Annual Report 2023

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cui Yazhou *(Chairman)*
Mr. Ye Xin
Ms. Wang Qian
Mr. Zhou Jianzhong

Non-Executive Director

Mr. Cao Ye

Independent Non-Executive Directors

Ms. Xiang Siying
Ms. Huang Mei
Mr. Chan Ping Kuen

AUDIT COMMITTEE

Ms. Huang Mei *(Chairlady)*
Ms. Xiang Siying
Mr. Chan Ping Kuen

REMUNERATION COMMITTEE

Ms. Xiang Siying *(Chairlady)*
Ms. Wang Qian
Ms. Huang Mei

NOMINATION COMMITTEE

Ms. Xiang Siying *(Chairlady)*
Ms. Wang Qian
Ms. Huang Mei

AUTHORISED REPRESENTATIVES

Mr. Cui Yazhou
Mr. Yau Hong Chun

COMPANY SECRETARY

Mr. Yau Hong Chun

INDEPENDENT AUDITOR

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23/F., Tower 2
Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay
Hong Kong

LEGAL ADVISERS

as to laws of the Hong Kong Special Administrative Region ("Hong Kong")
Michael Li & Co.

as to laws of the People's Republic of China (the "PRC")
King & Wood Mallesons

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS

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PRC

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Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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Hutchins Drive
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Cayman Islands

In Hong Kong
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16 Harcourt Road
Hong Kong

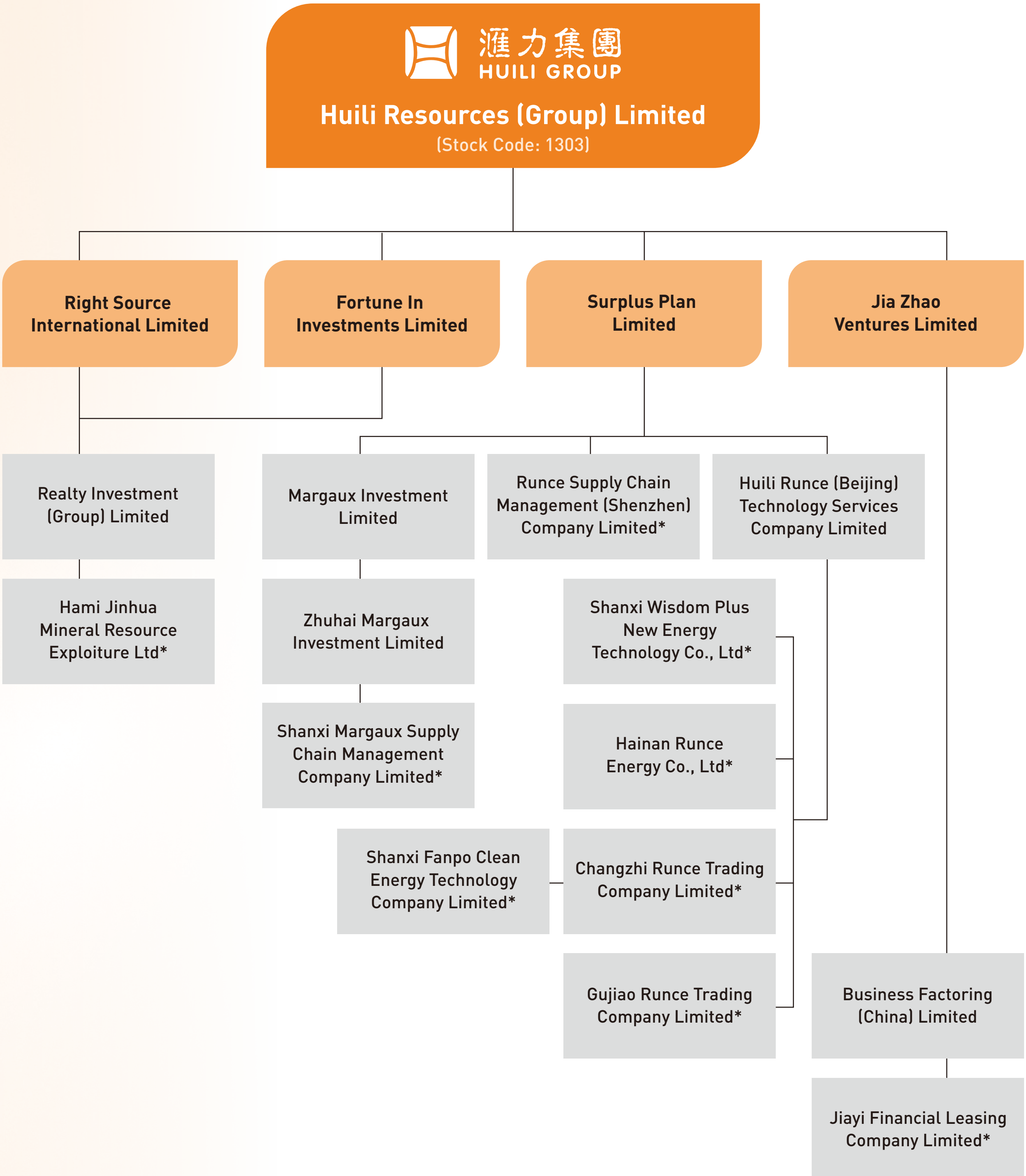
COMPANY WEBSITE

www.huili.hk

STOCK CODE

1303

PRINCIPAL SUBSIDIARIES OF THE GROUP



* For identification purposes only

MINES INFORMATION

MINERAL RESOURCES AS OF 31 DECEMBER 2023 (Note)

Project name	Classification	Quantity (kt)	Zn metal (t)	Zn Grade (%)	Pb metal (t)	Pb Grade (%)
Project Baiganhu	Measured	–	–	–	–	–
	Indicated	1,730	113,540	6.57	71,440	4.13
	Inferred	2,150	137,910	6.42	85,140	3.96
	Total	3,880	251,450	6.49	156,580	4.03

ORE RESERVES AS OF 31 DECEMBER 2023 (Note)

Project name	Classification	Quantity (kt)	Zn metal (t)	Zn Grade (%)	Pb metal (t)	Pb Grade (%)
Project Baiganhu	Proved	–	–	–	–	–
	Probable	1,055	62,773	5.95	39,352	3.73

Note: The reports on mineral resources and ore reserves of the Project Baiganhu were prepared based on the independent technical report of Minacro-Mine Consult, an independent technical consultant, for determining mineral resources and ore reserves. The rounding of figures may result in minor computational discrepancies. Such discrepancies are deemed to be insignificant.

MINING PERMITS

Project name	Type of ore under exploration	Mining Area (km^2)	Permit expiry date (month/year)
Project Baiganhu	Pb, Zn	0.96	September 2021 (Note)

Glossary:
Pb: Lead
Zn: Zinc

Note: The Group is in the progress of renewing these permits, in which applications of renewal have been made to the relevant government departments.

CAPITAL EXPENDITURE AND EXPLORATION EXPENSES

The Group did not carry out any ore production during the years ended 31 December 2022 and 2023.

For the years ended 31 December 2022 and 2023, no capital expenditure was incurred for the development and mining activities.

For the years ended 31 December 2022 and 2023, the Group did not charge any exploration expenses to the consolidated statement of comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

* For identification purpose only

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 sub-section headed "Material Acquisitions and Disposals" under the section headed "Management Discussion and Analysis" to this report.

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 scarce 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.

* For identification purpose only

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.

* For identification purpose only

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 temporally 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 further details, please refer to the sub-section headed "Material Acquisitions and Disposals" under the section headed "Management Discussion and Analysis" to this report.

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 dollars ("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.

For more details, please refer to notes 21, 22 and 23 of these consolidated financial statements.

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 sub-section headed "Liquidity and Financial Resources" under the section headed "Management Discussion and Analysis" to this report.

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), on 29 November 2021 ("Shanxi Fanpo Acquisition"). Pursuant to the Fanpo SPA, Changzhi Runce agreed to purchase and Mr. Cui Huike 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 Huike 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 limited liability, through Zhuhai Margaux Investment Company Limited* (珠海瑪高投資有限公司), a company established in the PRC with limited 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.

* For identification purpose only

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.

* For identification purpose only

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. Further details of the Group's inherent risk exposures are set out at note 44 of these consolidated financial statements.

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. Further details of the Group's foreign exchange risk exposures are set out at note 44.1(a) of these consolidated financial statements.

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. For details of the ECLs assessment, please refer to notes 21 and 44.1(b) of these consolidated financial statements.

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.

Further details of the Group's credit risk exposures are set out in the note 44.1(b) of these consolidated financial statements.

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 42 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 and note 40 to these consolidated financial statements, the Group had no other material contingent liability as at 31 December 2023 and 2022.

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.

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. Further details of the share option scheme of the Company currently in effect are set out in the sub-paragraph headed "Share Option Scheme" in the section headed "Report of the Directors" in this report.

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 our 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.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of the operations of the Group contained in this report are historical in nature, and past performance is no guarantee of the future results of the Group. This report 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 report; 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cui Yazhou (崔亞洲)

Mr. Cui, aged 33, obtained a bachelor's degree in science of business administration from Gabelli School of Business of Fordham University. From May 2014 to November 2014, he served as the assistant investment manager in Everbright Financial Holding Asset Management Co. Ltd. (光大金控資產管理有限公司). From August 2015 to September 2019, he was the investment manager and the committee member of investment committee of Guangda Fuzun Investment Co., Ltd.* (光大富尊投資有限公司), a wholly owned subsidiary of Everbright Securities Company Limited (光大證券股份有限公司), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 6178), and then served as the head of the energy industry research team and the investment manager in the equity investment trading department of Everbright Securities Company Limited from October 2019 to July 2021.

Mr. Cui was appointed as an executive Director on 10 November 2021 and as the chairman of the Board and an authorised representative of the Company (the "Authorised Representative") on 1 June 2022.

Mr. Ye Xin (葉欣)

Mr. Ye, aged 48, obtained a bachelor's degree in accounting from Xi'an Jiaotong University, a master's degree in management from Xi'an University of Technology and an executive master of business administration from Cheung Kong Graduate School of Business. He has obtained the qualification certificate of the company secretary from the Shenzhen Stock Exchange. From July 1995 to October 2003, he served as the accountant in the finance department of the Northwest Civil Aviation Administration of Civil Aviation* (民航西北管理局). From October 2003 to July 2006, he was the deputy director of the strategic development department in Unisplendour Corporation Limited (清華紫光股份有限公司), an A-shares listed technology company (stock code: 000938) specializing in electronics and information technology, and Tsinghua Holding Group Co., Ltd.* (清華控股集團公司). He served as deputy director of investment and project management center, deputy manager of the financial management department, and director of the Beijing office successively from August 2006 to December 2011 in Shenzhen Cozhou Electronics Co., Ltd. (深圳市同洲電子股份有限公司), an A-shares listed technology company (stock code: 002052) focusing on providing leading smart home products and services to users worldwide, and from January 2012 to February 2015, he was promoted to the deputy general manager, and served as the company secretary from February 2012 to January 2015. He then served as the general manager of Shenzhen Cozhou Electronics Co., Ltd. from February 2015 to January 2016. In January 2016, he established T-Rock Fund Management (Shenzhen) Company Limited (天石基金管理（深圳）有限公司), which focuses on private equity investment, and is currently the legal representative, general manager, and the director of T-Rock Fund Management (Shenzhen) Company Limited. Since 24 December 2019, Mr. YE has been appointed as the independent non-executive director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. (蕪湖三七互娛網絡科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002555) and is a leading game publisher and developer that principally engaged in the publication and development of mobile, browser and html games.

Mr. Ye was appointed as an executive Director on 12 July 2021.

