滙力集團
HUILI GROUP

Huili Resources (Group) Limited
滙力資源(集團)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1303)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "Board") of directors (the "Director(s)") of Huili Resources (Group) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2023, together with comparative figures for the previous financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	3	**2,850,951**	2,015,009
Cost of sales		**(2,639,540)**	(1,803,179)
Gross profit		**211,411**	211,830
Administrative expenses		**(41,393)**	(22,873)
Other operating (losses)/gains		**(2,404)**	4,748
Other gains – net	4	**32,795**	18,930
Fair value changes of financial assets at fair value through profit or loss ("FVTPL")		**(1,514)**	(1,573)
Gain on bargain purchases on acquisition of a subsidiary		**–**	3,081

	Note	**2023**	2022
		RMB'000	*RMB'000*
Operating profit		**198,895**	214,143
Finance income	5	**6,288**	1,901
Finance costs	5	**(925)**	(403)
Finance income – net	5	**5,363**	1,498
Profit before income tax	7	**204,258**	215,641
Income tax expense	6	**(31,034)**	(34,963)
Profit for the year		**173,224**	180,678
Profit/(loss) for the year attributable to:			
Equity holders of the Company		**167,609**	180,844
Non-controlling interests		**5,615**	(166)
Profit for the year		**173,224**	180,678
Other comprehensive loss after tax:			
Items that may be subsequently reclassified to profit or loss:			
Fair value changes of financial assets (debts instruments) at fair value through other comprehensive income ("FVTOCI")		**(2,847)**	(1,910)
Other comprehensive loss for the year, net of tax		**(2,847)**	(1,910)
Total comprehensive income for the year		**170,377**	178,768
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**164,762**	178,934
Non-controlling interests		**5,615**	(166)
Total comprehensive income for the year		**170,377**	178,768
Earnings per share attributable to the equity holders of the Company			
– Basic and diluted *(RMB cents)*	9	**10.1**	11.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	**2023** **RMB'000**	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**177,647**	138,995
Mining rights		**83,754**	94,538
Right-of-use assets		**15,831**	10,339
Financial assets at FVTOCI		**–**	11,305
Goodwill		**16,494**	–
Deferred tax assets		**5,806**	7,942
Total non-current assets		**299,532**	263,119
Current assets			
Inventories		**457,350**	5,129
Trade and bills receivables	10	**238,525**	183,893
Other receivables and prepayments	11	**64,941**	31,947
Financial assets at FVTOCI		**8,868**	–
Financial assets at FVTPL		**–**	15,000
Pledged bank deposits		**33,977**	–
Cash and cash equivalents		**474,597**	369,309
Total current assets		**1,278,258**	605,278
Total assets		**1,577,790**	868,397
LIABILITIES			
Current liabilities			
Trade payables	12	**637,851**	167,354
Other payables and accruals		**59,027**	57,187
Contract liabilities		**30,842**	12,530
Lease liabilities		**2,797**	589
Current tax liabilities		**11,646**	22,151
Total current liabilities		**742,163**	259,811
Net current assets		**536,095**	345,467

	2023	2022
	RMB'000	*RMB'000*
Non-current liabilities		
Lease liabilities	**9,575**	2,361
Provision for close down, restoration and environmental costs	**2,017**	3,106
Deferred tax liabilities	**31,959**	31,372
Total non-current liabilities	**43,551**	36,839
Total liabilities	**785,714**	296,650
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**152,933**	137,361
Share premium	**703,804**	668,768
Other reserves	**21,056**	1,277
Accumulated losses	**(89,750)**	(234,886)
	788,043	572,520
Non-controlling interests	**4,033**	(773)
Total equity	**792,076**	571,747
Total equity and liabilities	**1,577,790**	868,397

1. GENERAL INFORMATION

Huili Resources (Group) Limited (the "Company") was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the main board of the Stock Exchange of Hong Kong Limited (the "Listing") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company's shares were listed on the main board of the Stock Exchange of Hong Kong Limited on 12 January 2012. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. With effect from 14 March 2023, the registered office and the principal place of business of the Company is changed to Unit No. 4, 23/F, Overseas Trust Bank Building. No. 160 Gloucester Road, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in the mining, ore processing and sales of nickel, copper, lead and zinc products, trading of coal, provision of coal processing services and service supply chain in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board on 28 March 2024.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) New and amended standards adopted by the Group

The Group has adopted the following new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time for the consolidated financial statements.

HKFRS 17	Insurance contracts
HKAS 1 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

The Group concluded that the application of the new and revised HKFRSs and the amendments to HKFRSs in the current year has had no material impact on the amounts reported and/or disclosures set out in the consolidated financial statements.

(b) New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2023 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HK-Int 5 (Amendments)	Amendments to HKAS 1	1 January 2024
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKFRS 7 and HKAS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment on the impact of these new standards and amendments to standards and preliminary results showed that their application are not expected to have material impact on the financial performance and the financial position of the Group.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Group's chief operating decision-maker ("CODM") that are used to make strategic decisions. The CODM has been identified as the Board.

During the year, the CODM considered that it is the best interest of the Company to concentrate the resources in its mining and coal business, and decided to suspend the activities of the financial services segment. As such, the financial performance of the financial services segment was no longer presented separately and therefore grouped in "Unallocated".

The CODM reviews the operating performance from a business perspective (i.e. mining and coal business). The reportable and operating segments derive their revenue primarily from sales of mining products, trading of coal and provision of coal processing services and coal service supply chain respectively.

During the year ended 31 December 2023, the Group had two operating and reportable segments:

(a) the "Mining" segment engages in the mining, ore processing and sales of nickel, copper, lead and zinc products through Hami Jiatai Mineral Resource Exploiture Limited* ("Hami Jiatai"), and Hami Jinhua Mineral Resource Exploiture Limited* ("Hami Jinhua") in the PRC; and

(b) the "Coal business" segment engages in (i) the trading of coal through Changzhi Runce Trading Company Limited* ("Changzhi Runce"), Hainan Runce Energy Co., Ltd.* ("Hainan Runce") and Gujiao Runce Trading Company Limited* ("Gujiao Runce"); (ii) the provision of coal processing services through Shanxi Fanpo Clean Energy Technology Company Limited* ("Shanxi Fanpo"); and (iii) coal service supply chain through Runce Supply Chain Management (Shenzhen) Co., Ltd* ("Shenzhen Runce") and Shanxi Margaux Supply Chain Management Co., Ltd* ("Shanxi Margaux") in the PRC.

During the year ended 31 December 2023, the Group had three operating and reportable segments:

(a) the "Mining" segment engages in the mining, ore processing and sales of nickel, copper, lead and zinc products through Hami Jiatai and Hami Jinhua in the PRC;

(b) the "Coal business" segment engages in (i) the trading of coal through Changzhi Runce, Hainan Runce, Gujiao Runce and Ningbo Runce Trading Company Limited* ("Ningbo Runce"); (ii) the provision of coal processing services through Shanxi Fanpo; and (iii) the provision of coal service supply chain Shenzhen Runce in the PRC; and

(c) the "Financial services" segment engages in financial services through Runxi Energy Technology (Shanghai) Company Limited ("Runxi Energy") in the PRC.

Apart from the above three operating and reportable segments, other activities of the Group were mainly investment holdings which are not considered as an operating segment and therefore grouped as "Unallocated" for the purpose of the disclosures in the consolidated financial statements.

The CODM assesses the performance of the operating segments based on operating results. Interest income and expenditure at the level of the Group are not allocated to any segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. This measurement basis excludes the operating results of other insignificant activities of the Group.

* The English names referred to herein represents the managements best effort at translating the Chinese names of the companies as no English names have been registered.

