be determined and confirmed by the Board or other conveners of the meeting, the shareholders entitled to attend the meeting are those who are of record or their proxies. The venue of the on-site General Meeting shall be the Company's domicile, or such place as may be specified in the notice of the meeting. After the issuance of the notice, the venue of the on-site meeting shall not be changed without justifiable reasons. If a change is necessary, the convener shall make an announcement at least 2 working days prior to the date of the on-site meeting and explain the reasons.

(5) Convening of General Meetings

Shareholders who are of record on share registration date can attend the General Meeting in person or entrust a proxy to attend and vote on their behalf.

Any proxy statement issued by a Shareholder who authorises a proxy to attend the General Meeting on his behalf shall include the following details:

i. the name of the proxy;

ii. whether the proxy is authorised to vote;

iii. respective instructions on affirmative, negative or abstention voting on each item for consideration listed in the General Meeting agenda;

iv. the issuance date and valid period of the proxy statement;

v. the signature (or seal) of the Shareholder. Where the Shareholder is a legal person, the signature of the authorised person or the legal person's seal shall be affixed.

The power of attorney shall indicate whether the shareholder's proxy can vote according to his own will if the Shareholder does not give specific instructions. A Shareholder's proxy doesn't need be a Shareholder of the Company.

Where a Shareholder authorises another person to sign a proxy statement for voting, the power of attorney for signing authority or other authorisation documents shall be notarized. The notarized power of attorney or other authorisation documents shall be lodged at the Company's domicile or any other place stipulated in the meeting notice. Where the Shareholder is a legal person, its legal representative or any person authorised by a resolution of the Board or other decision-making body shall attend the General Meeting as its proxy.

If a member is a recognised clearing house as such term is defined in the Listing Rules from time to time in Hong Kong, it has the right to appoint personal representatives or legal representatives to attend the Company's general meetings and creditor meetings, and such personal representatives or legal representatives may exercise the same statutory rights as other shareholders, including the right to speak and vote.

(6) Resolution of General Meetings

The resolutions of the General Meeting shall be divided into ordinary resolutions and special resolutions. An ordinary resolution may be adopted by a simple majority of the votes held by the Shareholders (including proxies of Shareholders) attending the General Meeting. A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies of Shareholders) attending the General Meeting.

The following matters shall be approved by the General Meeting through ordinary resolutions:

i. work report of the Board of Directors and the Board of Supervisors;

ii. plans of profit distribution and loss make-up schemes drafted by the Board of Directors;

iii. appointment or dismissal of the members of the Board of Directors or the Board of Supervisors who are not employee representatives, and their remuneration and payment methods;

iv. annual budget and final account report;

v. annual report of the Company;

vi. appointment or dismissal of the accounting firm and the audit fees;

vii. other matters other than those approved by special resolution stipulated in the laws, administrative regulations, Listing Rules, listing rules of the stock exchange where the Shares are listed or the Articles of Association.

The following matters shall be approved by special resolution at the General Meeting:

i. the increase or decrease of the registered capital;

ii. division, split-up, merger, dissolution and liquidation of the Company (including voluntary liquidation of the company);

iii. amendment to the Articles of Association;

iv. purchase or disposal of material assets or provision of guarantee by the Company within one year with an amount exceeding 30% of the latest audited total assets of the Company;

v. share incentive schemes and employee share ownership schemes; and

vi. other matters required by laws, administrative regulations, the Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed, or the Articles of Association, as well as those determined by the General Meeting through ordinary resolutions to have a significant impact on the Company and need to be passed by special resolution.

In the event that any resolution of the General Meeting or resolution of the Board of Directors violates laws or administrative regulations, any Shareholder is entitled to request the court to deem it as invalid.

In the event that the convening procedure or voting formula of the General Meeting or meeting of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or resolution of which violates the Articles of Association, any Shareholder is entitled to ask the court to overturn within 60 days after the resolution was adopted.

6 DIRECTORS AND BOARD OF DIRECTORS

(1) Appointment, Resignation and Dismissal of Directors

The Board of Directors is composed of eight directors, including three independent non-executive Directors. The directors of the Company are elected by the General Meeting.

The Board of Directors has one chairman, one vice chairman. The chairman and vice chairman of the Board of Directors shall be elected by more than half of all Directors. The Directors shall be elected or replaced by the General Meeting and may be removed by the General Meeting through an ordinary resolution before the expiration of their term of office.

The chairman of the Board and other directors serve three-year terms, and the director can be re-elected and reappointed at the end of the term. The general manager or other senior managers may concurrently serve as directors. However, the total number of directors concurrently serving as the general manager or other senior managers shall not exceed half of the total number of directors of the company.

None of the following persons shall serve as our Director:

i. A person who has no civil capacity or has limited civil capacity;

ii. A person who has been sentenced to a term of imprisonment for any of the following crimes and five years have not elapsed since the date on which execution of the sentence was completed: embezzlement, bribery, conversion of property, misappropriation of property, or sabotaging the socialist economic order; or has been deprived of his/her political rights as a result of a criminal conviction and five years have not elapsed since the date on which execution of the sentence was completed;

iii. A person who has served as a director, the factory chief, or the manager of an insolvent and liquidated company or enterprise and is held personally liable for such bankruptcy, and three years have not elapsed since the date when the bankruptcy and liquidation of the company or enterprise are completed;

iv. A person who has served as the legal representative of a company or enterprise whose business license was revoked or which is ordered to close down due to any violation of law, and is held personally liable for the revocation, and three years have not elapsed since the date when the revocation occurs;

v. A person who has a relatively large sum of debt, which was not paid at maturity;

vi. A person who has been banned from entering the securities market by the CSRC and whose term has not expired;

vii. Other contents stipulated by laws, administrative regulations, departmental rules, and other securities regulatory rules of the place where the company's shares are listed.