* For identification purpose only

Ms. Wang Qian (王茜)

Ms. Wang, aged 48, has over 15 years of experience in finance, investment and management areas. From October 2001 to June 2002, Ms. Wang was employed by PricewaterhouseCoopers Consulting, a company principally engaged in the provision of management consulting services, where she served as a consultant and was primarily responsible for enterprise strategy and financial management consultation. Ms. Wang successively acted as a senior manager of the finance strategy & business development department at the US headquarters of Goodyear Tire & Rubber Company and the Asia-Pacific region Finance Director of Goodyear Engineered Products Company from July 2004 to March 2009, Goodyear's principal business is manufacturing tires and rubber products, where she was primarily in charge of mergers and acquisitions, and annual operation planning, as well as organising and supervising the financial activities for the Asia Pacific region, After Goodyear Engineered Products Company was acquired by The Carlyle Group, Ms. Wang had led several acquisitions and restructuring projects. Since March 2009, Ms. Wang has served as the president of HIXIH Investment, a company principally engaged in the business of equity and securities investment, and Ms. Wang is primarily responsible for company management and investment business, She has accomplished and participated in several initial public offering projects on the New York Stock Exchange, the Stock Exchange and Shanghai Stock Exchange for companies in finance, energy and resources and culture industries. Ms. Wang received a certificate of Certified Public Accountant granted by the Accountancy Board in the USA in October 2005. Ms. Wang received her Bachelor's degree of economics from the Central University of Finance and Economics in July 1998. Ms. Wang received her Master of Business Administration degree from the Carnegie Mellon University in the USA in May 2004. Since 31 May 2022, she has been appointed as an executive director and the vice chairman of Future World Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 0572).

Ms. Wang was appointed as an executive Director on 26 January 2016.

Mr. Zhou Jianzhong (周建忠)

Mr. Zhou, aged 51, has over 20 years of experience in the construction and engineering management field. Mr. Zhou joined the Group in May 2017 and is currently the legal representatives of Hami Jinhua, responsible for general operations of the Company's mines in the PRC. From 2008 to 2017, Mr. Zhou held the position of the general manager and executive director of Shanxi Zi Feng Technology Company Limited* (山西紫峰科技有限公司) responsible for corporate management and technical services in respect of lands involved in various projects. During the period from 1998 to 2008, Mr. Zhou was an engineer at China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團建築公司). Mr. Zhou obtained a bachelor's degree in industrial and civil architecture from Hebei University of Architecture (河北建築科技學院) and certificate of completion of postgraduate course of Road and railway construction from 石家莊鐵道學院 (Shijiazhuang Tiedao University). Mr. Zhou is a constructor (一級建造師) recognized by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) in 2008.

Mr. Zhou was appointed as an executive Director on 11 March 2019.

* For identification purpose only

NON-EXECUTIVE DIRECTOR

Mr. Cao Ye (曹野)

Mr. Cao, aged 29, obtained a bachelor's degree in investment from the School of Banking and Finance, University of International Business and Economics (對外經濟貿易大學金融學院). He has extensive experience in investment and coal trading business. Since March 2015, he has held the position of the partner of 北京正略才誠資產管理有限公司 (Beijing Zhenglve Caicheng Asset Management Co, Ltd.*) responsible for managing the fund that in acquisition, management and disposal of non-performing assets. Starting from November 2015, he has served as the assistant general manager of 山西昌盛鑫隆供應鏈管理服務有限公司 (Shanxi Changsheng Xinlong Supply Chain Service Co., Ltd.*), which is a coal trading company, to assist the general manager in developing business strategy and is in charge of the sales and marketing department of the company. Since November 2018, Mr. Cao has joined 博通能源銷售(寧波)有限公司 (Botong Energy Trading (Ningbo) Co., Ltd.*), which engages in coal trading business, as general manager and is mainly responsible for formulating the strategy of the company's business, overseeing the finance function of the company, and monitoring and coordinating the business development of the company's coal trading business.

Mr. Cao was appointed as an non-executive Director on 14 June 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Xiang Siying (項思英)

Ms. Xiang, aged 61, holds a Bachelor's Degree in Agriculture Economics from China Agriculture University (now known as China Agricultural University) in 1986 and Master's Degree in Finance and Economics from Zhongnan University of Economics, Finance and Laws, China as well as The Research Institute of Finance and Economics of China in 1988. Ms. Xiang also holds a Master's Degree in Business Administration from London Business School in 1999. She is a currently a consultant for CDH Investments ("CDH") and has had a long career in investment, banking and financial advisory services. From June 2010 to April 2016, Ms. Xiang had worked for CDH as an executive director; and before that from March 2004 to June 2010 she worked for China International Capital Corporation in its direct investment department and investment banking department as an executive director. Prior to returning to China in early 2004, Ms. Xiang was an investment officer of Global Manufacturing and Service Department and East Asia and Pacific Department of International Finance Corporation ("IFC"), the World Bank Group, in Washington DC from August 1996 to March 2004, and before that Ms. Xiang was an investment analyst of IFC's representative office in China. From July 1988 to July 1991 Ms. Xiang served as an officer of the Ministry of Agriculture China, in its Department of World Bank Agriculture Project Management and Department of Rural Reform Research and Farm Management. Ms. Xiang also held the position of an independent non-executive director of Titan Petrochemicals Group Limited, a company listed on the main board of the Stock Exchange (stock code: 1192), from July 2015 to July 2018. Ms. Xiang has been the independent non-executive director of China Ocean Industry Group Limited, a company listed on the main board of the Stock Exchange (stock code: 651) since 15 May 2008.

Ms. Xiang was appointed as an independent non-executive Director on 6 September 2017, and was appointed as the chairlady of the Board and the Authorised Representative on 11 March 2019. Ms Xiang then resigned on 31 May 2022 from her role as the chairlady of the Board and the Authorised Representative. The Company has received an annual confirmation from Ms. Xiang of her independence pursuant to Rule 3.13 of the Listing Rules and is of the view that Ms. Xiang remains independent.

* For identification purpose only

Ms. Huang Mei (黃梅)

Ms. Huang, aged 44, obtained a bachelor's degree in Management and a master degree in Accountancy from Tsinghua University. She is a member of the Chinese Institute of Certified Public Accountants. Ms. Huang has over 15 years' experience in accounting, auditing and corporate management. She has worked in PricewaterhouseCoopers Zhong Tian LLP, an international accounting firm, from August 2003 to July 2015. She has also been the financial controller of Alibaba Pictures Group Limited, a company listed on the main board of the Stock Exchange (stock code: 1060) from July 2015 to July 2018. Currently she is the chief financial officer of a startup company.

Ms. Huang was appointed as an independent non-executive Director on 19 October 2018. The Company has received an annual confirmation from Ms. Huang of her independence pursuant to Rule 3.13 of the Listing Rules and is of the view that Ms. Huang remains independent.

Mr. Chan Ping Kuen (陳炳權)

Mr. Chan, aged 38, has over 10 years of experience in the mining and material trading industry. Mr. Chan is currently the trading director of a coal trading company which is mainly engaged in the coal import business in the PRC. From April 2013 to October 2022, Mr. Chan was the trading director of Ares Asia Limited, a company listed on the main board of the Stock Exchange (stock code: 645), and was responsible for coal, iron ore and rice imports to the PRC. From April 2011 to March 2013, Mr. Chan held the position of assistant manager of trading department in Best Power Holdings (HK) Ltd., responsible for trading of iron ore and coal. From February 2009 to January 2011, Mr. Chan joined Hangpo Investment (Macau) Group Co., Ltd. as the assistant trading manager, responsible for procurement and coal, iron ore and manganese trading transactions. Mr. Chan obtained a bachelor's degree in accounting from Jinan University in 2009.

Mr. Chan was appointed as an independent non-executive Director on 11 March 2019. The Company has received an annual confirmation from Mr. Chan of his independence pursuant to Rule 3.13 of the Listing Rules and is of the view that Mr. Chan remains independent.

SENIOR MANAGEMENT

Mr. Gao Weigang (高偉剛)

Mr. Gao, aged 43, joined the Group as vice president in January 2024. He is currently responsible for international supply chain trading business and cross-border logistics management. Mr. Gao has more than 15 years of extensive experience in international supply chain trading business and cross-border logistics management.

Mr. Gao served as a general manager of operation risk control center and later promoted to the director of operation management department in a well-known commodities supply chain management group that is listed on Shanghai Stock Exchange for around 10 years. Mr. Gao graduated from Wuhan University of Science and Technology in 2005 with a bachelor's degree in International Economy and Trade and a degree of Executive Master of Business Administration from Peking University in July 2022.

Mr. Yau Hong Chun (邱康俊)

Mr. Yau, aged 38, joined the Group on 14 January 2019 and was appointed as the company secretary and the financial controller of the Company on 13 February 2019. Mr. Yau holds a Bachelor degree in Business Administration in Accounting from the Chinese University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and the associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). Mr. Yau possesses over 15 years of experience in accounting, auditing and corporate field. Mr. Yau worked in international accounting firms for auditing, and then joined a HK listed group as finance manager in April 2014 and was then promoted to assistant financial controller in January 2019.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Huili Resources (Group) Limited (the "Company") present their report and these audited consolidated financial statements of the Group for the year ended 31 December 2023 (the "Year").

CORPORATE INFORMATION

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 "Stock Exchange") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company issued 250,000,000 ordinary new shares of HK$0.1 each at a subscription price of HK$1.7 per share pursuant to the public offering. The Company's shares including these new shares were listed on the main board of the Stock Exchange on 12 January 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together with the Company, the "Group") are principally engaged in the trading of coal, provision of coal processing services, coal service supply chain, and mining, processing and sales of lead and zinc products in the People's Republic of China (the "PRC"), details of which are set out in note 38 to these consolidated financial statements.

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, during the Year, the Group continued to move horizontally and diversify in to storage and coal mixing services. 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") and CC Bong Logistics Limited ("CC Bong Logistics") during the Year.

Margaux HK, through its indirect wholly-owned subsidiary in the PRC, Shanxi Margaux Supply Chain Management Company Limited* (山西瑪高供應鏈管理有限公司) ("Margaux Shanxi"), 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 sq.m and 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. The coal shed, together with the 14 specialised bulldozers and loaders that are equipped by Margaux Shanxi allow the Company to fulfill the storage, loading and coal mixing demand of the customers in Shanxi province, the PRC. The acquisition of Margaux HK was completed in September 2023.

On the other hand, CC Bong Logistics, through its indirect wholly-owned subsidiary in the PRC, Changzhishi Desheng Coal Storage and Distribution Company Limited* (長治市德勝煤炭儲配有限公司) ("Changzhishi Desheng"), owns two coal sheds and the associated machineries of such coal sheds. 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. The acquisition of CC Bong Logistics was completed in January 2024.

* For identification purpose only

The acquisitions of Margaux HK and CC Bong Logistics 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.

Meanwhile, in order to concentrate its resources to exploit the market opportunities of the coal business, the Group has entered into an equity transfer agreement with an independent third party, to dispose of its entire equity interest in 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"), 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 offered an opportunity for the Group to exit at acceptable terms and reallocate its financial and management resources to other businesses of the Group with a view to generate better return.

Save as disclosed herein, there were no significant changes in the nature of the Group's principal activities during the Year.

BUSINESS REVIEW

Details of the business review, financial performance and future development of the Group's business are set out in the section headed "Management Discussion and Analysis" from pages 7 to 23 of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

There are various risks and uncertainties including business risks, operational risks, and financial risks that may have different levels of impact on the Group's financial performance, operations, business as well as future prospects.

For risks and uncertainties relating to the Group's mining business and operation, the business of exploring for natural resources and the development and productions of mining operations are inherently risky. Projects may be unsuccessful and there are no assurances that current or future exploration or development programs will be successful. Certain projects of the Group have a finite and relatively short estimated mine life and there are uncertainties to acquiring new mining projects. The business and results of operations are also susceptible to volatility in commodity prices and economic cyclicality. In addition, as all the existing mining projects are located in the PRC, the Group's business, financial condition, results of operations and prospects are greatly affected by political, economic and legal developments and changes to government policies in the PRC. If any stricter regulations regarding the Group's operations or the mining industry are enacted in the future, the business and operations of the Group may also be significantly impacted and there are uncertainties in renewing the mining and exploration permits or obtain relevant approvals from the government.

As for the risks and uncertainties of the Group's coal business, any significant disruption and volatility in the financial and commodities markets, and restrictions on the conduct of the business in the place of the Group's operation that may have caused general economic uncertainty, any of which may have a significant adverse effect on the Group's operations, business and financial condition. Fluctuations in the market price of coal products may also significantly and adversely affect the results of the Group's coal business operations. The Group's coal business solely operates in the PRC market and the PRC market is a significant source of demand for coal products, thus sustained slowdown in the PRC's growth or demand could have an adverse effect on the price and/or demand for the Group's product. The nature of the Group's coal business is subject to numerous policies and regulations, including but not limited to health, safety, environmental, etc., and any changes to these policies and regulations may cause a significant impact on the Group's coal business.

* For identification purpose only

The Group is also exposed to certain financial risk, including market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. Details of financial risks are set out in note 44 to these consolidated financial statements and the section headed "Principal Risks" under the "Management Discussion and Analysis" to this annual report.

