Perennial Energy Holdings Limited
久泰邦達能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2798)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Perennial Energy Holdings Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023, together with the comparative figures for the corresponding period in 2022 as follows:

FINANCIAL HIGHLIGHTS

Revenue amounted to approximately RMB1,715.6 million (2022: approximately RMB1,784.0 million), representing a decrease of approximately 3.8% year-on-year ("**YoY**").

Gross profit amounted to approximately RMB944.3 million (2022: approximately RMB1,117.6 million), representing a decrease of approximately 15.5% YoY.

Gross profit margin was approximately 55.0% (2022: 62.6%), representing a decrease of approximately 7.6 percentage points YoY.

Profit and total comprehensive income for the year amounted to approximately RMB504.2 million (2022: approximately RMB744.0 million), representing a decrease of approximately 32.2% YoY.

Basic earnings per share was approximately RMB31.51 cents (2022: RMB46.50 cents).

Proposed final dividend for the year ended 31 December 2023 was HK5.00 cents (2022: HK12.50 cents) per share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	**2023** **RMB'000**	2022 *RMB'000*
Revenue	4	**1,715,623**	1,784,033
Cost of sales		**(771,333)**	(666,398)
Gross profit		**944,290**	1,117,635
Other income		**35,661**	52,798
Share of losses of an associate		**(3,037)**	–
Fair value change of contingent consideration payables		**–**	(20,409)
Other gains and losses		**(17,395)**	(4,940)
Distribution and selling expenses		**(97,441)**	(72,515)
Administrative expenses		**(134,038)**	(110,882)
Other expenses		**(86,792)**	(77,211)
Finance costs		**(36,044)**	(28,928)
Profit before taxation	5	**605,204**	855,548
Taxation charge	6	**(101,011)**	(111,593)
Profit and total comprehensive income for the year		**504,193**	743,955
Earnings per share *(RMB cents)*			
Basic	8	**31.51**	46.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	NOTES	**2023** **RMB'000**	2022 RMB'000
Non-current assets			
Property, plant and equipment		**2,162,544**	1,897,205
Investment properties		**47,200**	51,500
Mining rights		**828,778**	828,867
Interest in an associate		**95,011**	–
Restricted bank deposits		**21,658**	17,239
Deferred tax assets		**46,626**	40,129
Rental deposits		**432**	426
Deposits for purchase of property, plant and equipment		**4,348**	2,819
Other receivable		**9,300**	–
Deposits for acquisition of mining rights		**90,566**	90,566
		3,306,463	2,928,751
Current assets			
Investment in a debt instrument		**36,248**	–
Inventories		**57,834**	49,444
Trade and bills receivables	9	**789,003**	871,550
Deposits, prepayments and other receivables		**45,987**	28,202
Cash and cash equivalents		**93,712**	202,057
		1,022,784	1,151,253
Current liabilities			
Trade payables	10	**139,422**	109,304
Other payables and accrued charges		**334,054**	212,391
Contract liabilities		**–**	1,639
Lease liabilities		**1,299**	1,275
Tax payable		**43,812**	35,270
Bank and other borrowings	11	**683,854**	695,972
Contingent consideration payables		**–**	395,186
		1,202,441	1,451,037
Net current liabilities		**(179,657)**	(299,784)
Total assets less current liabilities		**3,126,806**	2,628,967

	NOTES	**2023** RMB'000	2022 RMB'000
Non-current liabilities			
Deferred tax liabilities		**15,051**	28,017
Lease liabilities		**–**	1,299
Bank and other borrowings	11	**230,000**	90,000
Provision for restoration costs		**73,943**	47,008
Other payables and accrued charges		**19,636**	–
		338,630	166,324
Net assets		**2,788,176**	2,462,643
Capital and reserves			
Share capital	12	**14,136**	14,136
Reserves		**2,774,040**	2,448,507
Total equity		**2,788,176**	2,462,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 7 June 2017. The shares of the Company were listed on the company Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 December 2018 and its parent and ultimate holding company is Spring Snow Management Limited, a limited liability company incorporated in the British Virgin Islands ("**BVI**"). The address of the Company's registered office and principal place of business is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Unit 1003, 10th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, respectively.

The Company is an investment holding company. The principal activities of its subsidiaries are principally engaged in the exploration and mining of coking coal and coal refinery in the People's Republic of China (the "**PRC**" or "**China**").

The controlling shareholder of the Company is Mr. Yu Bangping ("**Mr. Yu**").