The election, appointment or employment of the Directors shall be invalid if such election, appointment or employment is against the Articles of Association. If any Director falls into the situations provided in the above-mentioned situations during their term of office, he or she would be dismissed by our Company.

The Articles of Association of our Company do not contain any provision that requiring the Director to hold shares of our Company.

(2) Remuneration of Directors

The appointment and removal of the members of the Board of Directors as well as their remuneration and payment methods, shall be adopted by the General Meeting by ordinary resolution.

(3) Duties of Directors

The Directors shall abide by laws, administrative regulations and the Articles of Association, and shall have the following fiduciary duties to the Company:

i. shall not abuse their authority by accepting bribes or other illegal income, and shall not convert company property;

ii. shall not misappropriate company funds;

iii. shall not deposit Company's assets into accounts held in their own names or in the name of any other individual;

iv. shall not, in violation of the Articles of Association, loan Company's funds to any other person or give Company's assets as security for the debt of any other person without the approval of the General Meeting or the Board of Directors;

v. shall not conclude any contract or engage in any transaction with the Company either in violation of the Articles of Association or without the approval of the General Meeting;

vi. shall not use the advantages provided by their own positions to pursue business opportunities that properly belong to the Company to engage in the same business as the Company either for their own account or for the account of any other person without the approval of the General Meeting;

vii. shall not accept commissions paid by others for transactions conducted with the Company as their own;

viii. shall not disclose confidential Company's information without authorisation;

ix. shall not abuse their connected relationships to damage the Company's interests;

x. laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the company's shares are listed and other fiduciary obligations stipulated in the Articles of Association.

The income obtained by the director in violation of above article shall belong to the Company. If losses are caused to the Company, it shall be liable for compensation.

Directors shall abide by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, and have the following diligent obligations to the Company:

i. Shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and state economic policies, and that the Company's commercial activities do not go beyond the scope of the business activities stipulated in the Company's business license;

ii. Shall treat all Shareholders fairly;

iii. Shall maintain a timely awareness of the operation and management of the Company;

iv. Shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;

v. Shall provide accurate information and materials to the Board of Supervisors and shall not obstruct the Board of Supervisors or individual Supervisors from performing its or their duties;

vi. Other obligations of diligence stipulated in laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

A director shall complete all formalities for handing over to the Board when his/her resignation takes effect or when his/her term of office expires, and his/her duty of loyalty to the Company and its shareholders shall not ipso facto be discharged at the end of his term of office.

The duty of confidentiality of the Company's business secrets shall remain valid after the resignation report comes into effect or the end of the term of office, until the secrets become public information. The duration of other loyalty obligations shall be determined in accordance with the principle of fairness, depending on the length of time between the occurrence of the event and the departure of the post, and the circumstances and conditions under which the relationship with the Company ends, but it shall not be less than 2 years from the date of the resignation takes effect or the term of office expires.

(4) Functions and Powers of The Board

The Board of Directors is responsible to the General Meeting and exercises the following powers:

i. to convene the General Meeting and present reports thereto;

ii. to implement resolutions adopted by the General Meeting;

iii. to determine the Company's operating plans and investment programs;

iv. to draft the Company's annual financial budget and final accounts plan;

v. to draft profit distribution plan and loss recovery plan of the Company;

vi. to draft plans relating to any increase or reduction in registered capital, the issuance of bonds or other securities, or listing;

vii. to draft plans for the Company's major purchases, the purchase of company stock, or any merger, breakup, change of corporate form or dissolution of the Company;

viii. to determine, within the scope of the powers granted by the general meeting, matters including the Company's external investments, the sale and purchase of assets, asset mortgages, external guarantees, third party financial management, related-party transactions, donation to other organisations, among other matters;

ix. to determine the establishment of the Company's internal management structure;

x. to decide on matters such as appointment or dismissal of the Company's general manager, secretary to the Board of Directors and on their compensation and incentives/disincentives; to decide on appointment or dismissal of the Company's deputy managers, finance manager and other senior officers as nominated by the general manager and on their remuneration and incentives/disincentives;

xi. to formulate the Company's basic management systems; to determine the Company's risk management system, including risk assessment, financial control, internal audit, and legal risk control, and to monitor its implementation;

xii. to formulate plans to amend the Articles of Association;

xiii. to manage the information disclosure of the Company;

xiv. to make proposals to the General Meeting on the appointment or replacement of the accounting firm;

xv. to hear work reports given by the general manager of the Company and oversee the general manager's work;

xvi. to approve the appointment or replacement of directors and shareholder representative supervisors of the Company's wholly-owned subsidiaries; and to appoint, replace or recommend shareholder representatives, directors (candidates) and shareholder representative supervisors (candidates) of the Company's controlling subsidiaries or equity participation companies;

xvii. to decide on other major affairs and administrative matters of the Company and to sign other important agreements except for those matters otherwise required to be resolved by the shareholders' meeting under the Company Law and the Articles of Association;

xviii. to make a resolution on the repurchase of the Company's shares due to the circumstances stipulated in items (iii), (v) or (vi) to Article 24 of the Articles of Association;

xix. any other power granted by laws, administrative regulations, departmental rules, the Listing Rules, and other securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

Matters beyond the scope of authorisation of the General Meeting shall be submitted to the General Meeting for deliberation.