(a) The segment information provided to the CODM for the reportable segments for each of the years ended and as at 31 December 2023 and 2022 is as follows:

	2023				2022				
	Mining	**Coal business**	**Unallocated**	**Total**	Mining	Coal business	Financial services	Unallocated	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December									
Segment Revenue									
– Sales of mining products	**–**	**–**	**–**	**–**	–	–	–	–	–
– Trading of coal	**–**	**2,763,320**	**–**	**2,763,320**	–	1,822,603	–	–	1,822,603
– Provision of coal processing services	**–**	**25,022**	**–**	**25,022**	–	65,260	–	–	65,260
– Coal service supply chain	**–**	**62,609**	**–**	**62,609**	–	121,383	–	–	121,383
– Interest income from financial services	**–**	**–**	**–**	**–**	–	–	5,763	–	5,763
	–	**2,850,951**	**–**	**2,850,951**	–	2,009,246	5,763	–	2,015,009
Segment operating (loss)/profit	**(1,388)**	**211,897**	**–**	**210,509**	(3,238)	210,718	7,804	–	215,284
Unallocated operating loss *(Note (a))*	**–**	**–**	**(11,614)**	**(11,614)**	–	–	–	(1,141)	(1,141)
Operating (loss)/profit	**(1,388)**	**211,897**	**(11,614)**	**198,895**	(3,238)	210,718	7,804	(1,141)	214,143
Segment finance income	**50**	**2,073**	**–**	**2,123**	1	1,006	25	–	1,032
Unallocated	**–**	**–**	**4,165**	**4,165**	–	–	–	869	869
Finance income	**50**	**2,073**	**4,165**	**6,288**	1	1,006	25	869	1,901

	2023				2022				
	Mining	Coal business	Unallocated	Total	Mining	Coal business	Financial services	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment finance costs	**(101)**	**(781)**	**–**	**(882)**	(112)	(246)	–	–	(358)
Unallocated	**–**	**–**	**(43)**	**(43)**	–	–	–	(45)	(45)
Finance costs	**(101)**	**(781)**	**(43)**	**(925)**	(112)	(246)	–	(45)	(403)
Income tax (credit)/expense	**(53)**	**31,087**	**–**	**31,034**	(54)	33,795	1,222	–	34,963
Segment depreciation	**1,734**	**11,215**	**–**	**12,949**	2,676	5,905	–	–	8,581
Unallocated	**–**	**–**	**1,248**	**1,248**	–	–	–	1,609	1,609
Depreciation	**1,734**	**11,215**	**1,248**	**14,197**	2,676	5,905	–	1,609	10,190
Depreciation of property, plant and equipment	**1,494**	**8,787**	**343**	**10,624**	2,433	5,777	–	226	8,436
Depreciation of right-of-use assets	**240**	**2,428**	**905**	**3,573**	243	128	–	1,383	1,754
(Reversal of expected credit losses ("ECLs"))/ECLs on financial assets	**(6)**	**1,034**	**1,376**	**2,404**	(141)	(1,484)	(2,812)	(311)	(4,748)
Additions of non-current assets	**–**	**77,613**	**1,090**	**78,703**	–	91,865	–	–	91,865
As at 31 December									
Segment assets	**145,932**	**1,152,595**	**–**	**1,298,527**	164,341	472,187	87,224	–	723,752
Unallocated assets *(Note (b))*	**–**	**–**	**279,263**	**279,263**	–	–	–	144,645	144,645
Total	**145,932**	**1,152,595**	**279,263**	**1,577,790**	164,341	472,187	87,224	144,645	868,397
Segment liabilities	**28,123**	**751,412**	**–**	**779,535**	41,989	251,222	1,516	–	294,727
Unallocated liabilities *(Note (c))*	**–**	**–**	**6,179**	**6,179**	–	–	–	1,923	1,923
Total	**28,123**	**751,412**	**6,179**	**785,714**	41,989	251,222	1,516	1,923	296,650

Notes:

(a) Unallocated operating loss for both the years ended 31 December 2023 and 2022 mainly represented fair value changes of financial assets at FVTPL, and administrative and professional services expenses netted with unrealised foreign exchange gain incurred by the Company.

(b) Unallocated assets as at 31 December 2023 mainly represented the right-of-use assets, financial assets at FVTOCI, other receivables and the bank deposits held by the Company and the bank deposits held by Surplus Plan Limited, Huili Runce (Beijing) Technical Services Limited* and Jiayi Financial Leasing Company Limited*, while the unallocated assets as at 31 December 2022 mainly represented the right-of-use assets, financial assets at FVTOCI, financial assets at FVTPL, other receivables and the bank deposits held by the Company.

(c) Unallocated liabilities as at 31 December 2023 mainly represented other payables, accruals and lease liabilities of the Company and contract liabilities and lease liabilities of the Surplus Plan Limited, while the unallocated liabilities as at 31 December 2022 represented other payables and accruals and lease liabilities of the Company.

* The English names referred to herein represents the managements best effort at translating the Chinese names of the companies as no English names have been registered.

(b) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing on revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

For the year ended 31 December 2023

	Coal business *RMB'000*
Primary geographical markets	
The PRC	**2,850,951**
Major products and services	
Trading of coal	**2,763,320**
Provision of coal processing services	**25,022**
Coal service supply chain	**62,609**
	2,850,951
Timing of revenue recognition	
At a point in time	**2,850,951**

For the year ended 31 December 2022

	Coal business *RMB'000*
Primary geographical markets	
The PRC	2,009,246
Major products and services	
Trading of coal	1,822,603
Provision of coal processing services	65,260
Coal service supply chain	121,383
	2,009,246
Timing of revenue recognition	
At a point in time	2,009,246

(c) Geographic information

The following table provides an analysis of the Group's revenue from customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets").

	Revenue from external customers (by customer location)		Specified non-current assets (by location of asset)	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**2,850,951**	2,014,276	**292,386**	243,184
Hong Kong Special Administrative Region, the PRC ("Hong Kong")	**–**	733	**1,340**	688
	2,850,951	2,015,009	**293,726**	243,872

(d) Information about major customers

During both of the years ended 31 December 2023 and 2022, no customer contribute over 10% of the total revenue of the Group.

4. OTHER GAINS – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Foreign exchange gains, net *(Note 7)*	**3,432**	11,435
Interest income on financial assets at FVTOCI	**666**	914
Loss on redemption of financial assets at FVTOCI	**–**	(132)
Gain on disposal of a subsidiary	**1,037**	–
Gain on deregistration of a subsidiary	**156**	–
Dividend income on financial assets at FVTPL	**603**	43
Government subsidies *(Note (i))*	**23,988**	3,587
Penalty income from customers	**2,446**	2,719
Others	**467**	364
	32,795	18,930

Note:

(i) Amounts are mainly related to unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to enterprises, including but not limited to refund of taxes.

5. FINANCE INCOME – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finance income		
Interest income	**6,288**	1,901
Finance costs		
Interest expenses		
– Interest on lease liabilities *(Note 7)*	**(824)**	(291)
– Unwinding of discount – provision for close down, restoration and environmental costs	**(101)**	(112)
	(925)	(403)
Finance income – net	**5,363**	1,498

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax		
– provision for the year	**30,595**	35,485
– (over)/under provision in prior years	**(92)**	106
Deferred tax	**531**	(628)
Income tax expense	**31,034**	34,963

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories recognised as expense	**2,311,038**	1,760,641
Depreciation of property, plant and equipment	**10,624**	8,436
Less: Capitalised in inventories	**(164)**	–
Depreciation of property, plant and equipment charged to profit or loss *(Note (a))*	**10,460**	8,436
Depreciation of right-of-use assets	**3,573**	1,754
Loss on written off of property, plant and equipment	**88**	–
ECLs/(Reversal of ECLs) on financial assets *(Note (b))*	**2,404**	(4,748)
Interest on lease liabilities *(Note 5)*	**824**	291
Short-term leases expenses	**746**	5
Employee costs	**85,767**	59,509
Auditor's remuneration		
– annual audit	**1,203**	1,074
– others	**181**	172
Foreign exchange gains, net *(Note 4)*	**(3,432)**	(11,435)

Notes:

(a) Included in cost of sales and administrative expenses in the consolidated statement of comprehensive income.

(b) Included in other operating (losses)/gains in the consolidated statement of comprehensive income.

8. DIVIDEND

The Directors do not propose any payment of dividend to the Company's shareholders for the year ended 31 December 2023 and 2022.

9. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing:

- the profit for the year attributable to the equity holders of the Company
- by weighted average number of ordinary shares in issue during the financial year

	2023	2022
	RMB'000	*RMB'000*
Profit for the year attributable to equity holders of the Company	**167,609**	180,844

	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares in issue	**1,666,318**	1,620,000
Basic and diluted earnings per share *(RMB cents)*	**10.1**	11.2

Diluted earnings per share was equal to basic earnings per share as there was no potential share outstanding for the each of the years ended 31 December 2023 and 2022.

10. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**193,399**	116,428
Less: ECLs of trade receivables *(Notes (b), (d))*	**(5,096)**	(3,361)
Trade receivables, net	**188,303**	113,067
Bills receivables	**50,729**	71,701
Less: ECLs of bills receivables *(Notes (c), (d))*	**(507)**	(875)
Bill receivables, net *(Note (c))*	**50,222**	70,826
Total trade and bills receivables, net *(Note (a))*	**238,525**	183,893

Notes:

(a) At 31 December 2023 and 2022, the ageing analysis of the trade and bills receivables after ECLs recognised based on invoice date were as follows:

	2023	2022
	RMB'000	RMB'000
Up to 3 months	**229,887**	179,766
3 to 6 months	**8,638**	4,127
	238,525	183,893

The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. Based on communications with the customers, the trade receivables net of provisions as at the end of the reporting period are expected to be settled within one year.

(b) As at 31 December 2023, loss allowance of approximately RMB5,096,000 (2022: RMB3,361,000) were made against the gross amount of trade receivables.

(c) Bills receivables represent unconditional orders in writing issued by customers of the Group for completed sale orders which entitle the Group to collect a sum of money from banks. The bills are non-interest bearing and have a maturity from six months to one year. As at 31 December 2023, loss allowance of approximately RMB507,000 (2022: RMB875,000) were made against the gross amount of bills receivables.