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group disclose the related deferred tax assets of RMB46,626,000 and deferred tax liabilities of RMB15,051,000 on a gross basis but it has no impact on the retained earnings at the earliest period presented.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

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

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The amendments add a disclosure objective to HKAS 7 *Cash Flow Statements* stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term "supplier finance arrangements" is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements;

- The carrying amount and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements, and the non-cash changes in the carrying amounts of these financial liabilities;

- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers;

- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement; and liquidity risk information.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The application of the amendments is not expected to have impact on the financial position or performance of the Group but may affect the disclosures of liabilities, cash flows and the Group's exposure to liquidity risk related to the supplier finance arrangements entered into by the Group. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

As at 31 December 2023, the Group had net current liabilities of RMB179,657,000 and outstanding capital commitments payable within twelve months of RMB294,000,000. During the year ended 31 December 2023, the Group recorded net profit for the year of RMB504,193,000 and the net operating cash inflow of RMB213,378,000. In order to mitigate the liquidity risk, the Group had prepared cash flows forecast for 12 months from end of reporting period and obtained sufficient short and long-term bank facilities. During the year ended 31 December 2023, the Group has obtained total facilities of RMB790,000,000 and unutilised portion is RMB182,306,000 as at 31 December 2023. In addition, the management will undertake close monitoring process to control the timing of the expected cash outflows associated with the mining operation and the payment of capital expenditures. In this regard, the directors of the Company consider that the Group's liquidity risk has been significantly reduced and they are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due for the coming twelve months from 31 December 2023.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and contingent consideration payables that are measured at fair values at the end of each reporting period.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the fair value of amounts received and receivable from the sales of goods and services provided by the Group to related party/external customers, net of related taxes, for the year.

Disaggregation of revenue from contracts with customers

Sales of coal products and coalbed methane gas

For sales of coal products and coalbed methane gas, revenue is recognised when the control of goods is transferred, being when the goods are delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the Group's right to consideration becomes unconditional, as only the passage of time is required before payment is due. The customers have neither rights of return nor rights to defer or avoid payment for the goods once they are accepted by the customers upon receipt of goods.

All revenue contracts are for period of one year or less. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

	2023	2022
	RMB'000	*RMB'000*
Types of goods and services		
Recognised at a point in time:		
Sales of coal products:		
– Raw coal	**2,468**	3,541
– Clean coal	**1,620,390**	1,687,745
– Middling coal	**64,925**	71,216
– Sludge coal	**22,741**	16,711
	1,710,524	1,779,213
Sales of coalbed methane gas	**5,099**	4,820
	1,715,623	1,784,033
Geographical market		
The PRC	**1,715,623**	1,784,033

Segment information

The Group's operation is solely derived from the production and sales of coal products and coalbed methane gas. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("**CODM**") (i.e. the chief executive officer) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies of the Group. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

The Group's revenue are all derived from the PRC based on the location of the customers and the Group's non-current assets, excluding financial assets and deferred tax assets, of RMB3,227,151,000 (2022: RMB2,868,215,000) are located in the PRC and of RMB1,296,000 (2022: RMB2,742,000) are located in Hong Kong, respectively, by physical location of assets.

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**N/A***	610,138
Customer B	**719,358**	525,848
Customer C	**225,344**	N/A*
Customer D	**175,485**	N/A*

* The revenue of relevant customer did not contribute over 10% of the total revenue of the Group.

5. PROFIT BEFORE TAXATION

	2023	2022
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration:		
Audit services	**2,341**	2,147
Non-audit services	**1,877**	–
Directors' emoluments	**7,535**	8,372
Other staff costs:		
Salaries and other allowances	**394,169**	347,374
Retirement benefits schemes contributions	**72,534**	59,063
Less: Capitalised in construction in progress	**(150,661)**	(148,859)
Less: Capitalised in inventories	**(233,871)**	(179,431)
Total staff costs (included in administrative, distribution and selling expenses and other expenses)	**89,706**	86,519
Depreciation of property, plant and equipment	**121,999**	99,135
Less: Capitalised in inventories	**(104,969)**	(86,148)
Total depreciation of property, plant and equipment included in administrative and other expenses	**17,030**	12,987
Amortisation of mining rights	**40,589**	37,324
Less: Capitalised in inventories	**(40,589)**	(37,324)
	–	–
Inventories recognised as an expense	**771,333**	666,398
Research and development expense (included in other expenses)	**58,536**	30,520
Rental income from investment properties net of negligible outgoing expenses	**(1,101)**	(1,101)
Penalties arising from operations (included in other expenses)	**(24,718)**	(2,951)

6. TAXATION CHARGE

	2023	2022
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**"):		
– current year	**97,184**	140,014
– under (over) provision in prior years	**3,121**	(968)
– withholding tax	**20,169**	1,470
Deferred tax credit	**(19,463)**	(28,923)
Taxation charge	**101,011**	111,593

No provision for Hong Kong Profits Tax has been made as the subsidiary in Hong Kong has no assessable profits for both years.

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25%. Subject to certain conditions on preferential tax treatment, the applicable tax rate of the PRC subsidiaries is 15% for the year ended 31 December 2023. On 26 May 2021, Guizhou Jiutai Bangda Energy Development Co., Ltd. 貴州久泰邦達能源開發有限公司 ("**Jiutai Bangda**") obtained an approval notice from the relevant authority, which approved Jiutai Bangda as being engaged in encouraged industry in the western region. Furthermore, the income derived from its coal refinery business accounted for more than 60% of its gross income in 2023 as stipulated in the Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China ("**Announcement No. 23 2020**"). The profits are therefore subject to preferential tax treatment and the applicable tax rate for the calendar year ended 31 December 2023 was 15%.