The Board of Directors shall be entitled to decide to borrow money, except in cases otherwise provided for in the Articles of Association of the Company and the Company Law, such as the issuance of bonds by the Company which is subject to the approval of the Shareholders at the General Meeting by way of a special resolution. Save for the above, The Articles of Association of the Company do not contain any specific provision in respect of the manner in which the Directors may exercise their power to borrow money.

(5) The Board Meeting

Meetings of the Board are divided into regular meetings and extraordinary meetings. The regular meetings shall be held at least four times a year and convened by the chairman of the board of directors. Notice of not less than 10 days shall be given for a regular meeting and not less than 5 days for an extraordinary meeting. The notice period may be waived with the consent of all Directors of the Company. In case of emergency where an extraordinary meeting of the board of directors is required to be convened as soon as possible, the notice of meeting may be given by phone call or by other verbal means at any time, but the convener shall provide an explanation at the meeting.

An extraordinary meeting may be convened in any of the following circumstances:

i. when proposed by shareholders representing more than one-tenth of the voting rights;

ii. when jointly proposed by more than one-third of the Directors;

iii. when proposed by the Board of Supervisors;

iv. when the chairman of the Board considers necessary;

v. when proposed by more than half of the independent non-executive Directors;

vi. other circumstances stipulated by the Articles of Association.

The Board meeting can be held only when there are more than one half of the Directors attending the meeting. Each director has only one voting right. The resolution of the Board shall be passed by more than a half of all Directors.

Except as otherwise provided, A director shall not vote on a resolution approving any contract, arrangement or any other proposal in which such director or any of his/her related parties has a material interest, nor shall such director be counted in the quorum present at the meeting.

A director shall attend the Board meetings in person. If a director is not able to attend the meeting for any reason, he/she may appoint other director of the same class in writing to attend the meeting on his/her behalf. The scope of authorisation shall be specified in the proxy form. The Director attending the meeting on other's behalf shall only exercise the rights of Director within the scope of authorisation. If a director neither attends a board meeting nor appoint a representative to attend on his/her behalf, such director shall be deemed to have waived his/her right to vote at such meeting.

(6) Independent Non-executive Director

At any time, the Board should have more than one-third of independent non-executive Directors, and the total number of independent non-executive Directors should not be less than three. At least one independent Director should have appropriate professional qualifications that meet regulatory requirements or have appropriate accounting or related financial management expertise.

7 SECRETARY OF THE BOARD OF DIRECTORS

The Company shall appoint a secretary of the Board, who shall be responsible for preparing for the General Meetings and the Board meetings, the retention of documents, the management of Shareholder materials, the disclosure of information, etc.

8 GENERAL MANAGER

Our Company has one general manager, appointed or dismissed by the Board. The general manager of our Company is responsible to the Board and exercises the following powers:

i. to manage the Company's production and operations, and organise the implementation of the Board resolutions;

ii. to organise the implementation of the Company's annual operating plans and investment programs;

iii. to draft the plan for the Company's internal management structure;

iv. to formulate the Company's basic management systems;

v. to formulate basic rules and regulations of the Company;

vi. to make recommendations to the Board on the appointment or removal of any deputy manager or the finance manager;

vii. to appoint or remove officers of the Company other than those to be appointed or removed by the Board;

viii. any other power granted by the Articles of Association and the Board.

9 BOARD OF SUPERVISORS

Our Company shall set up a Board of Supervisors.

The Board of Supervisors consists of three Supervisors, including one employee representative Supervisor and one chairman. The chairman of the Board of Supervisors shall be elected by more than half of all Supervisors.

The Board of Supervisors shall be composed of Shareholder representatives and an appropriate proportion of company employee representatives. The number of employee representatives shall be no less than one third of all Supervisors. Employee representatives on the Board of Supervisors shall be democratically elected by employees through the employee representative congress, the employee congress, or any other means.

The Board of Supervisors shall exercise the following powers:

i. to examine and give written examination opinions on the Company's regular reports prepared by the Board of Directors;

ii. to review the financial affairs of the Company;

iii. to monitor the conduct of the Directors or senior officers in the course of performing their duties and to propose the recall of any Director or senior officer who violates any law or administrative regulations, or the Listing Rules and other securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association;

iv. to require any Director or senior officer who damages the Company's interests to take remedial action;

v. to propose extraordinary General Meetings, and to convene and preside over a General Meeting when the Board of Directors fails to perform its duty to convene and preside over a General Meeting as prescribed in the Company Law;

vi. to submit proposals to the General Meeting;

vii. to file a suit against any director or senior officer of the Company in accordance with the provisions of the Company Law;

viii. to undertake an investigation on discovering any irregularities in the operation of the Company and, where necessary, engage an accounting firm to assist in any such investigation at the expense of the Company;

ix. other powers prescribed by the Articles of Association and granted by the General Meeting.