(d) Movement in the loss allowance amount in respect of trade and bills receivables during the year is as follows:

	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**4,236**	5,600
ECLs/(Reversal of ECLs) recognised during the year	**1,367**	(1,364)
Balance at 31 December	**5,603**	4,236

11. OTHER RECEIVABLES AND PREPAYMENTS

	2023	2022
	RMB'000	*RMB'000*
Other receivables	**68,747**	94,520
Less: Provision of impairment losses on other receivables *(Note (a))*	**(63,501)**	(90,318)
	5,246	4,202
Deposits paid to suppliers – third parties	**9,890**	13,000
Advances to suppliers – third parties	**49,805**	14,745
Total other receivables and prepayments, net	**64,941**	31,947

Note:

(a) Movement in the loss allowance amount in respect of other receivables during the year is as follows:

	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**90,318**	86,893
Disposal of a subsidiary	**(29,337)**	–
ECLs/(Reversal of ECLs) on other receivables recognised during the year	**1,037**	(587)
Exchange differences	**1,483**	4,012
Balance at 31 December	**63,501**	90,318

12. TRADE PAYABLES

Trade payables are analysed as follows:

	2023	2022
	RMB'000	*RMB'000*
Third parties	**637,851**	167,354

The carrying amounts of trade payables approximated their fair values due to their short-term nature. The balances are denominated in RMB.

The ageing analysis of trade payables based on invoice date is as follows:

	2023	2022
	RMB'000	*RMB'000*
Up to 3 months	**586,651**	166,053
3 to 6 months	**49,662**	–
6 to 12 months	**823**	–
Over 12 months	**715**	1,301
	637,851	167,354

13. CAPITAL COMMITMENTS

	2023	2022
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– acquisition of plant and equipment	**4,173**	1,268
– construction of new production plant	**136**	8,642
	4,309	9,910

BUSINESS REVIEW

Huili Resources (Group) Limited (the "Company") and its subsidiaries (together with the Company, the "Group") mainly participate in the coal processing, supply chain services and trading businesses, and non-ferrous ore mining and processing.

Coal business

During the year ended 31 December 2023 (the "Year"), the Group continued to increase the competitive advantages and operating efficiencies of its coal supply chain platform. The Group, through a direct wholly-owned subsidiary of the Company, Surplus Plan Limited ("Surplus Plan"), acquired the entire issued share capital of Margaux Investment Limited ("Margaux HK") during the Year and CC Bong Logistics Limited ("CC Bong Logistics") as at the date hereof.

Margaux HK, through its indirectly wholly-owned subsidiary in the People's Republic of China (the "PRC"), owns a coal shed and the associated machineries of such coal shed in Shanxi province, the PRC. The coal shed has the storage capacity of 250,000 tonnes of coal with a construction area of approximately 16,746 square metres ("sq.m.") and is equipped with 14 specialised bulldozers and loaders. The acquisition of Margaux HK was completed in September 2023.

On the other hand, CC Bong Logistics, through its indirectly wholly-owned subsidiary in the PRC, owns two coal sheds and the associated machineries of such coal sheds. The expected total storage capacity of the two coal sheds is 1 million tonnes of coal. The acquisition of CC Bong Logistics was completed in January 2024.

The acquisitions of Margaux HK and CC Bong Logistics will allow the Group to enhance the value chain of its coal supply chain platform through providing additional storage and coal mixing services to the Group's customers, and in turn strengthen the competitiveness of the Group.

The coal industry is a typical pro-cyclical industry, where the demand for coal is closely linked to economic growth. According to the National Bureau of Statistics (國家統計局), the preliminary result of the gross domestic product ("GDP") of the PRC during the Year grew at approximately 5.2% year-on-year, with a faster growth rate of approximately 5.2% year-on-year in the fourth quarter of 2023, compared to approximately 4.9% year-on-year in the third quarter of 2023. Industrial enterprises above designated size (規模以上工業企業) achieved an operating revenue of approximately Renminbi ("RMB") 120,036.3 billion, a year-on-year increase of approximately 1% from January to November 2023.

Meanwhile, during the Year, the National Energy Administration (國家能源局) has further strengthened its support and coordination effort in the coal industry by promoting safe, efficient and stable production of high-quality coal, supporting the construction of major energy projects, securing the stability of coal production, encouraging green and low-carbon transformation, and assisting the high-quality development of energy industry of the country.

From a supply perspective, according to the National Bureau of Statistics, in December 2023, the PRC achieved raw coal production of approximately 414 million tonnes, representing a year-on-year increase of approximately 1.9%, and a cumulative annual production of approximately 4.66 billion tonnes, representing a year-on-year growth rate of approximately 2.9%, which had significantly slowed down as compared to that of 2022 which was approximately 9.0%. During the Year, the PRC imported approximately 474 million tonnes of coal, representing a year-on-year increase of 61.8%.

Looking at the demand side, downstream demand of coal had mainly stemmed from electricity, steel, chemicals, and building materials.

- Electricity: During the Year, the PRC achieved power generation of approximately 8,909.1 billion kilowatt hours, representing a year-on-year increase of approximately 5.2%. Despite the slowdown economic activities and the passing of the summer months, the year-on-year growth rate of power generation remained at a relatively high level of over 5.0% since September 2023. During the Year, thermal power remains the main force of power generation, and the demand for thermal power remained stable and recorded a growth rate which was higher than the overall power generation growth rate. In 2023, thermal power generation reached approximately 6,231.8 billion kilowatt hours, representing a year-on-year increase of approximately 6.1% and accounting for 70% of the total power generation, which was similar to that in 2022.

- Steel: During the Year, benefiting from high investment growth rates in railways, oil and gas extraction industries, as well as the promising performance of automobiles, wind power, shipbuilding and exports industries, the PRC achieved approximately 871 million tonnes of pig iron production (Source: China Iron and Steel Association 中國鋼鐵工業協會), a year-on-year increase of 0.7%, marking the first positive growth in nearly three years, and coke production achieved 493 million tonnes, a year-on-year increase of 3.6% (Source: The National Bureau of Statistics). Although real estate investment has shown an unfavorable trend, with an approximate 9.6% and 20.4% year-on-year decrease in completion of real estate development investment and new construction area respectively (Source: The National Bureau of Statistics), the growth rates of investment in railway transportation and car manufacturing were relatively high, recording a year-on-year growth rate of 25.2% and 19.4%, respectively (Source: The National Bureau of Statistics). In addition, automobile production for the Year increased by 9.3% year-on-year, new power generation installed capacity and the power supply investments increased by approximately 13.6% and 39.6% respectively year-on-year (as of November 2023) (Source: The National Energy Administration), shipbuilding completion orders increased by 11.8% year-on-year (Source: Ministry of Industry and Information Technology 中華人民共和國工業和信息化部), and the quantity of steel exports increased by 36.2% year-on-year (Source: General Administration of Customs, the PRC (中華人民共和國海關總署). All of these significantly boosted demand for steel during the Year.

- Building materials and chemical industry: The building materials and chemical industries placed significant influence on the coal market. During the Year, cement production did not record any changes year-on-year with national cement production of 2.02 billion tonnes (Source: The National Bureau of Statistics). On the other hand, the cumulative production of methanol in the PRC was 76.54 million tonnes, an increase of 2.75 million tonnes year-on-year, with a growth rate of 3.73% (as of the end of November 2023) (source: "甲醇：供需緊平衡，壓力在進口端", Minmetals Futures Co., Ltd Research Centre 五礦期貨研究中心 dated 27 December 2023), while the cumulative total domestic urea production for the Year was approximately 61.1 million tonnes, an increase of approximately 4.7 million tonnes and a year-on-year increase of 8.33%, as compared with the year ended 31 December 2022 (the "Prior Year") (Source: "2023年12月尿素產量及開工率", feidoodoo.com (肥多多) dated 9 January 2024). The strong demand in the chemical industry provided a strong support to the coal market.

In summary, during the Year, on one hand, coal production and coal import steadily increased, leading to an increase in the supply of coal within the nation. On the other hand, despite that the demand for coal remained strong, the demand pressure for coal storage had released as compared with that of the Prior Year. The industry trends were in a heathier condition as there was a shift from demand tension to balance, however, there was still structural gap between the supply and demand within coal market in the PRC.

Meanwhile, with the strengthening of the "ensuring energy supply" policy and the release of advanced coal production capacity, raw coal production has steadily increased during the Year. Combined with the effect of the increase in supply, which had resulted from the increase in both domestic coal production and the coal imports, and the decrease in the demand of coal products, particularly the non-electric demand, the coal price showed a downward trend during the Year, but was still at a relatively high level. The China coal index 5500K ("CCI 5500K"), a gauge of coal prices in the PRC, dropped gradually from RMB1,210 per tonne at the beginning of the Year to RMB764 per tonne in mid-June of 2023. The CCI 5500K then stabilised between RMB800 per tonne and RMB1,000 per tonne before it closed at RMB928 per tonne as at 29 December 2023 (Source: sxcoal.com 中國煤炭資源網).