The taxation charge for the year can be reconciled to the profit before taxation as follows:

	2023	2022
	RMB'000	*RMB'000*
Profit before taxation	**605,204**	855,548
Taxation at PRC EIT rate of 25%	**151,301**	213,887
Tax effect of expenses not deductible for tax purposes	**13,719**	10,071
Tax effect of income not taxable for tax purposes	**–**	(473)
Additional tax benefit on research and development expenses	**(14,634)**	–
Tax effect of share of results of associates	**759**	–
Under (over) provision in respect of prior years	**3,121**	(968)
Income tax at preferential tax rates	**(60,458)**	(89,537)
Withholding tax on distributed profits of a subsidiary	**20,169**	1,470
Decrease in opening deferred tax assets resulting from decrease in applicable tax rate	**–**	3,603
Deferred tax charge arising on undistributed profits of PRC subsidiaries	**(12,966)**	18,540
Recognition of deductible temporary differences previously not recognised	**–**	(45,000)
Taxation charge for the year	**101,011**	111,593

7. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Proposed final dividend of HK5.00 cents (2022: HK12.50 cents) per share	**72,496**	178,660

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HK5.00 cents (2022: HK12.50 cents) per ordinary share, in an aggregate amount of HK$80,000,000 (2022: HK$200,000,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting. The final dividend in respect of the year ended 31 December 2022 has been paid during the year.

8. EARNINGS PER SHARE

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

	2023	2022
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**504,193**	743,955
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,600,000**	1,600,000

No diluted earnings per share was presented for both years as there were no potential ordinary shares in issue for both years.

9. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**348,479**	272,625
Bills receivables	**440,524**	598,925
Total	**789,003**	871,550

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB137,042,000.

The Group allows credit period of 0–30 days to its trade customers. All bills receivables are matured within one year (2022: within one year). 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. For customers who used bank bills to settle their trade receivables upon the expiry of the initial credit period, the ageing analysis of bills receivables at the end of the reporting period was based on the date of the Group's receipt of the bills from the customers.

	2023	2022
	RMB'000	*RMB'000*
Trade receivables		
0–30 days	**260,155**	164,582
31–90 days	**66,615**	81,198
91–180 days	**21,709**	26,845
	348,479	272,625

The following is an analysis of bills receivables, net of allowance for credit losses, presented based on number of days to bills maturity from the end of each reporting period:

	2023	2022
Bills receivables		
0–30 days	**25,584**	86,600
31–60 days	**37,000**	83,651
61–90 days	**82,700**	120,509
91–120 days	**20,500**	59,828
121–180 days	**274,740**	110,100
181–365 days	**–**	138,237
	440,524	598,925
Total	**789,003**	871,550

10. TRADE PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**139,422**	109,304

As at 31 December 2023, included in trade payables are RMB2,717,000 due to Guizhou Yue Bang Integrated Energy Limited Liability Company ("**Guizhou Yue Bang**"), an entity was owned as to 48% by Guizhou Bangda Energy Development Co., Ltd ("**Guizhou Bangda**").

As at 31 December 2022, included in trade payables are RMB1,390,000, RMB190,000 and RMB1,452,000 due to Guizhou Bangda, Panzhou Hongda Integrated Energy Co., Ltd.) ("**Panzhou Hongda**") and Guizhou Yue Bang, respectively. Panzhou Hongda is an associate of Guizhou Yue Bang.

The average credit period on purchases of goods is 90 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
0–30 days	**15,350**	24,669
31–60 days	**27,473**	31,607
61–180 days	**52,282**	30,224
181–365 days	**26,516**	11,012
Over 365 days	**17,801**	11,792
	139,422	109,304

11. BANK AND OTHER BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Bank and other borrowings	**672,070**	351,000
Other bank borrowings from factoring of bills receivables with full recourse	**241,784**	434,972
Total secured	**913,854**	785,972

	2023	2022
	RMB'000	*RMB'000*
The carrying amounts of the above borrowings are repayable*:		
Within one year	**683,854**	695,972
Within a period more than one year but not exceeding two years	**20,000**	90,000
Within a period more than two years but not exceeding five years	**210,000**	–
	913,854	785,972
Less: amounts due within one year shown under current liabilities	**(683,854)**	(695,972)
Amount shown under non-current liabilities	**230,000**	90,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Secured bank borrowings carry fixed interest rate of 5.5% per annum for both years. Secured other bank borrowings from factoring of bills receivables with full recourse refers to discounting of bank acceptance bills received from the customers of the Group with fixed interest rate while the significant risks and rewards from the bills receivables are substantially retained by the Group. The effective interest rate of the secured other bank borrowings from factoring of bills receivables with full recourse is approximately 1%–2% (2022: 1% to 2% per annum) during the year ended 31 December 2023.

During the year ended 31 December 2023, the Group settled other payable of RMB74,000,000 through bank loans under supplier finance arrangements.

12. SHARE CAPITAL

Details of the Company's shares are disclosed as follows:

	Number of shares	**Amount**	**Equivalent amount**
		HK$'000	*RMB'000*
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2022, 31 December 2022 and 2023	10,000,000,000	100,000	87,208
Issued and fully paid:			
At 1 January 2022, 31 December 2022 and 2023	1,600,000,000	16,000	14,136

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

With the government lifting all COVID-19 restrictions, China officially entered the post-pandemic era in 2023. However, the trajectory of China's economic development did not soar immediately upon the reopening; instead, it experienced a series of ups and downs, and concluded with a 5.2% year-on-year ("**YoY**") GDP growth, just attaining the objective set at the outset of the year. On the one hand, export and real estate, two former growth engines, have shown lacklustre performance, both experiencing declines in growth rate. On the other hand, the added value of China's industrial enterprises above the designated size (enterprises with revenue from the principal business over RMB20 million) increased by 4.6% compared to the year before, providing strong support for the overall economy. According to statistics, the country's crude steel production reached 1,019.08 million tonnes, slightly increased when compared to the previous year, showing a solid demand in the coking coal market.