The Supervisors may attend the meetings of the Board of Directors, query or provide suggestions on the resolution matters of the Board meeting.

10 ACCOUNTING AND AUDITS

(1) Financial and accounting policies

Our Company shall develop its financial accounting policies pursuant to the Accounting Law of the PRC and other laws, administrative regulations and rules developed by the competent department.

The Company's financial year shall be based on the calendar year, namely the financial year begins on 1 January and ends on 31 December of each year.

The Company shall not establish other accounting books except for the statutory accounting books. The assets of the Company shall not be deposited in any account opened in the name of any individual.

(2) Appointment and Dismissal of Accountants

The Company employs an accounting firm that complies with the provisions of the Securities Law, the Listing Rules, and other securities regulatory rules of the place where the Company's Shares are listed to conduct accounting statement audit, net asset verification and other related consulting services. The employment period is one year and can be renewed.

The employment of accounting firms by the Company must be decided by the General Meeting, and the Board of Directors shall not appoint accounting firms before the decision of the General Meeting. The audit fee of the accounting firm shall be determined by the General Meeting.

The Company shall guarantee to provide the accounting firm it employs with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials, and shall not refuse, conceal or make false statements.

The Company shall notify the accounting firm 15 days in advance when dismissing or no longer renewing the accounting firm. The accounting firm shall be allowed to state its opinions when the General Meeting votes on dismissing the accounting firm. If the accounting firm proposes to resign, it shall explain to the General Meeting whether the Company has any improper situation.

11 DIVIDEND AND OTHER DISTRIBUTION METHODS

The Company attaches importance to the reasonable return on investment to Shareholders, and the profit distribution should follow the principle of paying attention to the reasonable return on investment to Shareholders and benefiting the long-term development of the Company.

The Company's profit distribution policy should maintain continuity and stability, and comply with the relevant provisions of laws and regulations. The Company may distribute dividends in cash or stock. Under the condition that the Company has distributable profits, the Board of Directors of the Company may make cash dividend distribution plans or/and stock dividend distribution plans according to the Company's business and financial conditions.

After the General Meeting of our Company make a resolution on dividends distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the General Meeting.

12 DISSOLUTION AND LIQUIDATION OF THE COMPANY

Under any of the following circumstances, our Company shall be lawfully dissolved and liquidated:

i. the operating term prescribed in the Articles of Association has expired, or other causes for dissolution specified in the Articles of Association have occurred;

ii. the General Meeting has adopted a resolution to dissolve the Company;

iii. dissolution is required due to a merger involving the Company or the division of the Company;

iv. the Company's business license has been revoked, or the Company has been ordered to close down or wound up;

v. where serious difficulties have arisen in the operation of the Company and the continuation of the Company would certainly damage the Shareholders' interests to a significant extent; however, where any such scenario cannot be resolved through other means, Shareholders representing more than 10% of all voting rights may petition the people's court to dissolve the Company.

Where the Company is to be dissolved pursuant to items (i), (ii), (iv) or (v) of above paragraph, a liquidation committee shall be established within 15 days from the date when the event of dissolution occurs. The liquidation committee shall be composed of Directors or members determined by the General Meeting. Where the Company fails to form a liquidation committee to liquidate the Company within the prescribed period, its creditors may petition the people's court to appoint the relevant persons to establish a liquidation committee and liquidate the Company.

The liquidation committee shall notify creditors within 10 days from and make announcements in newspapers published at or above the provincial level within 60 days from the date of its establishment. A creditor shall declare their claims to the liquidation team within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice.

Upon liquidation of the Company's assets and the preparation of the balance sheet and inventory of assets, the liquidation team shall formulate a liquidation plan and submit it to the General Meeting or the people's court for confirmation. The remaining assets of the Company after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the Company's debts shall be distributed to shareholders in proportion to their shareholdings.

If the liquidation committee discovers that the Company's assets are insufficient to repay its debts after cleaning up the Company's assets and preparing a balance sheet and an inventory of assets, it shall apply to the People's Court for a declaration of insolvency in accordance with the law.

13 MODIFICATION OF THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association in any of the following circumstances:

i. when conflict occurs after the Company Law or the relevant laws, administrative regulations, departmental rules and regulations, or the rules of securities supervision of the place where the Company's shares are listed have been amended;

ii. changes in the circumstances of the Company that are inconsistent with the matters recorded in the Articles of Association;

iii. the General Meeting decides to amend the Articles of Association.

Where the amendments to the Articles of Association passed by the General Meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change. Matters relating to the amendment of the Articles of Association are information required to be disclosed by laws and regulations and shall be announced accordingly.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Predecessor was established in the PRC on 23 November 2012. Our Company was converted from a limited liability company into a joint stock company with limited liability on 28 July 2023. Our Company has established a place of business and principal office in Hong Kong at 17th Floor, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong on 1 August 2023 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 21 August 2023, with Ms. Lee Kwan Ying Adrienne, our company secretary, appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the PRC under the PRC Company Law, it operates subject to the laws and regulations of the PRC and to its constitution comprising the Articles. A summary of certain relevant aspects of the laws and regulations of the PRC and various provisions of the Articles of our Company are set out, respectively, in Appendix V and VI to this prospectus.