KEY FINANCIAL PERFORMANCE INDICATORS

An analysis of the Group's financial performance in terms of key indicators are set out in the section headed "Liquidity and Financial Review" under the "Management Discussion and Analysis" to this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates.

The Group's operations are subject to a variety of PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental matters, such as mining control, land rehabilitation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. The PRC government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental laws and regulations, which could have a material adverse effect on financial condition and results of operations and could incur additional costs.

The Group was in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects and was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the Year. The Group is also committed to allocating operating and financial resources to ensure environment protection compliance as required by applicable PRC laws and regulations. As at 31 December 2023, the provision for close down, restoration and environmental costs was approximately RMB2.0 million (2022: RMB3.1 million), details of which are set out in note 29 to the consolidated financial statements.

In accordance with Rule 13.91 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company will publish an environmental, social and governance ("ESG") report separately at the same time as the publication of this annual report on the Stock Exchange's website and the Company's website in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 (currently referred to as Appendix C2) to the Listing Rules which was effective during the Year.

In compliance with the Rule 13.91 of the Listing Rules, the ESG report will not be provided in printed form. For shareholders of the Company (the "Shareholder(s)") who wish to receive a printed version of the ESG Report, please send your request in writing to the registered office and principal place of business of the Company at Unit No. 4, 23rd Floor, Overseas Trust Bank Building, No. 160 Gloucester Road, Hong Kong.

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 CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 39 to 53 of this annual report.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHER STAKEHOLDERS

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. There was no material and significant dispute between the Group and its key stakeholders that had a significant impact on the Group during the Year.

The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The Group's profit for the Year is set out in the consolidated statement of comprehensive income on page 58 and the state of affairs of the Group as at 31 December 2023 are set out in the consolidated statement of financial position on pages 59 and 60.

The Directors do not recommend the payment of any final dividend for the Year.

DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of share premium and retained earnings, if any.

Under the Companies Law of the Cayman Islands, the share premium account is distributable to Shareholders if immediately following the date on which the Company proposes to distribute the dividend, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2023, the Company had a reserve balance of approximately RMB190.8 million, representing share premium of approximately RMB703.8 million, net of investment revaluation reserve of approximately negative RMB5.6 million and accumulated losses of approximately RMB507.3 million, available for distribution to the Shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 136. This summary does not form part of these audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 31 to these consolidated financial statements. On 29 May 2023, the Group entered into a sale and purchase agreement with an independent third party , Mr. Feng Yuantao ("Mr. Feng"), as vendor, to purchase the entire issued share capital of Margaux Investment Limited (the "Margaux Acquisition") at a consideration of HK$41,847,000 which shall be satisfied by the issue of 167,388,000 new ordinary shares of the Company (the "Share(s)") to Mr. Feng. The Margaux Acquisition was completed on 22 September 2023 with the final consideration of approximately RMB50.6 million, and 167,388,000 new Shares was then issued and allotted to Mr. Feng. For further details, please refer to the sub-section headed "Material Acquisitions and Disposals" under the section headed "Management Discussion and Analysis" in this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of such securities.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 33.5% (2022: 22.6%) of the total sales for the Year and sales to the largest customer included therein amounted to 9.6% (2022: 6.6%) of the total sales. During the Year, the purchases from Group's five largest suppliers and the largest supplier accounted for 75.8% (2022: 97.3%) and 31.5% (2022: 73.6%) of the total purchases, which solely contributed by the Group's new trading of coals business during the Year, respectively.

None of the Directors or any of their respective close associates within the meaning of the Listing Rules, or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's above-mentioned customers and suppliers.

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Cui Yazhou *(Chairman)*
Mr. Ye Xin
Ms. Wang Qian
Mr. Zhou Jianzhong

Non-Executive Director

Mr. Cao Ye

Independent non-executive Directors

Ms. Xiang Siying
Ms. Huang Mei
Mr. Chan Ping Kuen

Pursuant to article 83(3) of the Company's articles of association, a Director appointed by the Board as an addition to the existing Board or to fill a casual vacancy on the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In accordance with article 84(1) of the Company's articles of association, at each annual general meeting one-third of Directors (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Ye Xin, Mr. Zhou Jianzhong and Ms. Huang Mei will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 24 to 27.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The remuneration of the Directors are determined by the remuneration committee of the Company with reference to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in the note 12 to these consolidated financial statements.

PERMITTED INDEMNITY

Pursuant to the articles of association of the Company, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has arranged appropriate insurance cover in respect of relevant actions against its Directors during the Year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No Director or his associate has engaged in any business which competes or is likely to compete directly or indirectly with that of the Group.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the Year or subsisting at the end of the Year are set out below:

Share Option Scheme

The old share option scheme, which was adopted by the Company on 16 December 2011 was terminated upon the conclusion of the annual general meeting of the Company held on 28 May 2021 (the "AGM") and no share options can be further granted under the old share option scheme. A new share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company at the AGM. The Share Option Scheme shall continue in force for a period commencing from the date of adoption of the Share Option Scheme (the "Date of Adoption"), which is 28 May 2021, and expire at the close of business on the date which falls ten (10) years after the Date of Adoption (that is from 28 May 2021 to 27 May 2031). As at the date of this annual report, there is approximately 7 years remaining of the life of the Share Option Scheme.

The purpose of the Share Option Scheme is to enable the Company to grant Options to select Eligible Participants (as defined below) as incentives and/or rewards for their contribution or potential contribution to and continuing efforts to promote the interests of, the Group and to enable the Group to recruit and retain high-calibre persons and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest (the "Invested Entity").

The Share Option Scheme intends to cover eligible participants (the "Eligible Participants") including (i) any directors, whether executive or non-executive and whether independent or not, of the Group or any Invested Entity; (ii) any full time or part time employees of the Group or any Invested Entity; (iii) any shareholders of any members of the Group or any Invested Entity or any holders of any securities issued by any member of the Group or any Invested Entity; and (iv) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any Invested Entity.

The subscription price for shares of the Company (the "Share(s)") under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the date on which an offer(s) (the "Offer(s)") of the grant of an option(s) to Eligible Participant(s) to subscribe for Share(s) under the Share Option Scheme (the "Option") is/are made to an Eligible Participant(s) (the "Offer Date"), which must be a day on which the Stock Exchange is open for the business of dealing in securities listed thereon ("Business Day"); (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and (iii) the nominal value of the Share on the Offer Date.

An Offer of the grant of an Option shall be made to Eligible Participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of twenty-one (21) days inclusive of, from the date upon which it is made provided that no such Offer shall be open for acceptance after the earlier of the 10th anniversary of the Date of Adoption or the termination of the Share Option Scheme or the Eligible Participant to whom such Offer is made has ceased to be an Eligible Participant. A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an Option.

The Share Option Scheme does not specify a minimum period for which a share option must be held before it can be exercised. The exercise period of the share options granted is determinable by the directors of the Company at the time of making an Offer provided that such period shall not exceed the period of 10 years from the date of the grant of the particular Option but subject to the provisions for early termination. The exercise of any share option may by subject to any vesting schedule or condition(s) to be determined by the Board.

The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the Share Option Scheme (the "Scheme Mandate Limit"), unless approval from shareholders of the Company (the "Shareholder(s)") has been obtained. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. The Company may refresh the Scheme Mandate Limit at any time subject to approval of the Shareholders in general meeting, provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of passing the relevant resolution. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised Options) will not be counted for the purpose of calculating this limit.

The total number of shares available for issue under the Share Option Scheme is 162,000,000 Shares, representing approximately 10% of the total number of Shares in issue as at the date of passing of an ordinary resolution by the Shareholders at the AGM to approve the adoption of the Share Option Scheme. As at 31 December 2023, 162,000,000 Shares were available for issue under the Share Option Scheme, representing 10% of the Shares in issue as at the date of the AGM, 9.1% of the Shares in issue as at 31 December 2023 and 8.3% of the Shares in issue as at the date of this annual report.

The total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue.

As at 31 December 2023, there were no outstanding Options and no Options were granted, exercised or cancelled or lapsed during the Year. Further details of the Share Option Scheme are set out in the circular of the Company dated 23 April 2021.

CONTRACT OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries, fellow subsidiaries and parent company was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2023, the following Directors or the chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Name	Nature of interests	Total interests in shares	Approximate percentage of the Company's issued share capital
Sky Circle International Limited ("Sky Circle")	Beneficial owner (Note 1)	521,000,000 (L)	29.2%
Mr. Cui Yazhou ("Mr. Cui")	Interest in a controlled corporation (Note 1)	521,000,000 (L)	29.2%
Prosper Union Holdings Limited	Beneficial owner (Note 2)	137,792,017 (L)	7.7%
Mr. Ye Xin ("Mr. Ye")	Interest in a controlled corporation (Note 2)	137,792,017 (L)	7.7%

Remarks: (L): Long position; (S): Short position

Notes:

1. Mr. Cui, the chairman of the Board and an executive Director, is the legal and beneficial owner of the entire issued share capital of Sky Circle which holds 521,000,000 Shares, and thus Mr. Cui is deemed to be interested in such shares of the Company under the SFO.

2. Mr. Ye, an executive Director is the legal and beneficial owner of the entire issued share capital of Prosper Union Holdings Limited which holds 137,792,017 Shares, and thus Mr. Ye is deemed to be interested in such shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2023, the Directors and the chief executive of the Company were not aware of any other Directors and chief executive of the Company who had, or is deemed to have, interests or short positions in the Shares, and underlying Shares which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2023, the following persons (not being a Director or chief executive of the Company) had or is deemed to have an interest and short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interests	Total interests in shares	Approximate percentage of the Company's issued share capital
Mr. Feng Yuantao	Beneficial owner	306,522,040 (L)	17.1%
China Clean Energy Technology Limited	Beneficial owner (Note 1)	170,000,000 (L)	9.5%
Mr. Lai Long Wai	Interest in a controlled corporation (Note 1)	170,000,000 (L)	9.5%
Pine Success International Holdings Limited	Beneficial owner (Note 2)	147,000,000 (L)	8.2%
Ms. Gao Miaomiao	Interest in a controlled corporation (Note 2)	147,000,000 (L)	8.2%
Mr. Cao Jiawei	Interest in a controlled corporation (Note 2)	147,000,000 (L)	8.2%

Remarks: (L): Long position; (S): Short position

Notes:

1. Mr. Lai Long Wai is the legal and beneficial owner of the entire issued share capital of China Clean Energy Technology Limited which holds 170,000,000 Shares and thus Mr. Lai Long Wai is deemed to be interested in such shares of the Company under the SFO.

2. Ms. Gao Miaomiao and Mr. Cao Jiawei hold 85% and 15% of the issued share capital of Pine Success International Holdings Limited, respectively and thus are each deemed to be interested in such shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2023, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had, or was deemed to have an interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Unit No. 4, 23rd Floor, Overseas Trust Bank Building, No. 160 Gloucester Road, Hong Kong at 11:30 a.m. on 14 June 2024 (the "2024 AGM"). A notice of meeting together with the circular for the 2024 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 2024 AGM. In order to qualify for attending and voting at the 2024 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 10 June 2024.

EVENTS AFTER THE REPORTING PERIOD

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

AUDITORS

The consolidated financial statements of the Group for the Year and for the years ended 31 December 2022 and 2021 were audited by ZHONGHUI ANDA CPA Limited, who will retire at the end of the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cui Yazhou
Chairman

Hong Kong, 28 March 2024

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION

Huili Resources (Group) Limited (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 ended 31 December 2023 (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 except for code provision C.2.1 of the Code as explained in this Corporate Governance Report (the "CG Report").

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 of the Company (the "Directors"). Having made specific enquiry of all of the Directors, the Directors confirm that they have complied with the required standard as set out in the Model Code during the Year.

SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES

The board of the Directors (the "Board") of the Company has also adopted a policy with no less exacting terms than the Model Code for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in securities of the Company. Having made specific enquiry with all of the Relevant Employees, each of them confirmed that this policy has been complied in full throughout the Year.

BOARD OF DIRECTORS

As at 31 December 2023, the Board comprises of eight Directors including four executive Directors, being Mr. Cui Yazhou (Chairman (as defined below)), Ms. Wang Qian, Mr. Ye Xin and Mr. Zhou Jianzhong; one non-executive Director, being Mr. Cao Ye; and three independent non-executive Directors, being Ms. Xiang Siying, Ms. Huang Mei and Mr. Chan Ping Kuen. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The biographical details of the Directors are set out on pages 24 to 27 to this annual report.