Affected by factors such as the decline in coal prices and the increase in production costs, the profits of coal enterprises have decreased year-on-year. According to the National Bureau of Statistics, from January to November 2023, the added value of the coal mining and washing industry grew at approximately 2.4% year-on-year, which is lower than the growth rate added value of all industries above designated size (規模以上工業增加值) of approximately 4.6% year-on-year. The operating revenue of the coal mining and washing industry was approximately RMB3,167.19 billion, representing a year-on-year decrease of 12.9% and the operating profit was approximately RMB711.81 billion, representing a year-on-year decrease of 25.9%. Despite the shrinking profit margins during the Year, the absolute scale of the industry profit was still at a relatively high level.

During the Year, the customers of the Company's coal business segment were mainly local coal traders and energy companies in the PRC. The Group carried out the coal trading business through two indirectly wholly-owned subsidiaries, Changzhi Runce Trading Company Limited* (長治潤策貿易有限公司) ("Changzhi Runce") and Hainan Runce Energy Co., Ltd.* (海南潤策能源有限公司) ("Hainan Runce") in the PRC. The Group also provided coal processing services through an indirectly wholly-owned subsidiary, Shanxi Fanpo Clean Energy Technology Company Limited* (山西反坡清潔能源科技有限公司) ("Shanxi Fanpo") and the coal service supply chain through an indirectly wholly-owned subsidiary, Runce Supply Chain Management (Shenzhen) Co., Ltd* (潤策供應鏈管理(深圳)有限公司) ("Shenzhen Runce") in the PRC. The Group also started to provide storage and coal mixing services, which is part of its coal service supply chain business, through the newly acquired indirect wholly-owned subsidiary, Shanxi Margaux Supply Chain Management Company Limited* (山西瑪高供應鏈管理有限公司) ("Margaux Shanxi").

Shanxi Fanpo is principally engaged in the sale of coal and the operation of the coal washery. The coal washery is set up to remove impurities in raw coal, and to classify high quality coal and inferior coal to improve coal utilization efficiency and reduce coal pollutant emission. The coal washery is designed to have a maximum throughput capacity of approximately 20,000 tonnes per day.

Margaux Shanxi, which was a newly acquired indirect wholly-owned subsidiary by the Company in September 2023, is principally engaged in supply chain management services and general cargo storage services. The coal shed that is owned by Margaux Shanxi has the storage capacity of 250,000 tonnes of coal with a construction area of approximately 16,746 sq.m. and is located approximately 7.0 kilometers ("km") from the Group's washery plant and approximately 2.5 km to 3.0 km from the key highways in Shanxi province, the PRC, which the Company considers is a prime location from an operational perspective. During the Year, Margaux Shanxi has contributed approximately RMB7.4 million to the Group's revenue.

Meanwhile, the Group completed the acquisition of CC Bong Logistics in January 2024 and expects to operate storage and coal mixing services, which is a part of coal service supply chain business, through its indirect wholly-owned subsidiary, Changzhishi Desheng Coal Storage and Distribution Company Limited* (長治市德勝煤炭儲配有限公司) ("Changzhishi Desheng"). Changzhishi Desheng is principally engaged in supply chain management services and general cargo storage services. Changzhishi Desheng owns two coal sheds and the associated machineries of such coal sheds. The expected total storage capacity of the two coal sheds is 1 million tonnes of coal. The coal sheds are located in a logistics park in Shanxi province, the PRC, which has storage and logistics supporting facilities such as cylindrical silos, train dumpers, and coal storage yards. The logistics park is located approximately 1.5 km from a railway station, which is connected to Changzhi South Station of the Central-South Railway, and is also adjunct to the National Highway 228, Erguang Expressway, county and township roads, which the Company considers is a prime location from an operational perspective and would provide a stable source of demand and may potentially provide an additional source of supply to the Group's trading businesses.

For details, please refer to the section headed "Material Acquisitions and Disposals" to this announcement.

Riding on the increasing demand for coal, the Group will continue to actively seek opportunities to develop its coal business, either through value-added mergers and acquisitions or strategically re-allocating its internal resources to expand the current coal business or diversify into other business scopes within the coal industry.

Meanwhile, despite that the energy security role of coal will remain in the near term, low carbonization and clean and efficient productions are still the main development direction of the coal industry. Thus, the Company has commenced a photovoltaic project, aiming to promote low carbonization, integrate development of coal-based energy and multi and green energy, and expand green transformation channels for the coal business. The Company strives and is committed to the green development of the Company's business, and ultimately achieving balanced operations between coal business development and ecological protection.

The coal business segment has contributed approximately RMB2.85 billion (2022: RMB2.01 billion) to the Group's revenue during the Year.

Mining business

During the Year, the diversified non-ferrous metal minerals covered by the Company's operations include nickel, copper, zinc and lead in the Xinjiang Uyghur Autonomous Region ("Xinjiang"), the PRC. The mining and exploration tenements and ore processing plants in Xinjiang are located close to the municipal city of Hami county, which is approximately 400 km southeast of Urumqi, the capital of Xinjiang.

In order to maximise the economic values of the Group's scarce resources, the Group made an important move to monetarise the No. 20 Mine, which produces copper and nickel ores, through disposing Hami Jiatai Mineral Resource Exploiture Ltd* (哈密市佳泰礦產資源開發有限責任公司) ("Hami Jiatai") at a consideration of RMB18,000,000 and recorded a gain of approximately RMB1,037,000 from such disposal. The disposal allowed the Group's to monetarise its valuable resources and reallocate its sacred resources to its strategic business segment. The Group believes that this move will increase the return of the Group's capital employed and in turn enhance the value of the Company and the shareholders of the Company as a whole.

Throughout the Year, the commodities markets experienced relatively weak performance as compared with the Prior Year, largely due to the ongoing slow-down of the global economy. This slow-down had put downward pressure on commodity markets, despite global inflation having started to moderate. While price pressures remained historically high, the combination of high prices and rising borrowing costs had constrained both consumption and business investments. As a result, consumer spending on goods and services had remained subdued, and manufacturing activity had been sluggish. These coupled with weaker business-to-business demand and capital investment growth, were set to reduce demand for metal commodities and limit price growth during the Year.

According to the London Metal Exchange, the prices of zinc exhibited a short-term increase during the Year, starting at approximately United States dollar ("USD") 3,025 per tonne and peaking at around USD3,500 per tonne by the end of January 2023. However, prices gradually dropped by approximately 37% to around USD2,200 in mid-May 2023. The price then fluctuated between around USD2,200 per tonne and USD2,600 per tonne through the rest of the Year, and closed at USD2,640 per tonne as at 29 December 2023, representing a drop of approximately 25% compared to the beginning of the Year.

The price of lead fluctuated widely during the Year, opening at approximately USD2,300 per tonne and decreasing to around USD2,062 per tonne near the end of January 2023, and then the prices fluctuated between approximately USD1,980 per tonne and USD2,300 per tonne throughout the rest of the Year, representing a maximum decrease of approximately 13.9% during the Year, before closing at around USD2,030 per tonne as at 29 December 2023.

As at 31 December 2023, the Company's subsidiary, Hami Jinhua Mineral Resource Exploiture Ltd* ("Hami Jinhua") owned a mining permit of non-ferrous metals in Xinjiang, the PRC, namely Baiganhu Mine, which produces lead and zinc ores. To maximise the economic value of the Baiganhu Mine, the Group introduced a business partner to jointly operate the Baiganhu Mine. The Group believes that the introduction of a business partner allows the Group to achieve green development of the mining segment, improve the efficiency of resource utilisation, and ultimately achieve balanced operations between resource development and ecological protection.

Hami Jinhua owns a lead-zinc ore processing plant, which was set up to process the ore extracted from their deposits, and adopts a non-conventional flotation circuit. The throughput capacity of the plant is 1,500 tonnes per day respectively. Lead and zinc concentrates are separated and recovered from ore processing for sale. Hami Jinhua did not carry out any mining and processing activities during the Year.

RESULTS REVIEW

Revenue and gross profit

Since 2021, the Group has set the coal business as the strategic business segment of the Group and allocated more resources in developing the Group's coal business. The Group has made remarkable progress and results in the past two years. Since the launch of the coal business in 2019, the revenue has increased from approximately RMB86 million in 2019 to RMB2.01 billion in 2022. Riding on the success and momentum made in 2022, the Group's revenue continued to grow at an impressive rate of approximately 41.5%, which led to the increase to approximately RMB2.85 billion from approximately RMB2.01 billion for the Prior Year, despite the challenging macro economy during the Year and the high base revenue growth rate of approximately 37.0% in the Prior Year.