2. Changes in the share capital of our Company

Our Predecessor was established on 23 November 2012 with an initial registered capital of RMB100 million. For details of the changes in the registered share capital of our Predecessor and our Company since our establishment, please see "History, Corporate Structure and Reorganisation – Corporate History – Our Predecessor and our Company" in this prospectus.

As at the Latest Practicable Date, our Company had a share capital of RMB716,730,000 divided into 716,730,000 Shares at a par value of RMB1.00. Jinma Energy, our Controlling Shareholder was, directly and indirectly, interested in all such Shares, representing 100% of the share capital of our Company.

Immediately following completion of the Global Offering but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the issued share capital of our Company will be RMB955,640,000 divided into 955,640,000 Shares, all fully paid or credited as fully paid.

Save as disclosed above and in the section headed "History, Corporate Structure and Reorganisation – Corporate History – Our Predecessor and our Company" in this prospectus, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus up to the Latest Practicable Date.

3. Changes in the share capital of our Company's subsidiaries

The principal subsidiaries of our Company are set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Corporate Structure and Reorganisation" of this prospectus, there are no changes in the share capital of our Company's subsidiaries during the two years preceding the date of this prospectus.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the listing of the H Shares on the Stock Exchange. For further details, please please see "History, Corporate Structure and Reorganisation – The Reorganisation."

5. Resolutions of the shareholders of our Company

Pursuant to the extraordinary general meeting of the shareholders of our Company held on 23 August 2023, among other things, the following resolutions were passed by our Shareholders:

(a) subject to the completion of the Global Offering, approving and adopting the Articles with effect from the Listing;

(b) approving the issue of up to 238,910,000 H Shares (without taking into account the H Shares which may be issued upon any exercise of the Over-allotment Option) or up to 274,746,000 H Shares in total (assuming the Over-allotment Option is fully exercised) of nominal value of RMB1.00 each and that such H Shares be listed on the Stock Exchange, and the issue price of the H Shares to be decided upon completion of the bookbuilding process for the Listing;

(c) authorising the Board and the person(s) authorised by the Board to handle all relevant matters relating to the issue of H Shares and the Listing.

6. Restriction of share repurchase

For details of the restrictions on the share repurchase by our Company, please refer to "Summary of Articles of Association" in Appendix VI.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered in the ordinary course of business) had been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an equity gratuitous transfer agreement (股權劃轉協議) dated 29 July 2023 entered into between Jinma Energy and Jinma Qingneng, pursuant to which Jinma Qingneng agreed to acquire 49% interest in Jinjiang Refinery from Jinma Energy by way of gratuitous transfer for nil consideration;

(b) an equity transfer agreement dated 12 August 2023 entered into between Jinma Energy and our Company, pursuant to which our Company agreed to acquire 51% interest in Jinning Energy from Jinma Energy for a consideration of RMB52,674,572 which was settled by way of Jinma Energy subscribing registered capital in our Company in the corresponding amount;

(c) an equity transfer agreement dated 12 August 2023 entered into between Jinma Energy and our Company, pursuant to which our Company agreed to acquire 71% interest in Jinrui Energy from Jinma Energy for a consideration of RMB148,386,471 which was settled by way of Jinma Energy subscribing registered capital in our Company in the corresponding amount;

(d) an equity transfer agreement dated 26 June 2023 entered into between Yugang Coking and our Predecessor, pursuant to which our Predecessor agreed to acquire 10% interest in Jinrui Energy from Yugang Coking for a consideration of RMB20,000,000;

(e) an equity transfer agreement dated 16 August 2023 entered into between Jinma Energy and our Company, pursuant to which our Company agreed to acquire 100% interest in Jinma Qingneng from Jinma Energy for a consideration of RMB72,358,570.4 which was settled by way of Jinma Energy subscribing registered capital in our Company in the amount of RMB72,350,000;

(f) a coke granule gas production facility transfer agreement (焦粒制氣設備轉讓協議) dated 10 August 2023 entered into between Jinma Energy and our Company, pursuant to which our Company agreed to acquire certain coke granule gas production facilities for a consideration of RMB108,326,300 which was settled by way of Jinma Energy subscribing registered capital and capital reserve in our Company in the corresponding amount;

(g) a deed of indemnity dated 4 December 2023 executed by Jinma Energy in favour of our Company, details of which are set out in the paragraph headed "– D. Other Information – 1. Indemnities" in this Appendix;

(h) a deed of non-competition undertaking dated 4 December 2023 entered into between Jinma Energy and our Company in respect of the non-competition undertaking given by Jinma Energy in favour of our Company, details of which are set out in the section headed "Relationship with Our Controlling Shareholder – Non-competition undertaking" in this prospectus;

(i) a cornerstone investment agreement dated 7 December 2023 entered into between our Company, Zhongsheng Holdings Company Limited, the Sole Overall Coordinator and the Sole Sponsor, pursuant to which Zhongsheng Holdings Company Limited has agreed to subscribe for at the Offer Price (i) the number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) that may be purchased with US$6 million, or (ii) 10% of number of offer shares offered under the Global Offering (assuming that the Over-allotment Option is not exercised), whichever the lower;

(j) a cornerstone investment agreement dated 4 December 2023 entered into between our Company, Genesis M Co., Limited, the Sole Overall Coordinator and the Sole Sponsor, pursuant to which Genesis M Co., Limited has agreed to subscribe for at the Offer Price the number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) that may be purchased with US$5 million;

(k) a cornerstone investment agreement dated 4 December 2023 entered into between our Company, Prosperity Steel United Singapore Pte. Ltd., the Sole Overall Coordinator and the Sole Sponsor, pursuant to which Prosperity Steel United Singapore Pte. Ltd. has agreed to subscribe for at the Offer Price the number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) that may be purchased with US$5 million;

(l) a cornerstone investment agreement dated 6 December 2023 entered into between our Company, Max Success Group Holdings Limited, the Sole Overall Coordinator and the Sole Sponsor, pursuant to which Max Success Group Holdings Limited has agreed to subscribe for at the Offer Price the number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) that may be purchased with US$5 million; and

(m) the Hong Kong Underwriting Agreement.