During the Year and up to the date of this report, the changes to 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 ("Mr. Cui") 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.

The Board is principally accountable to the shareholders of the Company (the "Shareholders") and is responsible for the leadership and control of the Company and its subsidiaries (the "Group") including overseeing the Group's businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the senior management.

The Board, with balance of skills and experience, meets regularly to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board has delegated certain authorities to the senior management for the day-to-day management of the Group's operation.

To the best knowledge of the Board, the Directors have no financial, business, family or other material/relevant relationship among themselves. All of the Directors have confirmed that they have sufficient time and attention to deal with the affairs of the Group.

The Board complied with Rule 3.10A of the Listing Rules to appoint at least one-third of its Directors as independent non-executive Directors. The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors, namely Ms. Xiang Siying, Ms. Huang Mei and Mr. Chan Ping Kuen, to be independent of the Company during the Year.

During the Year, the independent non-executive Directors held a closed-session where issues were discussed in the absence of the executive Directors, the non-executive Director and the management.

The Board is also responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, and practices on corporate governance; reviewing and monitoring the training and continuous professional development of Directors and senior managements and the Company's policies and practices on compliance with legal and regulatory requirements, etc. It is also the practice of the Group to engage and consult financial advisors and legal advisors in conducting its various transactions and in its daily operations in order to ensure compliance with legal and regulatory requirements. The Group has also adopted the policy that all business transactions conducted by the Group must strictly comply with relevant laws and regulations. The Board also develops policy and practices, and reviews and monitors whether such policy and practices have been followed by the management and employees of the Group from time to time.

To facilitate effective oversight and decision making by the Board, the Company established a mechanism to ensure independent views and input are available to the Board, and such mechanism includes:

- engaging a People's Republic of China (the "PRC") legal advisor to provide advice to the Board on an ongoing basis in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect business operations of the Group in the PRC;

- engaging a legal advisor in Hong Kong Special Administrative Region, the PRC ("Hong Kong") to advise the Board on an ongoing basis in respect of the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);

- upon the request of the Board, engaging a valuer to provide advice to the Board on any matters in relation to valuations of any business transactions;

- upon the request of the Board, engaging a financial advisor to provide financial advice to the Board on any business transactions;
- establishing communication channels to ensure the independent views from the aforementioned professional parties are communicated to the Board; and
- appointing at least one-third of its Directors as independent non-executive Directors.

On an annual basis, the Board will review the implementation and effectiveness of such mechanism.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

Regular Board meetings to review the financial and operating results of the Group and to propose interim and final dividends, if appropriate. Meetings are also held as and when necessary to discuss significant matters. Sufficient notice of not less than 14 days has been given to all Directors for regular Board meetings and reasonable notice has been given for other meetings. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association (the "Articles of Association"). All Directors are given an opportunity to include matters in the agenda for Board meetings and have access to the company secretary of the Company (the "Company Secretary") to ensure that all board procedures and all applicable rules and regulations are followed. The Board also enables Directors to seek independent professional advice at the Company's expense in appropriate circumstances.

All minutes of the meetings are kept by the Company Secretary and are open for inspection by the Directors at any time. The meetings are structured to allow open discussion. All of the Directors can participate in discussing the strategy, operational and financial performance and internal control of the Group.

The Company Secretary assists the Chairman to prepare the agenda of the meeting and each Director may request to include any matters in the agenda. At least 14 days' notice is given to the Directors for the regular meetings by the Company. All substantive agenda items have comprehensive briefing papers, which are distributed by the Company Secretary to the Directors within reasonable time before the Board meetings so as to ensure that the Directors may receive accurate, timely and clear information to make informed decisions regarding the matters discussed in the meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

Under code provision C.5.1 of the Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Year, the Board held 5 meetings within the meaning of the Code.

The attendance of each Director at the Board meetings, certain committee meetings and general meetings during the Year is as follows:

	Attended/Eligible to attend				
	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	Annual general meeting
Executive Directors					
Mr. Cui Yazhou *(Chairman)*	5/5	N/A	N/A	N/A	1/1
Mr. Ye Xin	5/5	N/A	N/A	N/A	1/1
Ms. Wang Qian	5/5	N/A	1/1	1/1	1/1
Mr. Zhou Jianzhong	5/5	N/A	N/A	N/A	1/1
Non-Executive Director					
Mr. Cao Ye	5/5	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Ms. Xiang Siying	4/5	3/4	0/1	0/1	1/1
Ms. Huang Mei	5/5	4/4	1/1	1/1	1/1
Mr. Chan Ping Kuen	5/5	4/4	N/A	N/A	1/1

Remarks: N/A: Not applicable

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 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.

TERMS OF NON-EXECUTIVE DIRECTORS

Neither the non-executive Director nor the independent non-executive Directors are employees of the Company. The non-executive Director and the independent non-executive Directors are all appointed for a term of three years. The terms of appointment of the non-executive Director and the independent non-executive Directors may be renewed upon expiry usually for a period of three years. Each non-executive Director and independent non-executive Director has committed that they will devote sufficient time and make contributions to the Company on the Board matters.

All of the Directors including the non-executive Director and the independent non-executive Directors are subject to retirement by rotation in accordance with the Articles of Association. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

The remuneration of the five highest paid individuals by band for the Year is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000 (up to RMB904,732 equivalents)	4

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with revised written terms of reference which were adopted on 30 December 2022 and are in line with the code provisions set out in the Code. The Audit Committee meets at least twice a year for reviewing the reporting of annual and interim results and other information to the Shareholders, and the effectiveness and objectivity of the audit process. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The auditor of the Company (the "Auditor") may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Auditor in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the Auditor.

The Audit Committee comprises three independent non-executive Directors, namely Ms. Huang Mei (chairlady of the Audit Committee), Ms. Xiang Siying and Mr. Chan Ping Kuen. During the Year, the Audit Committee held 4 meetings.

The Audit Committee is also responsible for performing the functions set out in the code provision D.3.3 of the Code. During the Year, the Audit Committee had performed the works as follows:

1. reviewed the Company's corporate governance policies and practices;

2. reviewed the training and continuous professional development of Directors and senior management;

3. reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

4. reviewed the code of conduct and compliance manual (if any) applicable to employees and Directors;

5. reviewed the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this CG Report;

6. reviewed and monitored the Auditor's independence and objectivity;

7. reviewed the policy on engaging the Auditor in the provision of non-audit services;

8. reviewed the reports from the Auditor, accounting principles and practices adopted by the Group in relation to the annual results for the year ended 31 December 2022 and the interim results for the six months ended 30 June 2023;

9. reviewed the financial reports for the year ended 31 December 2022 and for the six months ended 30 June 2023 and recommended the same to the Board for approval;

10. made recommendations to the Board regarding the selection, appointment, reappointment, remuneration, removal, resignation or dismissal of the Auditor;

11. reviewed the Group's internal control based on the information obtained from the external risk management and internal control review advisor of the Company (the "IC Advisor") and Company's management and Audit Committee was of the opinion that there are adequate internal controls in place in the Group; and

12. reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

The Audit Committee has reviewed with the management and the Auditor, the audited consolidated financial statements of the Group for the Year. The Audit Committee reviewed the Group's audited results for the Year and recommended its adoption to the Board.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with revised written terms of reference adopted on 30 December 2022 and are in line with the Code. The responsibilities of the Remuneration Committee include considering and recommending to the Board the Group's remuneration policy and structure, assessing the performance of the executive Directors, approving the terms of the executive Directors' service contracts and the share schemes of the Company and reviewing and determining the remuneration packages of the Directors and senior management.

The Remuneration Committee currently comprises two independent non-executive Directors, Ms. Xiang Siying (chairlady of the Remuneration Committee) and Ms. Huang Mei, and one executive Director, Ms. Wang Qian.

The Remuneration Committee is also responsible for performing the functions set out in the code provision E.1.2 of the Code. During the Year, the Remuneration Committee held 1 meeting and had performed the works as follows:

1. reviewed the Group's remuneration policy and structure;

2. reviewed the terms of service contracts of all Directors;

3. reviewed remuneration packages of the Directors and senior management; and

4. reviewed the Share Option Scheme of the Company.

The Directors are remunerated with Directors' fees and only executive Directors are remunerated with discretionary cash bonuses and/or share options. All Directors are covered by directors' and officers' liability insurance. Directors' fees are determined with reference to their respective duties and responsibility with the Company, the Company's performance, current market situation and the Group's remuneration policy.

As for the senior management of the Group, the senior management are remunerated with basic salary, discretionary cash bonuses and/or share options. The basic salary is a fixed-cash component of the total remuneration benchmarked against comparable peers to recruit and retain key leaders and managers, while the discretionary cash bonus is the variable cash component of the total remuneration to drive and reward performance. The senior management are also remunerated with Mandatory Provident Fund in compliance with statutory requirements, and other benefits such as annual leave, medical insurance, reimbursement of professional memberships and seminar course fees, etc.

Mr. Cui's monthly remuneration was changed from HK$50,000 to HK$100,000 and Mr. Ye's monthly remuneration was changed from HK$10,000 to HK$60,000, with effect from 1 November 2023.

Details of remunerations of the Directors for the Year are disclosed in note 12 to these consolidated financial statements.

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") of the Group had a written terms of reference revised on 30 December 2022 and are in line with the Code. The Nomination Committee is also responsible for performing the functions set out in the code provision B.3.1 of the Code, and is mainly responsible for:

1. reviewing and recommending the structure, size, composition and skills mix of the Board at least annually;

2. identifying and nominating candidates to fill casual vacancies of Directors for the Board's approval;

3. reviewing the implementation and effectiveness of the Company's policy on board diversity on an annual basis;

4. assessing the independence of independent non-executive Directors; and

5. making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executives.

According to the board diversity policy (further elaborated under the section headed "Board Diversity Policy") to this CG Report adopted by the Nomination Committee (the "Board Diversity Policy"), board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee currently comprises, two independent non-executive Directors, Ms. Xiang Siying (chairlady of the Nomination Committee) and Ms. Huang Mei, and one executive Director, Ms. Wang Qian. During the Year, the Nomination Committee held 1 meeting to review the competence and nominate candidates to fill casual vacancies of Directors for the Board's approval, and to review the Board composition and the Board Diversity Policy.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2023, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of Auditor.

Auditor's Responsibilities and Remuneration

An analysis of remuneration in respect of services provided by the Auditor, ZHONGHUI ANDA CPA Limited, is as follows.

	RMB'000
Audit services	1,203
Other non-audit services including but not limited to agree-upon-procedures	181

The statement of the Auditor regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 54 to 57 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavors to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. During the Year, the Company has adopted and reviewed the effectiveness of the Group's internal control and risk management procedures which include the policies, procedures, monitoring and communication activities and standard of behavior established for safeguarding the interests of the Shareholders. The risk management and internal control systems of the Company aim to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of systems is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage, rather than eliminate, the risks of failure to achieve business objectives.

The Board reviews the effectiveness of the Group's internal control and risk management procedures annually and considers the Group's internal control and risk management systems effective and adequate. The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness during the Year. In order to strengthen the risk management and internal control systems of the Group, the following measures are adopted:

- established one internal compliance officer (the "Internal Compliance Officer"), Mr. Yau Hong Chun ("Mr. Yau"), the Company Secretary, financial controller of the Company, and Internal Compliance Officer. Mr. Yau shall, take into consideration the information provided by the Company's IC Advisor, report to the Board directly from time to time to assist the Board in ensuring that operations of the Group are in compliance with applicable laws, rules and regulations, strengthen the existing internal control framework and recommend remedial plans to the Board should there be any internal control deficiencies;
- engaged a PRC legal advisor to provide advice to the Board and the Company Secretary on an ongoing basis in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect business operations of the Group in the PRC;
- engaged a Hong Kong legal advisor to advise the Board and the Company Secretary on an ongoing basis in respect of the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong); and
- engaged Metis Professional Services Limited as the IC Advisor to conduct the annual review of the risk management and internal control systems for the Year. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board through the Audit Committee. The IC Advisor has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defects noted. All recommendations from the IC Advisor are properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

According to the code provision C.1.4 of the Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary. During the Year, all Directors have confirmed that they have participated in continuous professional development by attending training course or reading relevant materials on the topics related to roles, functions and duties of a director of a listed company. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices.