The increase was mainly attributable to approximately RMB841.7 million increase in revenue generated from the coal business during the Year. The cost of sales was approximately RMB2.64 billion for the Year, as compared with approximately RMB1.80 billion in the Prior Year, representing a year-on-year increase of approximately 46.4%. The increase was mainly contributed by the coal business as a result of the increased sales of coal products during the Year.

To cope with the increasing demand of the Group's coal products during the Year, the Group temporarily increased the use of external resources, which led to higher average cost of sales as compared with self-operated resources, to fulfill the overpouring demand of the Group's coal products. The Group recorded a gross profit of approximately RMB211.4 million for the Year, which remained relatively stable as compared with the Prior Year. In responses to overwhelming demand of the Group's coal products, the Group completed the acquisitions of Margaux HK and CC Bong Logistics in September 2023 and January 2024 respectively. Margaux HK indirectly owns a coal shed in Shanxi province, the PRC, which is located approximately 7.0 km from the Group's washery plan, and the CC Bong Logistics indirectly owns two coal sheds with expected total storage capacity of 1 million tonnes of coal and is located approximately 1.5 km from a railway station in Shanxi province, the PRC. All three coal sheds allow the Company to fulfill the storage, loading and coal mixing demands of its customers in Shanxi province, the PRC and both acquisitions will allow the Group to enhance the value chain of the coal business through providing additional storage and coal mixing services to the Group's customers.

For details, please refer to the section headed "Material Acquisitions and Disposals" to this announcement.

In order to maximise the economic values of the Group's scarce resources, the Group made an important move to monetarise the No. 20 Mine, which produces copper and nickel ores, through disposing Hami Jiatai at a consideration of RMB18 million and recorded a gain of approximately RMB1.04 million from such disposal. On the other hand, the Group introduced a business partner to jointly operate and manage the Group's Baiganhu Mine, which produces lead and zinc ores. The Group believe that the disposal of Hami Jiatai and introduction of a business partner to jointly operate and manage Baiganhu Mine will allow the Group to achieve green development of the mining segment, improve the efficiency of resource utilisation, and ultimately achieve balanced operations between resource development and ecological protection.

Operating results

During the Year, the Group considered that it is in the best interest of the Company to concentrate its resources in its mining and coal business, and decided to suspend the activities of the financial services segment. As such, the financial performance of the financial services segment was no longer presented separately and the corresponding figures are re-presented to align with the new segment reporting presentation.

The revenue and the corresponding operating results were mainly contributed by the segments below for the Year and the Prior Year.

	For the Year			For the Prior Year		
	Revenue	Operating profit/(loss)	Operating profit margin	Revenue	Operating profit/(loss)	Operating profit margin
	RMB'million	*RMB'million*	*%*	*RMB'million*	*RMB'million*	*%*
Coal business	2,851.0	211.9	7.4%	2,009.2	210.7	10.5%
Mining	–	(1.4)	N/A	–	(3.2)	N/A
Segment total	2,851.0	210.5	7.4%	2,009.2	207.5	10.3%

Administrative expenses

Administrative expenses for the Year, which mainly included depreciation charges, professional fees, staff costs and office overheads, amounted to approximately RMB41.4 million for the Year (the Prior Year: RMB22.9 million). The increase was mainly attributable to the increase in legal professional fees arising from the Group's acquisition activities, increase in office rental due to business expansion and increase in salary and headcount of the Group's administrative department.

Other gains – net

Other gains for the Year of approximately RMB32.8 million (the Prior Year: RMB18.9 million) mainly represented foreign exchange gains, penalty received from customers, interest income from financial assets at fair value through other comprehensive income ("FVTOCI") and government subsidies of approximately RMB3.4 million (the Prior Year: RMB11.4 million), RMB2.4 million (the Prior Year: RMB2.7 million), RMB0.7 million (the Prior Year: RMB0.9 million) and RMB24.0 million (the Prior Year: RMB3.6 million) respectively.

The foreign exchange gains mainly arose from the financial assets denominated in USD and Hong Kong dollors ("HK$") as a result of the appreciation of USD and HK$ against RMB, being the Group's functional and presentation currency.

Other operating (losses)/gains

Other operating losses of approximately RMB2.4 million was recorded during the Year (the Prior Year: other operating gains of approximately RMB4.7 million), which was mainly contributed by the expected credit losses ("ECLs") on financial assets of approximately RMB2.4 million (the Prior Year: reversal of ECLs of RMB4.7 million) during the Year.

Finance income – net

Finance income – net of approximately RMB5.4 million (the Prior Year: RMB1.5 million) during the Year mainly represented interest income earned from the Group's cash at bank, netted by interest expenses on lease liabilities.

Income tax expense

During the Year, income tax expense was approximately RMB31.0 million (the Prior Year: RMB35.0 million). It mainly represented the tax provision of approximately RMB30.5 million (the Prior Year: RMB35.6 million) for operations in the PRC, and deferred tax expenses of approximately RMB0.5 million (the Prior Year: deferred tax benefit of RMB0.6 million) during the Year. No provision for profits tax in Hong Kong was made during both the Year and the Prior Year.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2023, the Group had investments in debt securities and listed equity securities of approximately RMB8.9 million (the Prior Year: RMB11.3 million) and RMB nil (the Prior Year: RMB15.0 million) respectively and none of the debt securities and listed equity securities, both individually and in aggregate, held by the Group equaled or exceeded 5% of the Group's total assets. For further details, please refer to the section headed "Liquidity and Financial Resources" to this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS

(i) Acquisition of Shanxi Fanpo Clean Energy Technology Company Limited ("Shanxi Fanpo")

Changzhi Runce, as purchaser and an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Fanpo SPA") in relation to the acquisition of 95% equity interest in Shanxi Fanpo, a company established in the PRC with limited liability, with the vendor, Mr. Cui Huike (崔慧科) ("Mr. Cui"), on 29 November 2021 ("Shanxi Fanpo Acquisition"). Pursuant to the Fanpo SPA, Changzhi Runce agreed to purchase and Mr. Cui agreed to sell 95% of the equity interest in Shanxi Fanpo upon the fulfillment of certain conditions, including but not limited to satisfactory completion of the financial and legal due diligence review on Shanxi Fanpo. The Shanxi Fanpo Acquisition was then completed in January 2022 with the final consideration of approximately RMB9.6 million. Further details of the Shanxi Fanpo Acquisition are set out in the Company's announcement dated 29 November 2021. Further to the above Shanxi Fanpo Acquisition, the Group further acquired the remaining 5% equity interest in the Shanxi Fanpo from Mr. Cui on 22 February 2023 at the consideration of RMB500,000. Subsequent to the said acquisition, Shanxi Fanpo became a wholly-owned subsidiary of the Company.

(ii) Acquisition of 100% equity interest in Margaux Investment Limited ("Margaux HK")

Surplus Plan, as purchaser and a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Margaux SPA") in relation to the acquisition of the entire issued share capital of Margaux HK (the "Margaux Sale Share"), a company incorporated in Hong Kong with limited liability with Mr. Feng Yuantao ("Mr. Feng"), as vendor on 29 May 2023 (the "Margaux Acquisition"). Margaux HK indirectly holds Margaux Shanxi, a company established in the PRC with liability, through Zhuhai Margaux Investment Company Limited* (珠海瑪高投資有限公司), a company established in the PRC with liability, (collectively the "Margaux Group"), and Margaux Shanxi is principally engaged in (i) supply chain management services; (ii) machinery and equipment leasing; and (iii) general cargo storage services.

Pursuant to the terms and conditions of the Margaux SPA, Surplus Plan has agreed to acquire, and Mr. Feng has agreed to sell the Margaux Sale Share, representing the entire issued share capital of Margaux HK, at a consideration of HK$41,847,000. The consideration shall be satisfied by the Company by the allotment and issue of 167,388,000 new shares of the Company (the "Margaux Consideration Share(s)") to Mr. Feng at the issue price of HK$0.25 per Margaux Consideration Share upon the fulfillment of certain conditions, including but not limited to satisfactory completion of the financial and legal due diligence review on the Margaux Group.

The core assets of the Margaux Group are a coal shed and the associated machineries of such coal shed. The coal shed has the storage capacity of 250,000 tonnes of coal with a construction area of approximately 16,746 sq.m and equipped with 14 specialised bulldozers and loaders. The coal shed and the specialised equipment allow the Company to fulfill the storage, loading and coal mixing demands of the customers in Shanxi province, the PRC and the Margaux Acquisition will allow the Group to integrate vertically upwards and enhance the value chain of the coal business through providing additional storage and coal mixing services to the Group's customers, and in turn strengthen the competitiveness of the Group. In particular, the coal shed of the Margaux Group is located approximately 7.0 km from the Group's washery plant and approximately 2.5 km to 3.0 km from the key highways in Shanxi province, the PRC, which the Company considers is a prime location from an operational perspective and would provide a stable source of demand for the Margaux Group's businesses and may potentially provide an additional source of supply to the Group's trading businesses.