2. Our intellectual property rights

(a) Trademarks licensed

As further disclosed in the section headed "Continuing Connected Transactions – A. Fully Exempt Continuing Connected Transactions – (1) Trademark licensing agreement with Jinma Energy", we had been licensed to use the following registered trademarks which we consider to be or may be material to our business:

	Trademark registration number	Trademark	Registered owner	Place of registration	Class	Expiry date
1.	6782349		Jinma Energy	PRC	1	13 March 2031
2.	303965662		Jinma Energy	Hong Kong	1, 4, 19	16 November 2026

(b) Patents registered

As at the Latest Practicable Date, we had registered the following patents in the PRC which we consider to be material to our business:

No.	Patent	Patent holder	Patent number	Patent type	Effective period
1.	A hydrogenated oil delivery system* (一種加氫油輸送系統)	Our Company	ZL202021125946.8	Utility model	10 years from 17 June 2020
2.	Nitrogen charging device for closed unloading trucks* (密閉卸車氮氣充壓裝置)	Our Company	ZL202021125935.X	Utility model	10 years from 17 June 2020
3.	Fire extinguishing steam device for loading platforms* (裝車台滅火蒸汽裝置)	Our Company	ZL202021126202.8	Utility model	10 years from 17 June 2020
4.	Stabilised tower system in benzene hydrogenation process* (苯加氫工藝中穩定塔系統)	Our Company	ZL202021126201.3	Utility model	10 years from 17 June 2020

No.	Patent	Patent holder	Patent number	Patent type	Effective period
5.	A crude benzene hydrogenation steam system* (一種粗苯加氫蒸汽系統)	Our Company	ZL202222775487.3	Utility model	10 years from 21 October 2022
6.	A crude benzene hydrogenation pre-fractionation system* (一種粗苯加氫預分餾系統)	Our Company	ZL202222769486.8	Utility model	10 years from 20 October 2022
7.	A solvent recovery unit for crude benzene hydrogenation extraction distillation* (一種粗苯加氫萃取蒸餾溶劑回收單元)	Our Company	ZL202222822392.2	Utility model	10 years from 26 October 2022
8.	A crude benzene hydrogenation distillation system* (一種粗苯加氫蒸餾系統)	Our Company	ZL202222822390.3	Utility model	10 years from 26 October 2022
9.	An independent closed cooling cycle system for benzene hydrogenation pump equipment* (一種苯加氫泵類設備獨立閉式冷卻循環系統)	Our Company	ZL202222981998.0	Utility model	10 years from 9 November 2022
10.	A gas filtration system* (一種煤氣過濾系統)	Our Company	ZL202222983497.6	Utility model	10 years from 9 November 2022
11.	A storage tank slag removal waste gas treatment system* (一種儲罐清渣廢氣治理系統)	Our Company	ZL202223019219.5	Utility model	10 years from 14 November 2022
12.	A socket-type heat exchanger tube bundle installation structure* (一種承插式換熱器管束安裝結構)	Our Company	ZL202223018215.5	Utility model	10 years from 14 November 2022
13.	A closed exhaust device for crude benzene unloading pump* (一種粗苯卸車泵密封排氣裝置)	Our Company	ZL202223112948.5	Utility model	10 years from 23 November 2022

No.	Patent	Patent holder	Patent number	Patent type	Effective period
14.	A regeneration exhaust gas adsorption device* (一種再生尾氣吸附裝置)	Jinrui Energy	ZL202223384730.5	Utility model	10 years from 16 December 2022
15.	A filtration and purification inlet device for coal compressor* (一種煤壓機進口過濾淨化裝置)	Jinrui Energy	ZL202223384311.1	Utility model	10 years from 16 December 2022
16.	A recycled water chemical treatment device* (一種循環水加藥裝置)	Jinrui Energy	ZL202223384314.5	Utility model	10 years from 16 December 2022
17.	A centrifugal pump seal cooling device* (一種離心泵機封冷卻裝置)	Jinrui Energy	ZL202223335325.4	Utility model	10 years from 12 December 2022
18.	A low-level regeneration tank defoaming device* (一種低位再生槽消泡裝置)	Jinrui Energy	ZL202223309678.7	Utility model	10 years from 9 December 2022
19.	A distribution system for coal gas produced by coke granule coal gas* (一種焦粒制氣所產煤氣的配入系統)	Jinrui Energy	ZL202223322163.0	Utility model	10 years from 9 December 2022
20.	A water circulation pipeline with high pressure* (一種壓力高的水循環管路)	Jinrui Energy	ZL202320368545.2	Utility model	10 years from 2 March 2023
21.	A fume collector* (一種油煙收集器)	Jinrui Energy	ZL202320368830.4	Utility model	10 years from 2 March 2023