DIVERSITY

Board Diversity Policy

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Board and the Nomination Committee has adopted the Board Diversity Policy which sets out the approach to achieve and maintain diversity on the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board. Nomination Committee has considered measurable objectives based on four focus areas: gender, age, professional experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Measurable Objectives

The Company noted that people from different backgrounds and with different professional and life experiences are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, the Nomination Committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

Composition of the Diversified Board

As at the date of this annual report, the Board comprises of eight Directors. The following table further illustrates the composition and diversity of the Board in terms of age, length of service with the Group, educational background and professional experience as of the date of this annual report:

	Age Group			Educational background		Professional Experience			
Name of Directors	25 to 35	35 to 45	Over 45	Science	Accounting and Finance	Science	Accounting and Finance	Management	Years of serving the Board
Mr. Cui Yazhou	✓				✓		✓		2.5 years
Mr. Ye Xin			✓		✓		✓		2.5 years
Ms. Wang Qian			✓		✓		✓		8 years
Mr. Zhou Jianzhong			✓	✓		✓			5 years
Mr. Cao Ye	✓				✓			✓	4 years
Ms. Xiang Siying			✓		✓		✓		6 years
Ms. Huang Mei		✓			✓		✓		6 years
Mr. Chan Ping Kuen		✓			✓			✓	4 years

The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company. The Board will review and monitor the implementation of board diversity on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

Gender Diversity

The Board recognised the importance of the gender diversity to bring different voices to the Board and support the attainment of the Company's strategic objective and substantiable development, with the ultimate goal of achieving gender parity on the Board. The Company currently has three female Directors and five male Directors, and depending on the business needs of the Group, the Board will take opportunities to increase the proportion of female members over time as and when appropriate candidates are identified.

Details of the Group's gender diversity at workforce level are set out in the Group's ESG report published separately.

DIRECTOR NOMINATION POLICY

The Company adopted the Board Nomination Policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required. The Nomination Committee utilises various methods for identifying candidates, including recommendations from Board members, management, and professional search firms. All candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the Director's qualifications. While candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's businesses.

Selection Criteria

The Nomination Committee will take into account a variety of factors including without limitation to whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and the Shareholders.

DIVIDEND POLICY

Policy on payment of dividend of the Company is in place setting out the factors in determination of dividend payment of the Company, the Company's long-term earning capacity and expected cash inflow and outflow, the frequency and form of dividend payments. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

The Board does not recommend any payment of dividend during the Year (2022: Nil).

COMPANY SECRETARY

Mr. Yau was the Company Secretary throughout the Year and has taken no less than 15 hours of relevant professional training during the Year.

Biographical detail of Mr. Yau is set out in the section headed "Profiles of Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

The Board is endeavour to maintain an on-going dialogue with Shareholders. The Company encourages the Shareholders to attend the general meetings and the chairmen of the Board and the board committees should attend the annual general meeting to answer questions. Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited.

Procedures for Shareholders to convene an extraordinary general meeting

In accordance with the requirements and procedures set out in the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. A Shareholder who wishes to propose a resolution to be considered at a general meeting must requisition the convening of a general meeting in accordance with the Company's Articles of Association. The objects of the meeting must be stated in the written requisition, which must be signed by the requisitionists and deposited for the attention of the Company Secretary at the address stated above.

Procedures for Shareholders to nominate a person for election as a Director

In accordance with the requirements and procedures set out in the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice (the "Notice") signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also the Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Procedures for Shareholders to put forward proposals at Shareholders' meeting

There are no provisions allowing Shareholders to make proposals or move resolutions at the general meetings under the Articles of Association or the laws of the Cayman Islands. However, Shareholders are welcome to put forward proposals relating to the operations and management of the Group to be discussed at Shareholders' meetings. The proposals shall be sent to the to the Company, for the attention of Company Secretary, by email to enquiry@huili.hk, fax to (852) 2840 0470 or mail to Unit No. 4, 23rd Floor, Overseas Trust Bank Building, No. 160 Gloucester Road, Hong Kong by a written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in the paragraphs headed "Procedures for Shareholders to convene an extraordinary general meeting" above.

Procedures by which enquiries may be put to the Board

Details of the procedures by which enquiries of the Shareholders may be put to the Board are set out in the section headed "Investor Relations" below.

INVESTOR RELATIONS

The Company believes that regular and timely communication with Shareholders helps Shareholders better understand the business and operation of the Company. To promote effective communication with the public, the Company:

- maintains a website (www.huili.hk) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and Shareholders circulars are made available;

- publishes its annual report within four months of the financial year end and its interim report within three months of the half-year period end;

- publishes announcements (and circulars, where required) on material information or developments as required by the Listing Rules and/or the Securities and Future Commission, or voluntarily as the Board considers appropriate;

- publishes the Company's interim and annual reports on its corporate website;

- publishes on its corporate website all corporate communications issued by the Company in accordance with the requirements of the Listing Rules, the profiles of the Directors and the senior management, and the business developments, and other news and latest developments of the Company; and

- makes available constitutive documents for inspection at the registered office of the Company.

For any enquiries to the Board, Shareholders may send written enquiries to the Company, for the attention of Company Secretary, by email to enquiry@huili.hk, fax to (852) 2840 0470 or mail to Unit No. 4, 23rd Floor, Overseas Trust Bank Building, No. 160 Gloucester Road, Hong Kong. Any Shareholder who wishes to put forward a proposal may also send written requests to the Company (for the attention of the Company Secretary). Details of the rights of Shareholders, and the procedures, to put forward a proposal are set out in the section "Shareholders' Rights" to this annual report.

During the Year, the Board:

- held an annual general meeting on Friday, 9 June 2023, where Directors met with Shareholders;

- engaged Hong Kong legal advisor to advise on latest corporate governance trends;

- published the interim and full-year results, the interim and annual reports and other corporate communications of the Company within the time frame and in accordance with the requirements of the Listing Rules;

- updated then Company's corporate website (www.huili.hk) on an on-going basis to keep Shareholders and other stakeholders abreast of latest developments of the Company; and

- reviewed the implementation and effectiveness of the Shareholders' communication policy.

As a result of the above measures which has allowed the Shareholders to communicate with the Board through various means, the Board is of the view that the Company's Shareholder communication policy conducted during the Year has been implemented effectively.

CHANGE OF ADDRESS

The principal place of business of the Company in Hong Kong changed from Room 2805, 28/F., Harbour Centre, No. 25 Harbour Road, Wan Chai, Hong Kong to Unit No. 4, 23rd Floor, Overseas Trust Bank Building, No. 160 Gloucester Road, Hong Kong, with effect from 14 March 2023.

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF HUILI RESOURCES (GROUP) LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huili Resources (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 135, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosures requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Mining rights

Refer to Note 17 to the consolidated financial statements.

The Group tested the amounts of mining rights for impairment. This impairment test is significant to our audit because the balances of mining rights of approximately RMB83,754,000 respectively as at 31 December 2023 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgments and are based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the identification of the related cash generating units;

– Assessing the arithmetical accuracy of the valuation model;

– Assessing the competence, independence and integrity of the external valuer engaged by the Company;

– Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model; and

– Checking key assumptions and input data in the valuation model to supporting evidence.

We consider that the Group's impairment test for mining rights is supported by the available evidence.

Trade and bills receivables

Refer to Note 21 to the consolidated financial statements.

The Group tested the amounts of trade and bills receivables for impairment. This impairment test is significant to our audit because the balances of trade and bills receivables of RMB238,525,000 as at 31 December 2023 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgments and is based on estimates.

KEY AUDIT MATTERS (Continued)

Trade and bills receivables (Continued)

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and bills receivables is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosures requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: http://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre/.

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Li Chi Hoi
Audit Engagement Director
Practising Certificate Number P07268

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	6, 7	**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	10	**(2,404)**	4,748
Other gains – net	8	**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	35(b)	**–**	3,081
Operating profit		**198,895**	214,143
Finance income	9	**6,288**	1,901
Finance costs	9	**(925)**	(403)
Finance income – net	9	**5,363**	1,498
Profit before income tax	10	**204,258**	215,641
Income tax expense	14	**(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)	15	**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	16	**177,647**	138,995
Mining rights	17	**83,754**	94,538
Right-of-use assets	34	**15,831**	10,339
Financial assets at FVTOCI	18	**–**	11,305
Goodwill	19	**16,494**	–
Deferred tax assets	30	**5,806**	7,942
Total non-current assets		**299,532**	263,119
Current assets			
Inventories	20	**457,350**	5,129
Trade and bills receivables	21	**238,525**	183,893
Other receivables and prepayments	23	**64,941**	31,947
Financial assets at FVTOCI	18	**8,868**	–
Financial assets at FVTPL	24	**–**	15,000
Pledged bank deposits	25	**33,977**	–
Cash and cash equivalents	25	**474,597**	369,309
Total current assets		**1,278,258**	605,278
Total assets		**1,577,790**	868,397
LIABILITIES			
Current liabilities			
Trade payables	26	**637,851**	167,354
Other payables and accruals	27	**59,027**	57,187
Contract liabilities	28	**30,842**	12,530
Lease liabilities	34	**2,797**	589
Current tax liabilities		**11,646**	22,151
Total current liabilities		**742,163**	259,811
Net current assets		**536,095**	345,467

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Lease liabilities	34	**9,575**	2,361
Provision for close down, restoration and environmental costs	29	**2,017**	3,106
Deferred tax liabilities	30	**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	31	**152,933**	137,361
Share premium	31	**703,804**	668,768
Other reserves	32	**21,056**	1,277
Accumulated losses	33	**(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

The consolidated financial statements on pages 58 to 135 were approved by the board of directors on 28 March 2024 and were signed on its behalf.

Cui Yazhou
Director

Ye Xin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to equity holders of the Company										
	Share capital RMB'000 (Note 31)	**Share premium** RMB'000 (Note 31)	**Safety fund** RMB'000 (Note 32)	**Maintenance fund** RMB'000 (Note 32)	**Capital reserve** RMB'000 (Note 32)	**Investment revaluation reserves** RMB'000 (Note 32)	**Statutory reserve** RMB'000 (Note 32)	**Accumulated losses** RMB'000 (Note 33)	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2022	137,361	668,768	221	1,583	(13,972)	(892)	2,740	(402,223)	393,586	(1,274)	392,312
Total comprehensive (loss)/income for the year	–	–	–	–	–	(1,910)	–	180,844	178,934	(166)	178,768
Appropriations to statutory reserves	–	–	–	–	–	–	13,507	(13,507)	–	–	–
Acquisition of a subsidiary (Note 35(b))	–	–	–	–	–	–	–	–	–	667	667
At 31 December 2022	137,361	668,768	221	1,583	(13,972)	(2,802)	16,247	(234,886)	572,520	(773)	571,747
At 1 January 2023	**137,361**	**668,768**	**221**	**1,583**	**(13,972)**	**(2,802)**	**16,247**	**(234,886)**	**572,520**	**(773)**	**571,747**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**(2,847)**	**–**	**167,609**	**164,762**	**5,615**	**170,377**
Issue of shares upon acquisition of a subsidiary (Note 35(a))	**15,572**	**35,036**	**–**	**–**	**–**	**–**	**–**	**–**	**50,608**	**–**	**50,608**
Acquisition of non-controlling interests in a subsidiary (Note 32(e))	**–**	**–**	**–**	**–**	**153**	**–**	**–**	**–**	**153**	**(653)**	**(500)**
Appropriations to statutory reserves	**–**	**–**	**–**	**–**	**–**	**–**	**22,473**	**(22,473)**	**–**	**–**	**–**
Deregistration of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(156)**	**(156)**
At 31 December 2023	**152,933**	**703,804**	**221**	**1,583**	**(13,819)**	**(5,649)**	**38,720**	**(89,750)**	**788,043**	**4,033**	**792,076**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 RMB'000	2022 RMB'000
Profit before income tax		**204,258**	215,641
Adjustments for:			
Depreciation of property, plant and equipment	10	**10,460**	8,436
Depreciation of right-of-use assets	10	**3,573**	1,754
Loss on redemption of financial assets at FVTOCI	8	**–**	132
Interest income on financial assets at FVTOCI	8	**(666)**	(914)
Dividend income on financial assets at FVTPL	8	**(603)**	(43)
Loss on written off on property, plant and equipment	10	**88**	–
Fair value changes of financial assets at fair value through profit or loss		**1,514**	1,573
Gain on bargain purchases on acquisition of a subsidiary	35(b)	**–**	(3,081)
Gain on disposal of a subsidiary	36	**(1,037)**	–
Gain on deregistration of a subsidiary	8	**(156)**	–
Finance costs	9	**925**	403
Finance income	9	**(6,288)**	(1,901)
ECLs on financial assets/(reversal of expected credit losses ("ECLs"))	10	**2,404**	(4,748)
Cash generated from operations before working capital changes		**214,472**	217,252
Increase in inventories		**(451,759)**	(2,918)
(Increase)/decrease in trade and bills receivables		**(55,999)**	56,144
Decrease in loan receivables		**–**	95,457
(Increase)/decrease in other receivables and prepayments		**(33,655)**	9,533
Increase/(decrease) in trade and other payables and accruals		**451,823**	(186,397)
Increase/(decrease) in contract liabilities		**17,821**	(36,779)
Cash generated from operations		**142,703**	152,292
Income tax paid		**(41,209)**	(16,072)
Net cash generated from operating activities		**101,494**	136,220
Cash flows from investing activities			
Net cash inflow from acquisitions of subsidiaries	35	**16,445**	24,767
Net cash inflow from disposal of a subsidiary	36	**17,698**	–
Purchases of property, plant and equipment	16	**(13,221)**	(14,210)
Acquisition of financial assets at FVTPL		**–**	(24,464)
Proceeds from disposal of financial assets at FVTPL		**13,486**	7,570
Proceeds from redemption of financial assets at FVTOCI		**–**	3,399
Interest received	9	**6,288**	1,901
Interest income on financial assets at FVTOCI	8	**666**	914
Dividend income on financial assets at FVTPL	8	**603**	43
Increase in pledged bank deposits		**(33,977)**	–
Net cash generated from/(used in) investing activities		**7,988**	(80)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Repayment of principal portion of lease liabilities	41	**(2,508)**	(1,559)
Interest paid on lease liabilities	41	**(824)**	(291)
Acquisition of non-controlling interests in a subsidiary	32(e)	**(500)**	–
Net cash used in financing activities		**(3,832)**	(1,850)
Net increase in cash and cash equivalents		**105,650**	134,290
Cash and cash equivalents at beginning of financial year		**369,309**	235,866
Exchange differences on cash and cash equivalents		**(362)**	(847)
Cash and cash equivalents at end of financial year		**474,597**	369,309
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	25	**474,597**	369,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 principal activities of its subsidiaries are set out in Note 38.