From a provincial perspective, Guizhou's economic development has also exhibited steady growth and has been gradually recovering following the conclusion of the pandemic with a 4.9% YoY growth rate recorded for 2023. As a southwestern province with ample potential, Guizhou accelerated its infrastructure construction and investment attraction in 2023, with a high-speed rail network reaching a total amount of 1,808 kilometres and industrial investment growing by 15.5%.

As the region's industry continued to grow and the need for infrastructure and steel persisted, the demand for coking coal remained strong for the year. Despite a downturn in coal prices compared to the previous year's peak level, the coal industry still provides market opportunities for production and development.

BUSINESS REVIEW

The Group mainly owns and operates three underground coal mines in Panzhou City, Guizhou Province, including 盤縣紅果鎮紅果煤礦 (Pan County Hongguo Town Hongguo Coal Mine*) ("**Hongguo Coal Mine**"), 盤縣紅果鎮苞谷山煤礦 (Pan County Hongguo Town Baogushan Coal Mine*) ("**Baogushan Coal Mine**") and 盤縣羊場鄉謝家河溝煤礦 (Pan County Yangchang Village Xiejiahegou Coal Mine*) ("**Xiejiahegou Coal Mine**").

Resource and Reserve

The following table indicates the resource and reserve data of the three mines:

	Hongguo Coal Mine	Baogushan Coal Mine	Xiejiahegou Coal Mine
Resource data under the JORC Code# Summary (as at 31 December 2023)[1]			
Measured resources (kt)	15,860	8,950	–
Indicated resources (kt)	7,780	24,700	15,047
Inferred resources (kt)	13,225	7,000	10,360
Reserve data under the JORC Code# Summary (as at 31 December 2023)[1]			
Proved reserves (kt)	12,052	6,803	–
Probable reserve (kt)	5,910	18,790	9,167
Marketable reserves[2]			
– Clean coal (kt)[3]	9,459	13,425	5,266
– Middling coal (kt)	3,342	4,780	1,016
– Sludge coal (kt)	994	1,506	1,231

Notes:

1. The resource and reserve data of the Hongguo Coal Mine and Baogushan Coal Mine are based on the resource and reserve review report provided by Mr. Edmundo Laporte of Valtech Corporate Services Limited as of 31 December 2023 while the resource and reserve data of the Xiejiahegou Coal Mine are based on the resource and reserve review report provided by Mr. Leung Karfai of BAW Mineral Partners Limited as of 31 December 2022. The resource and reserve data as of 31 December 2023 of the Xiejiahegou Coal Mine have been adjusted by the indicated resource data and the probable reserve data as at 31 December 2022, after deducting the respective data extracted from the mining activities between 1 January 2023 and 31 December 2023.

2. The marketable reserves of each of the three final products (clean coal, middling coal, and sludge coal) of the Hongguo Coal Mine, Baogushan Coal Mine and Xiejiahegou Coal Mine were estimated by deducting the respective data extracted from the mining activities between 1 January 2023 and 31 December 2023.

3. The clean coal produced from the Hongguo Coal Mine and Baogushan Coal Mine is mostly 1/3 coking coal whereas the clean coal produced from the Xiejiahegou Coal Mine is mostly coking coal.

JORC Code: The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Production

As at 31 December 2023, each of the Hongguo Coal Mine and Baogushan Coal Mine had a permitted annual capacity of 600,000 tonnes, whereas the Xiejiahegou Coal Mine had a permitted annual capacity of 450,000 tonnes, totalling 1.65 million tonnes for the overall permitted annual capacity of the Group's mines. The following sets forth the actual production and utilisation rate for the Group's coal mines for the year ended 31 December 2023 and 2022:

	2023			2022	
	Annual Capacity *(Tonnes)*	**Actual Production** ***(Tonnes)***	**Utilisation Rate** ***(Percentage)***	Actual Production *(Tonnes)*	Utilisation Rate *(Percentage)*
Hongguo Coal Mine	600,000	**553,515**	**92.3%**	509,100	84.8%
Baogushan Coal Mine	600,000	**564,800**	**94.1%**	463,911	77.3%
Xiejiahegou Coal Mine	450,000	**423,229**	**94.1%**	409,508	91.0%
	1,650,000	**1,541,544**	**93.4%**	1,382,519	83.8%

For the year under review, the Group's total raw coal production was 1,541,544 tonnes, of which 553,515 tonnes, 564,800 tonnes and 423,229 tonnes of raw coal were produced by Hongguo Coal Mine, Baogushan Coal Mine and Xiejiahegou Coal Mine, respectively, representing an increase of approximately 8.7%, 21.7% and 3.4% YoY, respectively. The utilisation rates of Hongguo Coal Mine, Baogushan Coal Mine and Xiejiahegou Coal Mine were approximately 92.3%, 94.1% and 94.1%, respectively, representing an increase of approximately 7.5 percentage points ("**ppt**"), 16.8 ppt and 3.1 ppt YoY, respectively. The increase in utilization rates of Hongguo Coal Mine and Baogushan Coal Mine can be attributed to the improvement of the geological structures in the mining faces of the two coal mines.