(c) Domain names

As at the Latest Practicable Date, we had registered the following domain names:

Domain name	Registered owner	Date of registration	Expiry date
jyqnkj.com	Our Company	10 August 2023	10 August 2033
jyqhhg.com	Our Company	17 November 2023	17 November 2024

Save as disclosed above and in "Business – Intellectual Property Rights", there are no trademarks, patents or other intellectual property rights which are material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Service contracts

Our Company has entered into a contract with each of the Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations and observance of the Articles of Association. Except as disclosed above, our Company has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' and Supervisors' remuneration

The aggregate amount of compensation (including fees, salaries, pension-defined contribution, allowances, benefits in kind and discretionary bonuses) which were paid to our Directors and Supervisors for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 were RMB0.6 million, RMB1.2 million, RMB1.7 million and RMB0.5 million, respectively.

Save as disclosed in "Directors, Supervisors and Senior Management – Directors', Supervisors' and Senior Management's Remuneration" and the Accountants' Report as set out in Appendix I to this prospectus, no other payments have been paid or are payable by any member of our Group to the Directors and Supervisors for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023. Under the arrangements presently in force, we estimate the aggregate remuneration, excluding discretionary bonuses, of our Directors and Supervisors payable for the year ending 31 December 2023 will be approximately RMB0.6 million.

3. Disclosure of Directors' and Supervisors' Interests

Save as disclosed below, so far as is known to the Directors, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), none of our Directors, Supervisors and chief executive of our Company will have interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Issuers to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, once the Shares are listed:

Long position in our associated corporation

Jinma Energy

Name	Nature of interest	Description of securities	Number of shares as at the Latest Practicable Date*(note 1)*	Approximate percentage of shareholding
Mr. Yiu Chiu Fai	Beneficial owner	H Shares	2,681,000 (L)	0.50%
	Interest in a controlled corporation*(Note 2)*	H Shares	162,000,000 (L)	30.26%
Mr. Wang Lijie	Interest in a controlled corporation*(Note 3)*	H Shares	42,900,000 (L)	8.01%

Notes:

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

2. Mr. Yiu Chiu Fai (a non-executive Director) is the legal and beneficial owner of the entire issued share capital of Golden Star Chemicals (Holdings) Limited (金星化工(控股)有限公司) ("**Golden Star**"). Golden Star, in turn, holds 96.3% of the issued share capital of Jinma Coking (BVI) Limited, and Jinma HK is wholly-owned by Jinma Coking (BVI) Limited. Jinma HK holds 30.26% of the issued share capital of Jinma Energy. Accordingly, Mr. Yiu is deemed to be interested in Jinma HK's interest in Jinma Energy by virtue of the SFO.

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

4. Substantial Shareholders

Interests in our Company

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, each of the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, be interested in 10% or more of the issued voting shares of any other members of our Group:

			Immediately after the completion of the Global Offering (assuming no exercise of the Over-allotment Option)	
Name	Nature of interest	Description of securities	Number of Shares held(Note 1)	Approximate percentage of shareholding in the total share capital of our Company(Note 2)
Jinma Energy	Beneficial owner	Unlisted Shares	713,380,000 (L)	74.65%
	Interest in a controlled corporation(Note 3)	Unlisted Shares	3,350,000 (L)	0.35%

Notes:

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

2. The calculation is based on the total number of 955,640,000 Shares in issue immediately after completion of the Global Offering (without taking into account any H Shares that may be issued upon any exercise of Over-allotment Option).

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

Interests in shares of other members of our Group (other than our Company)

Save as disclosed below, so far as our Directors are aware, immediately following the completion of the Global Offering, no persons will, directly or indirectly, be interested in 10.0% or more of the issued voting shares of any member of our Group (other than our Company).

Name of member of our Group	Person holding 10% or more interest	Approximate % of interest in the member of our Group
Jinning Energy	Henan Jinsu Shiye Co., Ltd.* (河南金塑實業有限公司)	10%
	Jiyuan Run'an Materials Co., Ltd.* (濟源市潤安物資有限公司)	39%
Jinrui Energy	Jiyuan Jintai Energy Technology Co., Ltd. (濟源金泰能源科技有限公司)	19%

5. Disclaimers

(a) Save as disclosed in "Directors, Supervisors and Senior Management" and "Substantial Shareholders" in this prospectus, none of our Directors, Supervisors or chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

(b) save as disclosed in "Directors, Supervisors and Senior Management" and "Substantial Shareholders" in this prospectus, so far as is known to any of our Directors of our Company, no person has an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group;

(c) save as disclosed in "History, Reorganisation and Corporate Structure" in this prospectus, none of our Directors or Supervisors nor any of the persons listed in "– D. Other Information – 8. Qualifications and consents of experts" below is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) save as disclosed in "History, Reorganisation and Corporate Structure" in this prospectus, none of our Directors or the persons listed in "– D. Other Information – 8. Qualifications and consents of experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;

(e) save as disclosed in "Underwriting" and "Structure and Conditions of the Global Offering" in this prospectus, none of the persons listed in "– D. Other Information – 8. Qualifications and consents of experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) save as disclosed in "Relationship with our Controlling Shareholder" in this prospectus, so far as is known to our Directors, none of our Directors or their associates or any shareholder of our Company (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers of our Group.