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

These consolidated financial statements have been approved for issue by the board (the "Board") of directors (the "Director(s)") of the Company 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 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.

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

(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. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at FVTOCI and financial assets at FVTPL, which are measured at fair value.

(c) Functional and presentation currency

The functional currency of the Company is RMB. The consolidated financial statements are presented in RMB since most of the companies comprising the Group are operating in RMB environment and the functional currency of the companies comprising the Group is RMB.

4. MATERIAL ACCOUNTING POLICIES

4.1 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 4.2).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of comprehensive income as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as financial liabilities are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of comprehensive income.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment loss. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivables.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Board that makes strategic decisions.

4.6 Goodwill

Goodwill is measured as described in Note 4.10. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

4.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.7 Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of buildings, leasehold improvements, machinery and equipment, office equipment and others, and motor vehicles is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Over the remaining life of the leases but not exceeding 5 years
Machinery and equipment	10 years
Office equipment and others	3 to 7 years
Motor vehicles	4 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Mining structures comprise the main and auxiliary mine shafts and underground tunnels. Depreciation of mining structures is provided to write off the cost of the mining structures using the unit-of-production method. Unit-of-production rate is based on reserves estimated to be recovered from existing facilities using current operating methods.

Construction in progress represents mainly mining structures on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost. No depreciation is provided for construction in progress until they are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.10).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "other gains – net" in the consolidated statement of comprehensive income.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.8 Leases

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated balance sheet as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has selected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; and (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.9 Mining rights

Mining rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation of mining rights is calculated to write off the cost less accumulated impairment losses over useful lives of the mines in accordance with the production plans and proved reserves of the mines on the unit-of-production method.

No amortisation is charged for mining rights if no ores was mined.

4.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (i.e. CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.11 Financial instruments

(i) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- Financial assets at amortised cost;
- Financial assets at FVTOCI; and
- Financial assets at FVTPL,

The classification is generally based on two criteria:

- the business model under which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

(i) Financial assets (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at Financial assets at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The subsequent measurement of financial assets is as follows:

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

- Amortised cost: Financial assets that are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

(i) Financial assets (Continued)

Measurement (Continued)

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(ii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose of which the liabilities were incurred. Financial liabilities at amortised cost initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, lease liabilities and borrowings, are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Derecognition

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.12 Impairment of financial assets

The Group assesses the expected credit losses ("ECLs") associated with its debt instruments carried at amortised cost (including trade and bills receivables, loan receivables, other receivables, financial assets at FVTOCI, restricted cash at banks and cash and cash equivalents) on a forward-looking basis.

ECLs are a probability-weighted estimate of credit losses which are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive) over the expected life of the financial instrument. The maximum period to consider when measuring ECLs is the maximum contractual period over which the entity is exposed to credit risk.

ECLs are measured at the end of each reporting period to reflect changes in the debt instrument's credit risk since initial recognition. Any change in the amount of ECLs is recognised as an impairment gain or loss in profit or loss. Loss allowances for debt instruments measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

For trade and bills receivables, the Group applies a simplified approach to measure the loss allowances at an amount equal to lifetime ECLs. The Group has established a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

For loan receivables and other receivables, the Group measures the loss allowances either based on 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group's loan receivables at amortised cost are considered to have low credit risk since there were no recent history of default of the debtor and they had good settlement record with the Group.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.12 Impairment of financial assets (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due for trade and other receivables and more than 30 days past due for loan receivables.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due for trade and other receivables and more than 90 days past due for loan receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowances) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.14 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.14 Revenue recognition (Continued)

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sales of coal and mining products

Income from sales of coal and mining products is recognised at a point in time when the goods are delivered to customers and title has passed.

(ii) Income from provision of coal processing services and coal service supply chain

Income from provision of coal processing services and coal service supply chain is recognised at a point in time when the relevant services are rendered to customers.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.14 Revenue recognition (Continued)

(iii) Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate. Rental income under operating leases in recognised on a straight-line basis over the term of the lease.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

4.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

4.16 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.18 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amount will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.19 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency and Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to other receivables and cash and cash equivalents are presented in the consolidated statement of comprehensive income on a net basis within "other gains – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognised in the consolidated statement of comprehensive income as part of the fair value gain or loss and translation differences on non-monetary assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of consolidated statement of financial position;

- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.19 Foreign currency translation (Continued)

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated statement of comprehensive income, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4.20 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(iii) Housing benefits

The full-time employees of the Group in the PRC are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.21 Provisions

Provisions for close down, restoration and environmental costs are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.22 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

4.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

4.24 Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to: (i) researching and analysing existing exploration data; (ii) conducting geological studies, exploratory drilling and sampling; (iii) examining and testing extraction and treatment methods; and (iv) compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation expenditure are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised as property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the consolidated statement of comprehensive income.

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.25 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Provision for impairment of trade and bills receivables and other receivables

The impairment of trade and bills receivables and other receivables are assessed on lifetime and 12-month ECLs basis. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when performing impairment assessment of these financial assets, the assessments are done based on the Group's historical credit losses experience, existing market conditions as well as forward-looking estimates at the end of each reporting period. The provision of ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's trade and bills receivables and other receivables is disclosed in notes 21, 23 and 44.1(b), respectively.

(b) Carrying value of non-current assets of mining segment

The Group tests whether property, plant and equipment, right-of-use assets and mining rights have been impaired due to events or changes in circumstances which indicate that the carrying amount of the asset may exceed its recoverable amount, in accordance with accounting policies stated in Note 4.10. The recoverable amounts of different CGUs to which the property, plant and equipment, mining rights and mining structures belong, have been determined based on fair value calculations, with reference to the valuation reports prepared by independent valuers, using cash flow projections, financial budgets approved by management covering mines production period and management's assumptions and estimates including forecast of selling price of nickel, copper, lead and zinc, discount rates, time to resume production and inflation rate. The discount rates used in cash flow projections varied with different CGUs.

(c) Lease term and discount rate determination

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstance occurs which affects this assessment and that is within the control of the lessee.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) Lease term and discount rate determination (Continued)

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

(d) Fair value measurement of financial instruments

The Group's financial assets at FVTOCI of approximately RMB8,868,000 as at 31 December 2023 are measured at fair values. The fair value measurement utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1:	Quoted prices in active markets for identical items (unadjusted);
Level 2:	Observable direct or indirect inputs other than Level 1 inputs; and
Level 3:	Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(e) Mineral reserves

Mine reserves are estimates of the quantity of product that can be economically and legally extracted from the mining site. In order to calculate the mine reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, production costs, transport costs, commodity demand and commodity prices. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. Should there be any change in economic assumptions and geological data that used to estimate mine reserves, impairment losses on the mining rights may arise.

(f) Extension of legal title of mining right

As stated in note 17(c) to the consolidated financial statements, the legal titles of Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua")'s mining rights have not yet been extended as at 31 December 2023. Despite the fact that the Group has not obtained the extension of relevant legal title, the Directors determine to continue to recognise the mining right on the grounds that they expect, based on the relevant legal opinion, that the legal title being extended in future should have no major difficulties and the Group is in substance controlling the mine.

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Group's CODM that are used to make strategic decisions. The CODM has been identified as the Company's 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.

6. SEGMENT INFORMATION (Continued)

During the year ended 31 December 2022, 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 through 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 management's best effort at translating the Chinese names of the companies as no English names have been registered.

6. SEGMENT INFORMATION (Continued)

(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 Mining RMB'000	2023 Coal business RMB'000	2023 Unallocated RMB'000	2023 Total RMB'000	2022 Mining RMB'000	2022 Coal business RMB'000	2022 Financial services RMB'000	2022 Unallocated RMB'000	2022 Total 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
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

6. SEGMENT INFORMATION (Continued)

(a) (Continued)

	2023				2022				
	Mining RMB'000	Coal business RMB'000	Unallocated RMB'000	Total RMB'000	Mining RMB'000	Coal business RMB'000	Financial services RMB'000	Unallocated RMB'000	Total RMB'000
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 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 management's best effort at translating the Chinese names of the companies as no English names have been registered.

6. SEGMENT INFORMATION (Continued)

(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

6. SEGMENT INFORMATION (Continued)

(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.

7. REVENUE

The Group's revenue mainly represents (i) the invoiced value of the products sold or the services rendered, net of sales tax and after allowance for returns and trade discount; and (ii) interest income generated from financial services, net of value-added tax and government surcharges.

Revenue recognised during the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Coal business		
– Trading of coal	**2,763,320**	1,822,603
– Provision of coal processing services	**25,022**	65,260
– Coal service supply chain	**62,609**	121,383
Revenue from contracts with customers	**2,850,951**	2,009,246
Financial services		
– interest income from financial services	**–**	5,763
Total revenue	**2,850,951**	2,015,009

8. OTHER GAINS – NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Foreign exchange gains, net (Note 10)	**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 (Note 36)	**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.

9. 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 (Notes 34 and 41)	**(824)**	(291)
– Unwinding of discount – provision for close down, restoration and environmental costs (Note 29)	**(101)**	(112)
	(925)	(403)
Finance income – net	**5,363**	1,498

10. 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 (Note 16(a))	**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 (Note 16)	**88**	–
ECLs/(Reversal of ECLs) on financial assets (Note (b)) and (Note 44.1(b))	**2,404**	(4,748)
Interest on lease liabilities (Note 34)	**824**	291
Short-term leases expenses (Note 34)	**746**	5
Employee costs (Note 11)	**85,767**	59,509
Auditor's remuneration		
– annual audit	**1,203**	1,074
– others	**181**	172
Foreign exchange gains, net (Note 8)	**(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.

11. EMPLOYEE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Staff costs (including directors' emoluments (Note 12)) comprise:		
Wages and salaries	**76,856**	51,840
Contributions to pension plans (Note (a))	**7,972**	7,013
Housing benefits (Note (b))	**63**	9
Welfare and other expenses	**876**	647
	85,767	59,509

Notes:

(a) The amount represented the Group's contributions to the defined contribution pension plans organised by the relevant municipal and provincial governments at a rate of 20% of the basic salary of permanent employees in the PRC.

(b) The amount represented the Group's contributions to government-sponsored housing funds at a rate of 5% of the basic salary of permanent employees in the PRC.