The Margaux Acquisition was then completed in September 2023 with the final consideration of approximately RMB50.6 million. Further details of the Margaux Acquisition are set out in the Company's announcements dated 29 May 2023, 30 June 2023, 31 July 2023, 11 August 2023, 13 September 2023 and 22 September 2023 respectively.

(iii) Acquisition of 100% equity interest in CC Bong Logistics Limited ("CC Bong Logistics")

On 29 December 2023, Surplus Plan, as purchaser and a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "CC Bong SPA") in relation to the acquisition of the entire issued share capital of the CC Bong Logistics (the "CC Bong Logistics Sale Share"), a company incorporated in Hong Kong with limited liability with Mr. Bong Chin Chung ("Mr. Bong"), as vendor (the "CC Bong Logistics Acquisition"). CC Bong Logistics indirectly holds Changzhishi Desheng, a company established in the PRC with limited liability, through Shenzhen Yiyilan Supply Chain Management Company Limited* (深圳奕逸蘭供應鏈管理有限公司), a company established in the PRC with limited liability, (collectively the "CC Bong Logistics Group"), and Changzhishi Desheng is principally engaged in (i) supply chain management services; and (ii) general cargo storage services.

Pursuant to the terms and conditions of the CC Bong SPA, Surplus Plan has agreed to acquire, and Mr. Bong has agreed to sell the CC Bong Logistics Sale Share, representing the entire issued share capital of CC Bong Logistics, at a consideration of HK$100,000,000. The consideration shall be satisfied by the Company (i) as to HK$62,640,000 by the allotment and issue of 156,600,000 new shares of the Company (the "CC Bong Logistics Consideration Share(s)") to Mr. Bong at the issue price of HK$0.40 per CC Bong Logistics Consideration Share; and (ii) the balance of HK$37,360,000 by the issue of an unsecured promissory note (the "Promissory Note") in the principal amount of HK$37,360,000 to Mr. Bong (or his designated entity) the fulfillment of certain conditions, including but not limited to satisfactory completion of the financial and legal due diligence review on the CC Bong Logistics Group. The Promissory Note shall mature on the date falling 5 years from the date of issuance of the Promissory Note whereby any outstanding principal amount of the Promissory Note and accrued but unpaid interest shall be redeemed and repaid in full, and shall carry interest at the interest rate of 5% per annum from the date of the issue of the Promissory Note and calculated on the basis of the actual number of days elapsed and a 365-day year.

The core assets of the CC Bong Logistics Group are two coal sheds and the associated machineries of such coal sheds. The expected total storage capacity of the two coal sheds is 1 million tonnes of coal. The coal sheds are located in a logistics park in Shanxi province, the PRC, which has storage and logistics supporting facilities such as cylindrical silos, train dumpers, and coal storage yards. The logistics park is located approximately 1.5 km from a railway station, which is connected to Changzhi South Station of the Central-South Railway, and is also adjunct to the National Highway 228, Erguang Expressway, county and township roads, which the Company considers is a prime location from an operational perspective and would provide a stable source of demand for the CC Bong Logistics Group's businesses and may potentially provide an additional source of supply to the Group's trading businesses.

The coal sheds and the specialised equipment allow the Company to fulfill the storage, loading and coal mixing demands of its customers in Shanxi province, the PRC and the CC Bong Logistics Acquisition will allow the Group to enhance the value chain of the coal business through providing additional storage and coal mixing services to the Group's customers, and in turn strengthen the competitiveness of the Group.

The CC Bong Logistics Acquisition was then completed in January 2024 with the final consideration of approximately RMB84.3 million. Further details of the CC Bong Logistics Acquisition are set out in the Company's announcement dated 29 December 2023 and 24 January 2024.

The Board believes that both the Margaux Acquisition and the CC Bong Logistics Acquisition would allow the Group to have immediate access to existing coal sheds and the specialised equipment, thereby facilitating the integration of the operation of the Margaux Group and CC Bong Logistics Group with the Group's existing businesses to expand its scale of operation and create a new growth driver. Both acquisitions are in line with the development strategy of the Group to strengthen its existing trading of coal business and supply chain management services capabilities and its presence and provision of services in the coal industries in the PRC, and will allow the Group to utilise the synergies created by both the Margaux Acquisition and the CC Bong Logistics Acquisition and create long-term and strategic growth opportunities for the Group.

Lastly, through the Margaux Acquisition and the CC Bong Logistics Acquisition, the Group will be able to leverage on the management expertise of the Margaux Group and CC Bong Logistics Group, in particular, the sharing of business knowledge regarding the storage, loading and coal mixing service line, to the Group's existing operational team which will in turn deliver better services to the Group's customers with additional value-added services on top of processing and trading services.

Therefore, the Board is of the view that both acquisitions are in the interests of the Company and the shareholders of the Company as a whole.

Meanwhile, in order to maximise the economic values of the Group's scarce resources, in September 2023, the Group has entered into an equity transfer agreement with an independent third party, to dispose its entire equity interest in Hami Jiatai, which owns a copper-nickel ore mine No. 20 Mine, at a consideration of RMB18,000,000 and recorded a gain of approximately RMB1,037,000 from such disposal.

The disposal allowed the Group to monetarise its valuable resources and reallocate its scarce resources to its strategic business segment. The Group believes that this move will enable increase the return of the Group's capital employed and in turn enhance the value of the Company and shareholders of the Company as a whole.

Save for the above, there were no other material acquisitions and disposals during the Year and the Prior Year.

CAPITAL EXPENDITURE

For the Year, the Group incurred approximately RMB13.2 million (the Prior Year: RMB14.2 million) of capital expenditure on property, plant and equipment, and approximately RMB11.9 million (the Prior Year: RMB nil) on right-of-use assets. There were no property, plant and equipment and right-of-use assets being disposed of during both the Year and the Prior Year respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 31 December 2023 increased to RMB788.0 million, an increase of approximately 37.6% over that as at 31 December 2022 of RMB572.5 million while the Group's total assets employed increased by 81.7% to RMB1.58 billion as at 31 December 2023 as compared to RMB868.4 million as at 31 December 2022.

The Group continues to maintain a strong financial position. To preserve funds for future capital expenditure and new business opportunities, the Group invests surplus cash in low risk fixed deposits, as well as high quality debt securities issued by large financial institutions and corporations to generate additional returns for the Group and the shareholders of the Company.

During the Year, the Group did not redeem any debt securities (the Prior Year: redemption of approximately RMB3.4 million). As at 31 December 2023, the debt securities were predominantly denominated in USD with weighted average tenor of less than 1 year. Debt securities investments are closely monitored by a designated team with the help of an international leading bank. The debt securities were classified as financial assets at FVTOCI. These debt securities were considered to be of low credit risk and the expected credit loss was minimal. As at 31 December 2023, none of the debt securities, both individually and in aggregate, held by the Group equaled or exceeded 5% of the Group's total assets. As at 31 December 2023, the Group had the debt securities of approximately RMB8.9 million (2022: RMB11.3 million).

During the Year, the Group did not make any investment (the Prior Year: investment of approximately RMB24.5 million) in any listed equity securities, while approximately RMB13.5 million (the Prior year: RMB7.6 million) worth of equity securities were disposed. As at 31 December 2023, the Group did not hold any listed equity securities.

During the Year, the Group's listed equity securities investments and debt securities have recorded a loss in fair value of approximately RMB1.5 million (the Prior Year: RMB1.6 million) and approximately RMB2.8 million (the Prior Year: RMB1.9 million), respectively, which were presented as "Fair value changes of financial assets at fair value through profit or loss" and "Fair value changes of financial assets (debt instruments) at fair value through other comprehensive income" in the consolidated statement of comprehensive income, respectively.

During the Year, the Group also received dividend income of approximately RMB0.6 million (the Prior Year: RMB43,000) from listed equity securities that the Group invested, and interest income of approximately RMB0.7 million (the Prior Year: RMB0.9 million) from the debt securities that the Group held. The Group also redeemed certain debt securities and recorded a net loss of approximately RMB0.1 million during the Prior Year. All of the dividend income from equity securities, interest income from debt securities and the loss on redemption of debt securities were included in "Other gains – net" in the consolidated statement of comprehensive income.

The Group financed its day-to-day operations by internally generated cash flows during the Year. Primary uses of funds during the Year was mainly the payment of operating expenses.

As at 31 December 2023 and 2022, there was no outstanding interest-bearing bank loan and other borrowings. The Group's liquidity position remains strong and the Group is confident that sufficient resources could be secured to meet its commitments and working capital requirements.

As at 31 December 2023, the Group maintained bank and cash balances of approximately RMB508.6 million (the Prior Year: 369.3 million), including pledged bank deposits of RMB34.0 million (the Prior Year: RMB nil).