D. OTHER INFORMATION

1. Indemnities

Jinma Energy (the "**Indemnifier**") has, pursuant to the Deed of Indemnity dated 4 December 2023 referred to in "– B. Further Information About Our Business – 1. Summary of material contracts" given indemnity in favour of our Group from and against, among other things:

(a) any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date; and

(b) any claims, costs, expenses, fines, penalties, liabilities and losses which any member of our Group may suffer as a result (whether directly or indirectly) of or in connection with (i) the Reorganisation, and (ii) any member of our Group's non-compliance with, or breach or violation of any applicable PRC laws, rules and/or regulations on or before the Listing Date, including but not limited to the non-compliance incidents during the Track Record Period as detailed in "Business – Regulatory Compliance" of this prospectus,

provided that, the Indemnifier will, however, not be liable for any such liabilities or claim:

(i) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or the interpretation or practice by the relevant tax authority or retrospective increase in tax rates coming into force on or after the Listing Date;

(ii) to the extent that provision has been made for such taxation liability in the audited accounts of any member of our Group for any accounting period up to 30 June 2023;

(iii) for any liability which would not have arisen but for any act, transaction, omission of or transactions voluntarily effected by any member of our Group (other than pursuant to a legally binding commitment created before the Listing Date) on or after the Listing Date and otherwise than carried out in the ordinary course of business after the Listing Date; or

(iv) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any members of our Group which are carried out or effected in the ordinary course of business after 30 June 2023.

2. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the PRC, being the jurisdiction in which the companies comprising our Group are incorporated.

3. Litigation

Save as disclosed in "Business – Legal proceedings" in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees in connection with the Global Offering are HK$4.5 million.

The Sole Sponsor has made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our H Shares (including any Offer Shares which may be issued upon the exercise of the Over-allotment Option). All necessary arrangements have been made for the H Shares to be admitted into CCASS.

5. Preliminary expenses

Our estimated preliminary expenses were RMB41.5 million and were paid by our Company. The commission and expenses relating to the Global Offering that are to be borne by our Company are set out in the section headed "Underwriting" in this prospectus.

6. No material adverse change

Saved as disclosed in "Summary – Recent Developments and No Material Adverse Change" in this prospectus, our Directors confirm that there has been no material adverse change in our Group's financial or trading position since 30 June 2023 (being the date on which the latest audited combined financial information of our Group was prepared).

7. Promoters

Our Promoters are Jinma Energy and Shanghai Jinma. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
Haitong International Capital Limited	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants and Registered Public Interest Entity Auditor
Brightstone Lawyers	Qualified PRC lawyers
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Each of the experts named above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or valuation certificate and/or opinions and/or the references to its name included herein in the form and context in which it is respectively included.

9. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is 0.10% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For more details, see "Taxation and foreign exchange – 1. Taxation of security holders – B. Hong Kong taxation" as set out in Appendix IV to this prospectus.

10. Miscellaneous

(a) Save as disclosed in "History, Corporate Structure and Reorganisation", "Share Capital" and "Structure and Conditions of the Global Offering" in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries;

(v) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of its subsidiaries;

(vi) our Company has no outstanding convertible debt securities or debentures; and

(vii) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights.

(b) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(c) there is no arrangement under which future dividends have been waived;

(d) no company within our Group is presently listed on any stock exchange or traded on any trading system; and

(e) this prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) the written consents referred to in the paragraph headed "D. Other Information – 8. Qualifications and consents of experts" in Appendix VII to this prospectus, (ii) copies of the material contracts referred to in the paragraph headed "B. Further Information about the Business of Our Group – 1. Summary of material contracts" in Appendix VII to this prospectus, and (iii) the statement of adjustments in relation to the accountants' report set out in Appendix I to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.jyqhhg.com** up to and including the date that is 14 days from the date of this prospectus:

(a) the Articles;

(b) the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus together with the statement of adjustments prepared by Deloitte Touche Tohmatsu;

(c) the auditor's reports for financial statements of our Company and Jinning Energy and the auditor's report for consolidated financial statements of Jinrui Energy for each of the three financial years ended 31 December 2022, and the six months ended 30 June 2023;

(d) the report in relation to the unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

(e) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by JLL, the text of which is set out in Appendix III to this prospectus;

(f) copies of the PRC Company Law and the PRC Securities Law together with their unofficial English translations;

(g) the PRC legal opinions prepared by Brightstone Lawyers, our legal advisors on PRC law, in respect of certain aspects of our Group and the property interests of our Group;

(h) the market research report prepared by Frost & Sullivan referred to in the section headed "Industry Overview" of this prospectus;

(i) the material contracts referred to in the paragraph headed "B. Further Information about the Business of Our Group – 1. Summary of material contracts" in Appendix VII to this prospectus;

(j) the contracts with each of the Directors referred to in the paragraph headed "C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 1. Service contracts" in Appendix VII to this prospectus; and

(k) the written consents referred to in the paragraph headed "D. Other Information – 8. Qualifications and consents of experts" in Appendix VII to this prospectus.

河南金源氫化化工股份有限公司

Henan Jinyuan Hydrogenated Chemicals Co., Ltd.*