Coal Processing

The Group operates its own coal preparation plants, namely 松山洗煤廠 (Songshan Coal Preparation Plant*) ("**Songshan CPP**") and 謝家河溝洗煤廠 (Xiejiahegou Coal Preparation Plant*) ("**Xiejiahegou CPP**"), for processing the raw coal extracted from its coal mines. As at 31 December 2023, the capacity of Songshan CPP was 2.4 million tonnes per annum, while the capacity of Xiejiahegou CPP was 1.8 million tonnes per annum.

During the year under review, a total of 1,534,569 tonnes of raw coal was processed, of which 1,118,705 tonnes and 415,864 tonnes were processed by Songshan CPP and Xiejiahegou CPP, respectively.

Sales Volume and Average Selling Price

The following sets forth the sales volumes and average selling prices of the Group's coal products for the year ended 31 December 2023 and 2022, respectively:

		2023		2022	
	Unit	**Sales Volume**	**Average Selling Price** *(RMB/unit)*	Sales Volume	Average Selling Price *(RMB/unit)*
Clean coal	Tonne	**842,020**	**1,924.41**	719,079	2,347.09
Middling coal	Tonne	**202,553**	**320.53**	223,963	317.98
Sludge coal	Tonne	**171,520**	**132.59**	109,039	153.26
Raw coal	Tonne	**8,866**	**278.37**	14,796	239.32
Coalbed methane gas	Cubic meter	**28,202,782**	**0.18**	26,597,991	0.18

The coal market gradually levelled off during the year under review. As a result of a sufficient supply of coal in the post-pandemic era, the coal price in the market experienced a drop. Such trend was reflected in the average selling price of the Group's products. The Group's average selling price of clean coal decreased by approximately 18.0% YoY to approximately RMB1,924.41/tonne (2022: approximately RMB2,347.09/tonne). The average selling price of sludge coal dropped by approximately 13.5% YoY to approximately RMB132.59/tonne (2022: approximately RMB153.26/tonne). The middling coal and raw coal were exceptions with their average selling prices rising approximately 0.8% YoY to approximately RMB320.53/tonne (2022: approximately RMB317.98/tonne) and approximately 16.3% YoY to approximately RMB278.37/tonne (2022: approximately RMB239.32/tonne), respectively.

The Group's raw coal is washed and cleaned into clean coal at Songshan Coal Preparation Plant and Xiejiahegou Coal Preparation Plant before the coal products are sold to the customers. During the year under review, the sales volume of clean coal, the Group's primary product, amounted to 842,020 tonnes, representing a significant rise of approximately 17.1% YoY from approximately 719,079 tonnes in 2022. The sales volume of middling coal dropped by approximately 9.6% YoY to 202,553 tonnes (2022: approximately 223,963 tonnes). The sales volume of sludge coal increased by approximately 57.3% YoY to approximately 171,520 tonnes (2022: approximately 109,039 tonnes). The sales volume of raw coal decreased by approximately 40.1% to approximately 8,866 tonnes (2022: approximately 14,796 tonnes). In total, the sales volume of coal products amounted to approximately 1,224,959 tonnes (2022: approximately 1,066,877 tonnes), showing a sharp rise of approximately 14.8%.

FINANCIAL REVIEW

Revenue

During the year under review, the Group recorded a total revenue of approximately RMB1,715.6 million (2022: approximately RMB1,784.0 million) from the production and sales of clean coal, middling coal, sludge coal, and coalbed methane gas, representing a decrease of approximately 3.8% YoY. The revenues for the year ended 31 December 2023 and 2022 were summarised as follows:

	2023		2022	
	Revenue *RMB'000*	***Percentage to total revenue***	Revenue *RMB'000*	*Percentage to total revenue*
Sales of coal products				
– Clean coal	**1,620,390**	**94.5%**	1,687,745	94.6%
– Middling coal	**64,925**	**3.8%**	71,216	4.0%
– Sludge coal	**22,741**	**1.3%**	16,711	0.9%
– Raw coal	**2,468**	**0.1%**	3,541	0.2%
Sales of methane gas	**5,099**	**0.3%**	4,820	0.3%
Total	**1,715,623**	**100.0%**	1,784,033	100.0%

Consistent with the Group's strategy, clean coal remains the principal product of the Group and the Group has been adhering to the strategy of stabilizing the proportion of clean coal products. For the year ended 31 December 2023, the proportion of revenue generated from the sales of clean coal amounted to approximately 94.5% (2022: approximately 94.6%).