Treasury policy

The Group continues to adopt a conservative treasury policy in liquidity and financial management. The Group conducted its continuing operational business transactions mainly in RMB and HK$. Surplus cash is generally placed in fixed deposits, high-quality debt securities mostly denominated in HK$ and USD. The Group did not arrange any foreign currency contracts for hedging purposes.

Gearing ratio

The Company entered into a credit facility with Nanyang Commercial Bank consisting of letters of credit and line of credit in November 2022, under which the Company may borrow up to US$15 million. The letter of credit and line of credit are charged against 100% bank deposits from time to time up to the amount of amount utilised. As at 31 December 2023, the Company had utilised approximately RMB34.0 million (the Prior Year: RMB nil) letters of credit and there are no outstanding borrowings (the Prior Year: RMB nil) on the line of credit.

Gearing ratio of the Group is calculated based on net debt divided by total capital. Net debt is calculated based on total interest-bearing borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated based on total equity plus net debt. As at 31 December 2023, the gearing ratio was 0% (the Prior Year: 0%).

PRINCIPAL RISKS

The Group's activities are exposed to a variety of risks as set out below.

Foreign exchange exposure

The Group's businesses are mainly conducted in RMB. The Group has not experienced any material difficulties with its operations or liquidity as a result of fluctuations in currency exchange rates during the Year. The Group currently has not engaged in hedging activities against foreign exchange exposure, as it believes that the cost associated with such hedging arrangements would exceed the benefits. However, management will continue to monitor the relevant circumstances and may take such measures if it deems prudent.

Credit risk exposure

The Group is exposed to credit risks in its coal business and is primarily attributable to its trade and bills receivables in this business segment. The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The carrying amounts of its trade and bills receivables represent the Group's maximum exposure to credit risk in this business segment. The Group applies the simplified approach to provide for ECLs as prescribed by HKFRS 9, which permits the use of the lifetime ECLs provision for all trade and bills receivables.

As at 31 December 2023, loss allowance of approximately RMB5.6 million (the Prior Year: RMB4.2 million) were made against the gross amount of trade and bills receivables.

The Group separately assesses trade and bills receivables that are individually significant for impairment at each reporting date. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience. Trade and bills receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 365 days past due. Impairment losses on trade and bills receivables are presented as net impairment losses within operating results. Subsequent recoveries of amounts previously written off are credited against the same line item. As at the end of the reporting period, none of the trade receivables of the Group was impaired.

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 13 to these consolidated financial statements, the Group had no other contracted capital expenditure, commitments and charge on the Company's assets as at 31 December 2023 and 2022.

Approximately RMB34.0 million of cash and cash equivalents was pledged to the bank for its letter of credits of approximately RMB34.0 million as at 31 December 2023, while there was no charge on the Company's assets as at 31 December 2022.

The Group may be subject to new environmental laws and regulations that may result in contingent liabilities for the Group in the future. The Group may also be subject to the effect of under-insurance on future accidents incurred by the employees. Such (i) new environmental laws and regulations; and (ii) under insurance on the employees may impose costs and liabilities on the Group.

Save as disclosed above, the Group had no other material contingent liability as at 31 December 2023 and 2022.

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2023, the Group employed 820 employees (31 December 2022: 743). The total staff costs (including Directors' emoluments) for the Year was approximately RMB85.8 million (the Prior Year: RMB59.5 million). The emolument policy for the salaries of employees largely depend on their job nature, performance and length of service with the Group. The Directors' emolument policy for the remuneration is determined with reference to salaries paid by comparable companies, their experience and responsibilities and the performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employee benefits, including pension, medical scheme and other applicable social insurance as required by applicable laws and regulations.

Apart from regular on-the-job training, the Group encourages its employees to attend external job-related training and provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop. Directors and employees, among others, are entitled to participate in the share option scheme at the discretion of the Board. No share option was granted, exercised, lapsed or outstanding during the Year and as at 31 December 2023.

FUTURE OUTLOOK AND PROSPECTS

Based on China's energy resource endowment, ensuring the safe and stable supply of coal, strengthening the clean and efficient utilisation of coal, and accelerating the intelligent construction of coal mines are of great significance to ensuring national energy security, and are also the only way to achieve the Chinese path to modernisation and promote high-quality economic development.

From a supply perspective, since the beginning of the Year, the National Energy Administration (國家能源局) has further strengthened its support and coordination effort in the coal industry by promoting safe, efficient and stable production of high-quality coal, supporting the construction of major energy projects, securing the stability of coal production, encouraging green and low-carbon transformation, and assisting the high-quality development of the energy industry of the country. The cumulative annual raw coal production for the Year is approximately 4.66 billion tonnes, representing a year-on-year growth rate of approximately 2.9% (Source: The National Bureau of Statistics).

On 6 December 2023, the National Development and Reform Commission (the "NDRC", 國家發展改革委) issued the "Implementation Opinions on Establishing a Coal Mine Capacity Reserve System (Draft for Comments)" (關於建立煤礦產能儲備制度的實施意見(徵求意見稿)), which proposed to establish a preliminary coal mine capacity reserve system, through orderly approving the construction of a batch of capacity reserve coal mine projects and form a certain scale of dispatchable coal capacity reserves by 2027; and forming a dispatchable production capacity reserve of 300 million tonnes per year by 2030. Yet, under the background of "dual carbon" (carbon peak and carbon neutrality), coal enterprises have relatively limited investment in expanding production capacity, and the approval of new coal mines may also be more cautious. It is expected that the overall supply brought by medium- and long-term new projects will be stable and limited.

Meanwhile, in November 2023, the NDRC issued "Notice on 2024 Medium and long-term electricity coal contract signing and performance works" (the "2024 Notice",《關於做好2024年電煤中長期合同簽訂履約工作的通知》), which provides a comprehensive guidance on the signing objects, signing requirements, and performance supervision of medium and long-term contracts for electric coal in 2024. The 2024 Notice affirms the role of the "ballast stone" in the long-term contract and will continue the pricing mechanism. Compared to the "2023 Medium and long-term electricity coal contract signing and performance work plan" (the "2023 Work Plan",《2023年電煤中長期合同簽訂履約工作方案》), the flexibility of the coal long-term cooperation plan in the new year has been enhanced by, on the one hand, appropriately relaxing the restrictions on the number of contracts signed by supply side, and, on the other hand, flexibly adjusting the scope and number of contracts signed by demand parties. Meanwhile, the signing proportion of long-term cooperative agreements in power enterprises will be restored to 80% to 100% in 2024, relaxing from the stricter requirements of 100% to 105% coverage in 2023. Major power enterprises were actively promoting the connection between coal production and demand, as well as the next step of capacity allocation. The signing of medium and long-term coal contracts will ensure the basic foundation of energy supply and provide strong support for the stable operation of the economy.

From a demand perspective, the long-term outlook for the coal industry in the PRC appears to be positive, supported by the continuous growth in electricity demand and the increasing installed capacity of coal power generation. According to the "China Electric Power Development Report 2023" (《中國電力發展報告2023》) released by the Electric Power Planning and Design Institute (電力規劃設計總院) in September 2023, the national electricity demand will continue to maintain a strong growth in the next three years. By 2025, the total electricity consumption in society is expected to reach approximately 9.8–10.2 trillion kilowatt hours. With the estimated total electricity consumption of approximately 9.2 trillion kilowatt hours in 2023, the average growth rate of national electricity consumption in 2024 and 2025 will be between 3.2% and 5.2%.

According to the "Research on the '14th Five-Year' Development Plan of the Electric Power Industry" (《電力行業「十四五」發展規劃研究》) issued by the China Electricity Council (中國電力聯合會), the electricity consumption of the country is approximately 9.2 trillion kilowatt hour, representing an average annual growth rate of 4.4%, and the national installed capacity of power generation was approximately 2.75 billion kilowatts, representing an average annual growth rate of 5.1% during the period from 2021 to 2025. Particularly, the report also indicated that the coal power installed capacity (煤電裝機) will increase from 1.08 billion kilowatts in 2020 to 1.25 billion kilowatts in 2025, representing an average annual growth rate of 3.0%. While the continued increase in the safety and environmental requirements on coal production is likely to restrict long-term coal supply, the increasing demand in electricity and the coal power installed capacity set a favorable tone to long-term demand of the coal products. This dynamic suggests the structural mismatch of the demand and supply for coal is expected to persist in the medium to long term, and a healthy long-term development trend for the coal industry and creates support for coal prices in the longer term.

According to China International Capital Corporation's research report, in shorter term, with the arrival of the peak season for electric coal in first quarter of 2024, the consumption of thermal coal continues to climb. Considering that there may be a need to replenish coal for power generation and heating before the spring festival, this will provide some support for coal prices. Looking ahead to 2024, with economic resilience, coal demand is expected to achieve stable growth, while there is still room for incremental demand for electric coal. On the other hand, the supply and demand of coking coal may remain relatively tight, mainly due to the resilience provided by high infrastructure growth, low inventory leading to rigid replenishment demand downstream, and uncertainty disturbance in domestic supply. At the same time, import increment is relatively limited. Therefore, it is expected that coking coal prices will still have support in 2024, especially high-quality main coking coal, which is more affected by supply disturbance risks (Source: "中金：2024年煤價可能在歷史相對偏高水平上波動、煉焦煤價格仍有支撐", csteelnews.com (中國鋼鐵新聞網) dated 25 December 2023).