12. DIRECTORS' EMOLUMENTS

For the year ended 31 December 2023:

Emoluments in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

	Directors' fee RMB'000	Salaries, allowances, and benefits in kind RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Cui Yazhou	**453**	**414**	**32**	**899**
Ms. Wang Qian	**81**	**–**	**–**	**81**
Mr. Ye Xin	**109**	**330**	**3**	**442**
Mr. Zhou Jianzhong	**–**	**304**	**–**	**304**
Mr. Cao Ye	**163**	**–**	**–**	**163**
Ms. Xiang Siying	**109**	**–**	**–**	**109**
Ms. Huang Mei	**109**	**–**	**–**	**109**
Mr. Chan Ping Kuen	**109**	**–**	**–**	**109**

12. DIRECTORS' EMOLUMENTS (Continued)

For the year ended 31 December 2022:

Emoluments in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

	Directors' fee RMB'000	Salaries, allowances, and benefits in kind RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Cui Yazhou	515	–	–	515
Ms. Wang Qian	–	–	–	–
Mr. Ye Xin	103	–	–	103
Mr. Zhou Jianzhong	–	304	–	304
Mr. Cao Ye	309	–	–	309
Ms. Xiang Siying	275	–	–	275
Ms. Huang Mei	103	–	–	103
Mr. Chan Ping Kuen	103	–	–	103

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During the current and prior years, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include one (2022: one) director whose emolument is reflected in the analysis shown in Note 12. The emoluments payable to the remaining four (2022: four) individuals during the year are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Basic salaries, allowances and benefits in kind	**2,942**	2,690

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands (in HK dollars)		
Nil to HK$1,000,000 (Nil to RMB904,732 (2022: RMB858,811) equivalents)	**4**	4

During the current and prior years, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

14. 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 (Note 30)	**531**	(628)
Income tax expense	**31,034**	34,963

The Company is an exempted company incorporated in the Cayman Islands and, as such, is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

The Group's subsidiaries incorporated in the British Virgin Islands ("BVI") were not liable for taxation in the BVI on their non-BVI income.

The Group's subsidiaries in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% for each of the years ended 31 December 2023 and 2022.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 January 2018.

The subsidiaries in the PRC were subject to Enterprise Income Tax at a rate of 25%, in accordance with the Law of the PRC on Enterprise Income Tax for each of the years ended 31 December 2023 and 2022.

Certain subsidiaries of the Group are eligible as Small Low-profit Enterprises and are subject to the relevant preferential tax treatments. During the year ended 31 December 2023, a Small Low-profit Enterprise with annual taxable income not more than RMB1,000,000 is subject to Enterprise Income Tax calculated at 12.5% (2022: 25%) of its taxable income at a tax rate of 20% (2022: 20%).

14. INCOME TAX EXPENSE (Continued)

During each of the years ended 31 December 2023 and 2022, Hainan Runce was entitled to a preferential enterprise income tax rate of 15% in accordance to the Notice on Preferential Policies for Enterprise Income Tax of Hainan Free Trade Port ("關於海南自由貿易港企業所得稅優惠政策的通知"), which was applied to company incorporated in Hainan, the PRC from 1 January 2020 to 31 December 2024, and subjected to fulfillment of certain conditions precedent to entitlement of the preferential tax rate.

During each of the years ended 31 December 2023 and 2022, Shenzhen Runce was entitled to a preferential enterprise income tax rate of 15% in accordance to Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Preferential Enterprise Income Tax Policies of Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Caishui 2021 No. 30) ("財政部稅務總局關於延續深圳前海深港現代服務業合作區企業所得稅優惠政策的通知(財稅202130號)"), which was applied to company incorporated in Qianhai, the PRC from 1 January 2021 to 31 December 2025, and subjected to fulfillment of certain conditions precedent to entitlement of the preferential tax rate.

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to results of the Group's entities is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	**204,258**	215,641
Tax on profit before income tax, calculated at the rates applicable to the tax jurisdictions	**52,290**	54,878
Tax effects of:		
– Expenses not deductible for tax purposes	**1,452**	2,799
– Income not taxable for tax purposes	**(558)**	(6,372)
– (Over)/under provision in prior years	**(92)**	106
– Effect of tax exemptions granted to PRC subsidiaries	**(22,637)**	(17,083)
– Tax effect of tax losses not recognised	**579**	642
– Tax effect of utilisation of tax losses previously not recognised	**–**	(7)
Income tax expense	**31,034**	34,963

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

	Number of shares **'000**	Number of shares '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.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery and equipment	Office equipment and others	Motor vehicles	Mining structures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022								
Opening net book amount	10,836	397	1,670	15	218	13,150	31,592	57,878
Acquisition of a subsidiary (Note 35(b))	45,875	–	28,987	202	–	–	279	75,343
Additions	–	–	–	47	200	–	13,963	14,210
Transfers	11,165	–	–	–	–	–	(11,165)	–
Depreciation (Note (a))	(4,662)	(226)	(3,447)	(73)	(28)	–	–	(8,436)
Closing net book amount	63,214	171	27,210	191	390	13,150	34,669	138,995
As at 31 December 2022								
Cost	92,321	1,648	53,419	776	9,777	14,393	34,669	207,003
Accumulated depreciation	(29,107)	(1,159)	(26,209)	(576)	(8,043)	(1,243)	–	(66,337)
Accumulated impairment loss	–	(318)	–	(9)	(1,344)	–	–	(1,671)
Net book amount	63,214	171	27,210	191	390	13,150	34,669	138,995
Year ended 31 December 2023								
Opening net book amount	**63,214**	**171**	**27,210**	**191**	**390**	**13,150**	**34,669**	**138,995**
Acquisition of subsidiaries (Note 35(a))	**49,679**	**–**	**27**	**955**	**2,939**	**–**	**–**	**53,600**
Additions	**602**	**3,874**	**–**	**459**	**2**	**–**	**8,284**	**13,221**
Written off (Note 10)	**–**	**(88)**	**–**	**–**	**–**	**–**	**–**	**(88)**
Transfers	**3,661**	**–**	**–**	**–**	**–**	**–**	**(3,661)**	**–**
Disposal of a subsidiary (Note 36)	**(3,239)**	**–**	**(846)**	**–**	**(222)**	**(13,150)**	**–**	**(17,457)**
Depreciation (Note (a))	**(5,997)**	**(854)**	**(3,219)**	**(197)**	**(357)**	**–**	**–**	**(10,624)**
Closing net book amount	**107,920**	**3,103**	**23,172**	**1,408**	**2,752**	**–**	**39,292**	**177,647**
As at 31 December 2023								
Cost	**129,894**	**3,855**	**43,537**	**1,752**	**3,190**	**–**	**39,292**	**221,520**
Accumulated depreciation	**(21,974)**	**(752)**	**(20,365)**	**(344)**	**(438)**	**–**	**–**	**(43,873)**
Net book amount	**107,920**	**3,103**	**23,172**	**1,408**	**2,752**	**–**	**39,292**	**177,647**

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Depreciation of property, plant and equipment has been capitalised in inventories and charged to cost of sales and administrative expenses as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Capitalised in inventories (Note 10)	**164**	–
Charged to		
Cost of sales	**7,047**	8,141
Administrative expenses	**3,413**	295
Total depreciation (Note 10)	**10,624**	8,436

(b) Impairment assessment

The copper, nickel, zinc and lead market, being the core businesses of Hami Jiatai and Hami Jinhua, have been experiencing continuous depression since 2009. Although there was a sign of recovery of the market, the price of copper, nickel, zinc and lead still fluctuated wildly during the years ended 31 December 2023 and 31 December 2022. In addition, there was an outbreak of Novel Coronavirus ("COVID-19") during the year ended 31 December 2022 while during the year ended 31 December 2023, the commodities markets experienced a relatively weak performance due to the ongoing slowdown of the global economy. As such, the Company decided to delay production schedule of the Group's mining operations and will continue to study the possibility of the commencement of production in responses to the change in the market conditions. During the year ended 31 December 2023, the Group disposed the Hami Jiatai (Note 36).

In light of the above, management appointed independent valuers to carry out a review of the recoverable amount of its mining structures and mining rights, land use rights and property, plant and equipment belonging to these CGUs as at 31 December 2023 and 2022.

Based on the valuation of the recoverable amount of the Hami Jinhua's CGU as at 31 December 2023 and the recoverable amounts of the Hami Jiatai's and Hami Jinhua's CGUs as at 31 December 2022 by the independent valuer appointed by management, no impairment losses on mining structures and mining rights of Hami Jiatai and Hami Jinhua were to be recognised during each of the years ended 31 December 2023 and 2022. For each of the years ended 31 December 2023 and 2022, the recoverable amounts of Hami Jiatai's and Hami Jinhua's CGUs were determined based on fair value method (see Note 17(b)).

17. MINING RIGHTS

	2023 RMB'000	2022 RMB'000
Year ended 31 December		
Opening net book amount	**94,538**	94,538
Amortisation charge (Note (a))	**–**	–
Disposal of a subsidiary (Note 36)	**(10,784)**	–
Closing net book amount	**83,754**	94,538
At 31 December		
Cost	**84,523**	98,350
Accumulated amortisation	**(769)**	(3,812)
Net book amount (Note (c))	**83,754**	94,538

Notes:

(a) Mining rights are amortised using the unit-of-production method based on reserves estimated to be recovered from existing facilities using current operating methods. The mining rights were not amortised during the years ended 31 December 2023 and 2022 as the Group did not carry out any mining activities during the years. There is no material exploration and evaluation expenditure incurred during the years ended 31 December 2023 and 2022. During the year ended 31 December 2023, Hami Jiatai, which has one mining right, was disposed by the Group (Note 36).

(b) Impairment assessment

The Group has mines in Xinjiang Uyghur Autonomous Region and Shaanxi province, the PRC with diversified non-ferrous metal minerals that include nickel, copper, lead and zinc. Hami Jiatai has one mining right and Hami Jinhua has one mining right as at 31 December 2022 while Hami Jinhua has one mining right as at 31 December 2023.

During each of the years ended 31 December 2023 and 2022, each CGU's recoverable amount has been determined the fair value method. The fair value less cost of disposal has been determined using a discounted cash flow model and applied a marketability discount.

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of external consultants to validate entity specific assumptions.

17. MINING RIGHTS (Continued)

Notes: (Continued)

(b) (Continued)

Hami Jiatai's CGUs

For the calculation of the recoverable amount of Hami Jiatai at 31 December 2022, the key assumptions include the nickel and copper selling prices, which were estimated based on the current market prices of RMB240,300 per tonne and RMB66,185 per tonne, respectively, determined with reference to available public information in the PRC; and the growth rates of forecast selling prices, which were estimated with reference to the market consensus on forecast prices of the relevant commodities ore and sourced from the Bloomberg which were -9.3%, 0.5% and 8.6% from 2023 to 2025 and -8.8%, 13.4% and 2.8% from 2023 to 2025, respectively. The forecasted selling prices are then assumed to remain constant after 2025 and production costs increased with annual inflation rate of 2.5%. The production volume was estimated with reference to the PRC Technical Report conducted by Xinjiang Engineering & Research Institute of Nonferrous Metals Company Limited.

The inflation rate over the expected life of the mines (which sourced from International Monetary Fund ("IMF")) of 3% and the discount rate of 23% were also applied in the valuation model. Considering the existing conditions of both commodities' markets and the mine's conditions, the Group expected the production will commence in 2024. The recoverable amount for Hami Jiatai as at 31 December 2022 was determined to be RMB71,000,000 based on fair value less cost of disposal.

Hami Jinhua's CGUs

For the calculation of the recoverable amount of Hami Jinhua at 31 December 2023, the key assumptions include the lead and zinc selling prices, which were estimated based on the current market prices of RMB15,725 (2022: RMB15,825) per tonne and RMB21,550 (2022: RMB23,920) per tonne respectively, which were with reference to available public information in the PRC; and the growth rate of forecast selling price, which were reference to the market consensus on forecast price of the relevant commodities ore and sourced from the Bloomberg which were -0.05%, 0.2% and -0.8% from 2024 to 2026 (2022: -10.3%, 3.7% and 5% from 2023 to 2025) and -3.1%, 4.6% and 2.8% from 2024 to 2026 (2022: -12.1%, -1.3% and 1% from 2023 to 2025), respectively. The forecast selling price then remained constant after 2025 and production cost increased with annual inflation rate of 2.5% (2022: 3%). The production volume was estimated with reference to the PRC Technical Report that was conducted by Xinjiang Engineering & Research Institute of Nonferrous Metals Company Limited.