During the year under review, following the overall price drop in the market, the Group's sales revenue of clean coal decreased by approximately 4.0% to approximately RMB1,620.4 million (2022: approximately RMB1,687.7 million). The Group's sales revenue of middling coal decreased by approximately 8.8% to approximately RMB64.9 million (2022: approximately RMB71.2 million); sales revenue of sludge coal increased by approximately 36.1% to approximately RMB22.7 million (2022: approximately RMB16.7 million); sales revenue of raw coal decreased by 30.3% to approximately RMB2.5 million (2022: approximately RMB3.5 million); sales revenue of coalbed methane gas increased by approximately 5.8% to approximately RMB5.1 million (2022: approximately RMB4.8 million). The decrease in total revenue during the year under review was mainly attributable to the fallback in the average market price of coal products.

Gross Profit and Gross Profit Margin

The Group recorded a decrease in its gross profit from approximately RMB1,117.6 million for the year ended 31 December 2022 to approximately RMB944.3 million for the year ended 31 December 2023, representing a decrease of approximately 15.5% YoY. The gross profit margin for the year ended 31 December 2023 was approximately 55.0% (2022: approximately 62.6%), representing a decrease of approximately 7.6 ppt YoY. The decreases in gross profit and gross profit margin were mainly due to the decline in revenue as a result of the decreased average coal price in the market.

Other Income

The Group's other income decreased by approximately 32.5% YoY to approximately RMB35.7 million during the year under review from approximately RMB52.8 million for 2022. Such decline was primarily attributed to a decrease in sales of electricity during the year under review.

Other Gains and Losses

The Group recorded other losses of approximately RMB17.4 million for the year under review, increasing from a loss of approximately RMB4.9 million for the year 2022, which was primarily attributable to the translation difference arising from the conversion of Hong Kong dollars to RMB and loss on disposal of property, plant and equipment incurred during the year under review.

Distribution and Selling Expenses

The Group's distribution and selling expenses increased by approximately 34.4% YoY to approximately RMB97.4 million during the year under review from approximately RMB72.5 million for the year ended 31 December 2022. The increase was primarily due to higher transportation costs for certain customers, to whom a large volume of the Group's coal products was sold, with the Group bearing the transportation costs.

Administrative Expenses

Administrative expenses increased by approximately 20.9% YoY to approximately RMB134.0 million during the year under review from approximately RMB110.9 million for the year ended 31 December 2022. The increase was mainly brought about by an increase in staff related costs, professional fee and depreciation charge during the year under review.

Other Expenses

The Group's other expenses increased to approximately RMB86.8 million during the year under review from approximately RMB77.2 million for the year ended 31 December 2022. The increase was mainly brought about by an increase in research and development expenses in relation to the mining technology and coal seam studies which were incurred during the year under review.

Finance Costs

The Group's finance costs primarily comprised the interest expenses charged by banks and other borrowings and interest expenses on secured bank borrowings from factoring of bills receivables with full recourse from the Group's customers. Finance costs increased by approximately 24.6% to approximately RMB36.0 million during the year under review from approximately RMB28.9 million for the year ended 31 December 2022. The increase was mainly due to the interest expenses arising from the increase in average bank and other borrowings during the year under review.

Taxation Charge

The Group's income tax expense for the year under review was approximately RMB101.0 million, compared to approximately RMB111.6 million for the year ended 31 December 2022. The decrease of 9.5% only was mainly due to a decrease in profits before income tax, with the mitigating effect of an increase in withholding tax connected with the distribution of retained earnings from a subsidiary in the PRC to its immediate holding company in Hong Kong.

Profit for the Year

As a result of the foregoing, the Group recorded a net profit of approximately RMB504.2 million during the year under review (2022: approximately RMB744.0 million), representing a decrease of approximately 32.2% YoY. It was mainly caused by a decline in the gross profit margin, which was in turn primarily driven by a decrease in the price of clean coal during the year under review.

PROSPECTS

In 2024, under the influence of the sluggish global economic environment and the gradually emerging domestic structural issues, China's economic growth rate is not expected to be significantly higher than that of other countries. However, it remains a major driving force for the world economy. At the Central Economic Work Conference held in Beijing, Chinese policy makers highlighted their increasing macroeconomic regulation efforts and assurance of stable economic operation as the key macroeconomic policy priorities for the coming year. According to a report from BOC Research Institute (中國銀行研究院), China's GDP growth rate for the coming year is likely to maintain at a level of 5% and consumer spending is expected to further recover, while investment in infrastructure and manufacturing is anticipated to grow at a faster pace.

Regarding the regional development blueprint for Guizhou province, while conventional constructions such as high-speed roads and bridges will continue to expand and generate a significant demand for steel, new infrastructure projects related to the digital economy are also expected to create more opportunities. According to the National Development and Reform Commission, Guizhou is one of the western provinces designated to host computing hubs for the National Computing Network, aiming to promote collaboration between the eastern and western regions. As part of this strategy, the construction of 5G base stations and data centres is planned. These plans and data may bring a growing demand for coking coal in the steelmaking industry, which presents business opportunities for coal mining enterprises in the region. Additionally, the development of roads and 5G stations will enhance logistics and facilitate digital transformation, benefiting business operations.

The future is filled with numerous opportunities and challenges, and the coal mining industry is at a crucial turning point that demands a shift towards smarter and more environmentally-friendly practices. In line with this, the Group will adapt its business strategies to market conditions and policy directions, ensuring that informed decisions are made, and competitiveness is maintained. The commitment to customer satisfaction and prioritizing safety in production will remain unwavering, enabling the Group to achieve satisfactory performance and contribute to a better future.