In short, coal demand is expected to achieve stable growth in 2024, while supply elasticity may be weak, posing certain challenges to coal safety production. In order to better balance supply and safety production, periodic disturbances in supply may still exist. However, "ensuring energy supply" policy and prices stabilizing policy will continue to suppress the narrow range fluctuations of thermal coal. It is expected that the overall balance of supply and demand of thermal coal will be maintained in 2024, and the coal price is expected to continue to fluctuate but at a narrower amplitude.

In the medium to long term, in the process of energy transformation, it is necessary to ensure the smooth operation of the nation's energy system and safe, stable, and low-cost coal-fired power is undoubtedly the best choice. The dominant position of thermal power generation in the power generation field is not expected to change, and its position will be further strengthened in extreme situations. During the period of "14th Five-Year" Development Plan (「十四五」發展規劃), the newly installed thermal power units have significantly increased year-on-year, and thermal power production still shows a continuous growth trend. At the same time, oil prices remain at a medium high level, and the construction and production enthusiasm of coal chemical projects have improved. The demand for coal may continue to increase in the coming years. Meanwhile, with relatively limited investment in expanding production capacity by the coal enterprises, the industry's production capacity has basically reached a high load state. Coupled with the continuous withdrawal of resource depleted mines, there is no change in the tight supply condition in the coal industry, and hence the coal industry will continue to maintain a tight balance in the medium to long term.

To capitalise on the opportunities of the booming coal industry, since 2021, the Group has set the coal business as the strategic business segment of the Group and allocated more resources in developing the Group's coal business. The performance of the Group's coal business segment was encouraging and exciting, and has made remarkable progress and results in the past two years. Since the launch of the coal business in 2019, the revenue has increased from approximately RMB86 million in 2019 to RMB2.01 billion in 2022. This demonstrated the Group's success in capturing the opportunities presented by the booming coal business, and is a promising development for the Group.

Riding on the success and momentum made in 2022, during the Year, the Group continued to increase the competitive advantages and operating efficiencies of its coal supply chain platform. The Group, through a direct wholly-owned subsidiary of the Company, Surplus Plan, acquired the entire issued share capital of Margaux HK, which owns a coal shed with a storage capacity of 250,000 tonnes of coal and a construction area of approximately 16,746 sq.m and the associated machineries of such coal shed in Shanxi province, the PRC, and CC Bong Logistics, which owns two coal sheds with expected total storage capacity of 1 million tonnes of coal and the associated machineries. Both acquisitions are expected to create synergies that will enable the Group to leverage its resources more effectively, resulting in long-term and strategic growth opportunities for the Group. By expanding its capabilities in supply chain management, the Group can enhance its vertical integration capabilities and improve its operational efficiency, which should enable it to capitalise on the opportunities presented by the booming coal industry. Overall, both acquisitions are expected to be a positive development for the Group, and should help to position it for long-term success in the coal industry.

Currently, the Group is actively exploring the potential to fully utilise the Group's expertise and network in the industry through widening the scope of the coal business. This strategy is expected to improve the Group's operating conditions and optimise business structure, enabling it to capitalise on new earnings and growth points and drive sustainable and quality development of the Group's business. Looking forward to 2024, it will be transformative for the Company as the Company decides to embark on a strategic expansion into the international supply chain trading business, marking a significant milestone in the Group's growth journey. By expanding its coal business and capabilities, the Group can diversify its revenue streams and reduce its reliance on any single market or product, which is likely to enhance its long-term stability and resilience.

Recognizing the evolving dynamics of the global marketplace and the need to diversify the Company's operations, the Company's strategic decision to extend reach beyond domestic borders and venture into international supply chain trading should position the Group to take advantage of emerging opportunities in the coal supply chain industry, while also enabling it to respond effectively to changing market conditions and regulatory requirements.

This expansion aligns with the Company's long-term vision and strategic objectives, as the Company aim to unlock new avenues for growth, mitigate risks associated with local market fluctuations, and create sustainable value for the Company's stakeholders. By venturing into international markets, the Company is not only expanding its customer base but also capitalizing on emerging opportunities and building resilience in its business.

To ensure the success of this expansion, the Company has assembled a dedicated team of industry experts who possess deep knowledge of international trade dynamics, regulatory frameworks, and market trends. This team will work tirelessly to establish a robust global supply chain network, forging strong partnerships and leveraging our existing relationships to facilitate seamless and reliable coal trading operations across borders. Overall, the Group's efforts to widen the scope of its coal business are a positive development, and should help to strengthen its position in the industry.

As the Group expands into the international supply chain trading business, the Company remains steadfast in our commitment to environmental stewardship. Despite that the energy security role of coal will remain in the near term, low carbonization and clean and efficient productions are still the main development direction of the coal industry. Thus, the Company has commenced the development and construction of a photovoltaic project, aiming to promote low carbonization, integrate development of coal based energy and multi and green energy, and expand green transformation channels for the coal business.

Looking ahead, China coal supply chain market is still highly fragmented, with huge total addressable market size and opportunities. The Board remains prudent and optimistic about the prospects of our core businesses, particularly the coal supply chain business. The Group will follow a very cautious approach to ensure corporate sustainability in 2024. The Group will also continue to explore the possibility of developing other quality projects or opportunities with promising prospects to formulate a business configuration with its existing segments and to diversify the Group's businesses in both business segments and locations. The Company will do its best to carry out more active operations and explore opportunities for potential acquisitions to capture market opportunities in the PRC and to diversify the Group's business and broaden its revenue base, create value for society, customers, investors and employees.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the reporting period of the Group up to the date of this announcement.

DIVIDEND

The Directors do not recommend the payment of any final dividend in respect of the Year (the Prior Year: nil). There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

PURCHASE, REDEMPTION OR SALE OF SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities during the Year.

CHANGES TO THE BOARD

During the Year and up to the date of this announcement, the changes to the information of the information of the members of the Board as required to be disclosed pursuant to Rule 13.51 B(1) of the Listing Rules were as below:

– Mr. Cui Yazhou's monthly remuneration was changed from HK$50,000 to HK$100,000 with effect from 1 November 2023.

– Mr. Ye Xin's ("Mr. Ye") monthly remuneration was changed from HK$10,000 to HK$60,000 with effect from 1 November 2023.

CHANGE OF ADDRESS

The principal place of business of the Company in Hong Kong changed to Unit No. 4, 23rd Floor, Overseas Trust Bank Building, No. 160 Gloucester Road, Hong Kong with effect from 14 March 2023.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with applicable rules and regulations. The Group's operations are mainly carried out in the PRC and Hong Kong while the shares of the Company are listed on the Stock Exchange in Hong Kong. Hence, the Group shall comply with relevant laws and regulations in the PRC, Hong Kong and the respective places of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Listing Rules and other relevant regulations.

The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Year. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintain a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of the then Corporate Governance Code (the "Code") which was effective for the Year as set out in Appendix 14 (currently referred to as Appendix C1) to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Year, with the following exception:

Under code provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the Year, Mr. Cui Yazhou was the Chairman. The Company does not maintain the office of chief executive officer and the duties of a chief executive officer has been taken up by other executive Directors and senior management of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable to those in the Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 (currently referred to as Appendix C3) to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Directors confirm that they have complied with the required standard as set out in the Model Code during the Year.

AUDIT COMMITTEE

The audit committee under the Board (the "Audit Committee") was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee comprises the three independent non-executive Directors. The Audit Committee has reviewed the annual results for the year ended 31 December 2023.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for 2024 will be held on 14 June 2024 (the "AGM"). A notice of meeting together with the circular for the AGM will be despatched to the shareholders of the Company according to the Articles of Association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 June 2024 to 14 June 2024, both days inclusive, in order to determine the entitlement to attend the AGM. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged 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 not later than 4:30 p.m. on 7 June 2024.

PUBLICATION OF ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.huili.hk). The annual report of the Company for the year ended 31 December 2023 containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of the operations of the Group contained in this announcement are historical in nature, and past performance is no guarantee of the future results of the Group. This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's current expectations, beliefs, assumptions or projections concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those expressed, implied or anticipated in any forward looking statement or assessment of risk. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

By order of the Board
Huili Resources (Group) Limited
Cui Yazhou
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the executive Directors are Mr. Cui Yazhou (Chairman), Ms. Wang Qian, Mr. Ye Xin and Mr. Zhou Jianzhong; the non-executive Director is Mr. Cao Ye; and the independent non-executive Directors are Mr. Chan Ping Kuen, Ms. Xiang Siying and Ms. Huang Mei.

* *For identification purpose only*