LIQUIDITY AND FINANCIAL INFORMATION

Bank Balances and Cash

As at 31 December 2023, bank balances and cash amounted to approximately RMB93.7 million (2022: approximately RMB202.1 million).

Bank and Other Borrowings

As at 31 December 2023, secured bank borrowings from factoring of bills receivables with full recourse amounted to approximately RMB241.8 million (31 December 2022: approximately RMB435.0 million). The effective interest rate on the discounted bills was approximately 1% to 2% per annum during the year ended 31 December 2023 (2022: approximately 1% to 2%).

As at 31 December 2023, secured bank borrowings amounted to approximately RMB672.1 million (31 December 2022: approximately RMB351.0 million). The effective interest rate on bank borrowings was 5.5% per annum during the year under review (2022: 5.5%).

Gearing Ratio

As at 31 December 2023, the Group's gearing ratio was approximately 0.33 (2022: approximately 0.32). Gearing ratio is calculated based on the total bank and other borrowings divided by the total equity as at the end of the year. The increased gearing ratio was mainly due to an increase in the bank and other borrowings.

Foreign Currency Risk

The Group is subject to limited foreign currency exposure as its business activities mainly take place in China and all sales and most of its costs are denominated in the functional currency (RMB) of respective group entities. The Group's exposure to foreign currency risk is primarily Hong Kong dollars as certain bank balances, deposits and accrued charges are denominated in Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit Risk

The Group's credit risk is primarily attributable to trade and bills receivables, deposits and other receivables, investment in a debt instrument, restricted bank deposits and bank balances as at 31 December 2023 and 2022. Such risk may cause financial loss to the Group in the case of a failure to discharge obligations by the counterparties.

As at 31 December 2023 and 31 December 2022, the top three trade debtors accounted for approximately 67% and 61% of the Group's total trade receivables, respectively. In view of this, the management regularly visits the customers relating to such trade receivables to understand their business operations and cash flow positions and follows up with the subsequent settlement from the counterparties. The management delegates a team of staff to monitor procedures to ensure that follow-up actions are taken to recover overdue debts. In this regard, the management considers that such credit concentration risk has been significantly mitigated. Taking into account the financial conditions of the customers, their historical settlement patterns with no previous default and the forward-looking information (such as the future coal prices and GDP growth of China), the management considers that based on internal credit rating assessment, the trade and bills receivables have low risk of default from the counterparties.

In respect of other receivables, investment in a debt instrument, restricted bank deposits, and bank balances, the management considers that no material inherent credit risk exists based on the assessment of historical and subsequent settlement records.

Liquidity Risk

As at 31 December 2023, the Group recorded net current liabilities of approximately RMB179.7 million. In preparing the consolidated financial statements, the Directors have considered the future liquidity of the Group. The Directors are of the view that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future after taking into consideration of the cash flow forecasts, which assume the continuity of normal business activities and indicate that the Group will have sufficient liquidity to meet its operational needs, existing contractual debts and capital expenditure requirements for the 12 month period from 31 December 2023.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities and bank and other borrowings and is also exposed to cash flow interest rate risk in relation to restricted bank deposits and bank balances. The Group currently has no interest rate hedging policy. However, the management closely monitors the Group's exposure to future cash flow interest rate risk arising from changes in market interest rates and will consider hedging against market interest rate risk should the need arise.

Capital Commitments and Expected Source of Funding

As at 31 December 2023, the Group had capital commitments in respect of the acquisition of China Power Construction Panzhou Low Calorific Value Coal Power Generation Co., Ltd. ("**Panzhou Power Generation Co**"), contracted for but not yet incurred for the amount of approximately RMB416.5 million (31 December 2022: capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not yet incurred for the amount of approximately RMB3.5 million). The Group intends to finance its capital commitments by utilizing a combination of internal resources and external financing.

Contingent Liabilities

As at 31 December 2023, the Group had no material contingent liabilities (31 December 2022: contingent consideration payables in respect of the acquisition of Xiejiahegou Coal Mine amount of approximately RMB395.2 million).

HUMAN RESOURCES

As at 31 December 2023, the Group had a total of 3,745 employees (31 December 2022: 3,619). During the year under review, staff costs (including Directors' remuneration) totalled approximately RMB474.2 million (2022: approximately RMB414.8 million). All members of the Group are equal opportunity employers, with the selection, promotion and remuneration of individual employees based on their suitability for the positions offered. The Group provides defined contribution to the Mandatory Provident Fund as retirement benefits for its employees in Hong Kong and provides its employees in China with various benefit schemes as required by the applicable laws and regulations in China. All the Group's employees are required to undergo induction training before they commence work. In addition, depending on the work nature, the Group's employees are also required to attend training pursuant to applicable laws and regulations.

MATERIAL ACQUISITIONS, DISPOSALS AND INVESTMENT PROJECTS

On 31 October 2023, Guizhou Jiutai Bangda Energy Development Co., Ltd.* ("**Jiutai Bangda**"), a wholly-owned subsidiary of the Company, acquired 49% equity of Panzhou Power Generation Co. The consideration for the acquisition was approximately RMB4.9 million, and additional registered capital of RMB509.6 million was committed by Jiutai Bangda in four instalments to Panzhou Power Generation Co. Upon completion of the acquisition, Panzhou Power Generation Co has become an associate company of the Company and its results and net assets shall be accounted for using the equity method in the consolidated financial statements of the Company with effect from the completion date.

For more information, please refer to the announcements of the Company dated 25 August 2023, 15 September 2023, 18 September 2023, 19 September 2023 and 31 October 2023 and the circular of the Company dated 25 October 2023.

Save as disclosed above, the Company did not have any material acquisitions or disposals and significant investments during the year under review.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK5.00 cents per share for the year ended 31 December 2023 (2022: HK12.50 cents).

ASSET CHARGES

As at 31 December 2023, bank and other borrowings from factoring of bills receivables with full recourse amounted to approximately RMB241.8 million (31 December 2022: approximately RMB436.0 million) and bank and other borrowings amounting to approximately RMB672.1 million (31 December 2022: approximately RMB351.0 million) were secured by the pledge of the Group's bills receivables, the mining right of the Hongguo Coal Mine and Baogushan Coal Mine, respectively.

EVENT AFTER THE REPORTING DATE

On 6 February 2024, the Baogushan Coal Mine successfully obtained the safety production permits for the Revised Expansion Plan from the Energy Bureau of Guizhou Province (貴州省能源局) after the joint trial operation. With the completion of the installation of all necessary mining operation machinery and equipment, the annual production capacity of the Baogushan Coal Mine has been increased from 600,000 tonnes to 1,200,000 tonnes. For more information, please refer to the announcements of the Company dated 10 December 2020, 24 May 2021 and 8 February 2024 respectively.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this annual results announcement.

CORPORATE GOVERNANCE CODE

The Company recognises the importance of corporate transparency and accountability. It is the belief of the Board that the shareholders of the Company can maximise their benefits from good corporate governance. In the opinion of the Directors, the Company complied with all code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules during the year ended 31 December 2023, except the deviations disclosed herein.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 1 January 2023 to 31 March 2023, the roles of the Chairman and the Chief Executive Officer of the Company ("**CEO**") were held by Mr. Yu Bangping. Following the appointment of Mr. Yu Zhilong, an executive Director, as the CEO in place of Mr. Yu Bangping on 1 April 2023, the roles of the Chairman and CEO are performed by Mr. Yu Bangping and Mr. Yu Zhilong, respectively. Mr. Yu Bangping is responsible for the overall management and strategic planning and business development of the Group and Mr. Yu Zhilong is accountable to the Board for the implementation of the Company's strategies and the coordination of various business operations. As such, the Company is in full compliance with code provision C.2.1 of the CG Code. The Company has clearly established the division of responsibilities between the Chairman and the CEO, so that the balance of power and authorization between the Board and the management of the Company can be maintained.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that the Directors complied with the required standard set out in the Model Code during the year ended 31 December 2023.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company has an audit committee (the "**Audit Committee**") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting system, risk management and internal control. The Audit Committee comprises three independent non-executive Directors, namely Mr. Fong Wai Ho, Mr. Punnya Niraan De Silva and Ms. Cheung Suet Ting, Samantha. The Audit Committee had reviewed, with the management and the external auditor of the Company, the audited consolidated financial statements of the Group for the year ended 31 December 2023, the accounting principles and policies adopted by the Group. The Audit Committee has also reviewed the effectiveness of the financial control, internal control and risk management systems of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 21 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2024 annual general meeting of the Company (the "**2024 AGM**") to be held on Wednesday, 5 June 2024, and entitlement to the final dividend, the register of members of the Company will be closed on the dates as set out below:

(i) For determining shareholders' eligibility to attend and vote at the 2024 AGM:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Thursday, 30 May 2024
Closure of register of members of the Company	Friday, 31 May 2024 to Wednesday, 5 June 2024 (both dates inclusive)

(ii) For determining shareholders' entitlement to final dividend:

Ex-dividend date	Wednesday, 12 June 2024
Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Thursday, 13 June 2024
Closure of register of members of the Company	Friday, 14 June 2024 to Tuesday, 18 June 2024 (both dates inclusive)
Record date	Tuesday, 18 June 2024
Expected payment date	Friday, 5 July 2024

During the above closure periods of the register of members of the Company, no transfer of Shares will be registered. To be eligible to attend and vote at the 2024 AGM and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than the aforementioned latest time.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.perennialenergy.hk). The annual report of the Company for the year ended 31 December 2023 will be dispatched to the shareholders of the Company and made available on the abovementioned websites in due course.

By order of the Board
Perennial Energy Holdings Limited
YU Bangping
Chairman and Executive Director

Hong Kong, 21 March 2024

As at the date of this announcement, the executive Directors are Mr. Yu Bangping, Mr. Yu Zhilong, Mr. Li Xuezhong, Mr. Lau Kai Ming and Mr. Yu Xiao; and the independent non-executive Directors are Mr. Fong Wai Ho, Mr. Punnya Niraan De Silva, Ms. Cheung Suet Ting, Samantha and Mr. Wang Xiufeng.

* *For identification purpose only*