The inflation rate over the expected life of the mines (which sourced from IMF) of 2.5% (2022: 2.5%) and the discount rate 23% (2022: 23%) were also applied in the valuation model. Considering the existing conditions of both commodities' markets and the mine's condition, the Group expected the production will commence in 2024 (2022: 2024). The recoverable amount for the Hami Jinhua as at 31 December 2023 was determined to be RMB165,000,000 (2022: RMB171,000,000) based on fair value less cost of disposal.

(c) At the end of the reporting period, the carrying amount of mining right amounted to approximately RMB83,754,000 (2022: RMB94,538,000) for which relevant legal title have not yet been extended. At the date of approval of these consolidated financial statements, the application for obtaining the extension of aforesaid legal title is still in progress.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 **RMB'000**	2022 RMB'000
Unlisted corporate bonds:		
– analysed as non-current assets	**–**	11,305
– analysed as current assets	**8,868**	–
	8,868	11,305

19. GOODWILL

	RMB'000
COST	
At 1 January 2022, 31 December 2022 and 1 January 2023	–
Acquisition of a subsidiary (Note 35(a))	16,494
At 31 December 2023	16,494
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	–
CARRYING AMOUNTS	
At 31 December 2023	16,494
At 31 December 2022	–

Goodwill acquired through business combinations has been allocated to the CGU of the coal business.

The recoverable amount of the CGU is determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 2.1%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's coal business is 17.4%.

20. INVENTORIES

	2023 RMB'000	2022 RMB'000
Coal	**451,991**	–
Consumables and raw materials	**5,359**	5,129
	457,350	5,129

21. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 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

21. TRADE AND BILLS RECEIVABLES (Continued)

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 RMB'000	2022 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 RMB'000	2022 RMB'000
Balance at 1 January (Note 44.1(b))	**4,236**	5,600
ECLs/(Reversal of ECLs) recognised during the year (Note 44.1(b))	**1,367**	(1,364)
Balance at 31 December (Note 44.1(b))	**5,603**	4,236

22. LOAN RECEIVABLES

	2023 RMB'000	2022 RMB'000
Loans to third parties (Note (a)) and (Notes 44.1(b))	**–**	–
Less: ECLs of loan receivables (Note (b)) and (Notes 44.1(b))	**–**	–
	–	–

Notes:

(a) During the year ended 31 December 2022, all the loans principal and accrued interests were fully repaid.

22. LOAN RECEIVABLES (Continued)

Notes: (Continued)

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

	2023 RMB'000	2022 RMB'000
Balance at 1 January (Note 44.1(b))	–	2,797
Reversal of ECLs on loan receivable recognised during the year (Note 44.1(b))	–	(2,797)
Balance at 31 December (Note 44.1(b))	–	–

23. OTHER RECEIVABLES AND PREPAYMENTS

	2023 RMB'000	2022 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 RMB'000	2022 RMB'000
Balance at 1 January (Note 44.1(b))	90,318	86,893
Disposal of a subsidiary (Note 44.1(b))	(29,337)	–
ECLs/(Reversal of ECLs) on other receivables recognised during the year (Note 44.1(b))	1,037	(587)
Exchange differences (Note 44.1(b))	1,483	4,012
Balance at 31 December (Note 44.1(b))	63,501	90,318

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Equity securities listed in Hong Kong		
– Analysed as current assets	–	15,000

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash on hand	6	308
Current deposits with banks (Notes (a), (b), (c))	474,591	369,001
Cash and cash equivalents	474,597	369,309
Pledged bank deposits (Notes (c), (d))	33,977	–

Balances of cash and cash equivalents can be analysed as follows:

	2023 RMB'000	2022 RMB'000
Denominated in:		
– RMB	368,461	257,972
– HK$	27,704	32,506
– US$	78,432	78,831
	474,597	369,309

Notes:

(a) The bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks. The weighted average effective interest rate on deposits ranged from 0.01% to 0.25% per annum as at 31 December 2023 (2022: 0.01% to 0.25%).

(b) Deposits denominated in RMB were deposited with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

(c) The deposits were mainly placed with reputable banks for which the credit risk is considered remote.

(d) Pledged bank deposits of approximately RMB33,977,000, which were denominated in RMB5,000,000 and US$4,070,000, were deposited with a bank in Hong Kong to secure letter of credit facilities granted by the bank.

26. TRADE PAYABLES

Trade payables are analysed as follows:

	2023 RMB'000	2022 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 RMB'000	2022 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

27. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Other payables (Note (a))	**27,424**	31,381
Salary and welfare payables	**19,738**	13,608
Accrued taxes other than income tax	**11,865**	12,198
	59,027	57,187

Notes:

(a) Other payables mainly included security deposits received from customers, payables of equipment purchasing costs, service charges payable and advances from third parties as at 31 December 2023 and 2022.

(b) The carrying amounts of other payables approximated their fair values.

28. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Contract liabilities arising from coal business:		
Trading of coal, coal service supply chain and provision of coal processing services	**30,842**	12,530

Typical payment terms which impact on the amount of contract liabilities are as follows:

Coal business

As noted above, the Group receives consideration in advance on sales of coal, coal services supply chain and provision of coal processing services, which remains as a contract liability until such time as the coals are delivered to the customers or the services are rendered to the customers.

Movements in contract liabilities

	2023 RMB'000	2022 RMB'000
Balance as at 1 January	**12,530**	26,129
Increase in contract liabilities	**1,830,980**	1,993,798
Acquisitions of subsidiaries (Note 35)	**491**	23,180
Transfer of contract liabilities to revenue	**(1,813,159)**	(2,030,577)
Balance at 31 December	**30,842**	12,530
Revenue recognised in the year that was included in contract liabilities at beginning of year	**11,918**	25,748

29. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	2023 **RMB'000**	2022 RMB'000
At beginning of year	**3,106**	2,994
Unwinding of discount (Note 9)	**101**	112
Disposal of a subsidiary (Note 36)	**(1,190)**	–
At end of year	**2,017**	3,106

A provision is recognised for the present value of costs to be incurred for the restoration of the tailings dam and mining structures which has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are remeasured accordingly.

30. DEFERRED INCOME TAX

The following is the analysis of the deferred tax balances for consolidated statement of financial position purposes:

	2023 **RMB'000**	2022 RMB'000
Deferred tax assets	**5,806**	7,942
Deferred tax liabilities	**(31,959)**	(31,372)
	(26,153)	(23,430)

	2023 **RMB'000**	2022 RMB'000
At beginning of year	**(23,430)**	(25,253)
Acquisitions of subsidiaries (Note 35)	**(5,315)**	1,195
Disposal of a subsidiary (Note 36)	**3,123**	–
(Charged)/credited to the consolidated statement of comprehensive income (Note 14)	**(531)**	628
At end of year	**(26,153)**	(23,430)

30. DEFERRED INCOME TAX (Continued)

The movements in deferred tax assets and liabilities for each of the years ended 31 December 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Expected credit losses on financial assets RMB'000	Tax losses RMB'000	Accelerated tax depreciation RMB'000	Valuation deficit of acquired assets upon business combination RMB'000	Valuation surplus of acquired assets upon business combination RMB'000	Total RMB'000
At 1 January 2022	–	–	–	–	(25,253)	(25,253)
Acquisition of a subsidiary (Note 35(b))	–	7,753	(6,948)	390	–	1,195
Credited/(charged) to the consolidated statement of comprehensive income (Note 14)	603	(800)	775	(4)	54	628
At 31 December 2022	603	6,953	(6,173)	386	(25,199)	(23,430)
Acquisition of a subsidiary (Note 35(a))	–	189	(455)	–	(5,049)	(5,315)
Disposal of a subsidiary (Note 36)	–	–	–	–	3,123	3,123
Credited/(charged) to the consolidated statement of comprehensive income (Note 14)	171	(2,252)	1,741	(244)	53	(531)
At 31 December 2023	**774**	**4,890**	**(4,887)**	**142**	**(27,072)**	**(26,153)**

No deferred income tax assets were recognised for certain tax losses as at 31 December 2023 and 2022 as there is uncertainty on whether those unused tax losses can be utilised in the foreseeable future.

The Group did not recognise deferred tax assets of approximately RMB3,148,000 (2022: RMB4,516,500) in respect of tax losses incurred by the certain PRC companies, in aggregate amounting to approximately RMB12,592,000 (2022: RMB18,066,000), that will expire from 2024 to 2028 (2022: from 2023 to 2027).

The Group did not recognise deferred tax assets of approximately RMB2,839,000 (2022: RMB2,758,600) in respect of tax losses of approximately RMB17,206,000 (2022: RMB16,719,000) arising in Hong Kong companies, that may be carried forward indefinitely.

31. SHARE CAPITAL AND SHARE PREMIUM

	Authorised shares of HK$0.1 each
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	5,000,000,000

	Number of share '000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2022, 31 December 2022, and 1 January 2023	1,620,000	137,361	668,768	806,129
Issue of shares pursuant to the acquisition of a subsidiary (Note 35(a))	167,388	15,572	35,036	50,608
At 31 December 2023	1,787,388	152,933	703,804	856,737

32. OTHER RESERVES

	Safety fund RMB'000 (Note (a))	Maintenance fund RMB'000 (Note (b))	Capital reserve RMB'000 (Note (c))	Investment revaluation reserves RMB'000 (Note (d))	Statutory Reserve RMB'000 (Note 33(a))	Total RMB'000
At 1 January 2022	221	1,583	(13,972)	(892)	2,740	(10,320)
Fair value changes of financial assets (debts instruments) at FVTOCI	–	–	–	(1,910)	–	(1,910)
Appropriations from accumulated losses	–	–	–	–	13,507	13,507
At 31 December 2022	221	1,583	(13,972)	(2,802)	16,247	1,277
Acquisition of non-controlling interests in a subsidiary (Note (e))	–	–	153	–	–	153
Fair value changes of financial assets (debts instruments) at FVTOCI	–	–	–	(2,847)	–	(2,847)
Appropriations from accumulated losses	–	–	–	–	22,473	22,473
At 31 December 2023	**221**	**1,583**	**(13,819)**	**(5,649)**	**38,720**	**21,056**

32. OTHER RESERVES (Continued)

Notes:

(a) Pursuant to certain regulations issued by the State of Administration of Work Safety, the Group is required to set aside an amount to a safety fund at RMB8 per tonne of raw ore mined. The fund can be used for improvements of safety at the mines, and not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings. There were no appropriation to the safety funds for the years ended 31 December 2023 and 2022 as no ore was mined.

(b) Pursuant to certain regulations issued by the State of Administration of Work Safety and the Ministry of Finance of the PRC, the Group is required to set aside an amount to a maintenance fund calculated based on a rate of RMB18 per tonne of raw ore mined.

The fund can be used for improvement of mining structures, and is not available for distributions to shareholders. Upon incurring qualifying capital expenditure, an equivalent amount is transferred from maintenance fund to retained earnings. There were no appropriation to the maintenance fund for the years ended 31 December 2023 and 2022 as no ore was mined.

(c) Capital reserve mainly represented the difference between the existing book values of net assets of the group companies comprising the Group as at the date of group reorganisation (the "Reorganisation") which was recognised as part of the deemed cost of investment in subsidiaries upon the Reorganisation and the share capital of Right Source International Limited ("Right Source") and Fortune In Investments Limited ("Fortune In").

(d) The investment revaluation reserves comprises the cumulative net changes in the fair value of financial assets at FVTOCI held at the end of the reporting period.

(e) On 22 February 2023, the Group further acquired the remaining 5% equity interest in the Shanxi Fanpo from the non-controlling interests at the consideration of RMB500,000. The effect an acquisition on the equity attributable to the owners of the Company is as follows:

	RMB'000
Share of net assets in Shanxi Fanpo acquired	653
Consideration	(500)
Gain on acquisition recognised directly in other reserve	153

33. ACCUMULATED LOSSES

	2023 RMB'000	2022 RMB'000
Accumulated losses at beginning of year	**(234,886)**	(402,223)
Profit for the year	**167,609**	180,844
Appropriations to statutory reserves (Note (a))	**(22,473)**	(13,507)
Accumulated losses at end of year	**(89,750)**	(234,886)

Notes:

(a) In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, the PRC subsidiaries are required to transfer 10% of the profit after taxation determined in accordance with PRC generally accepted accounting principles to the statutory reserve until the balance reaches 50% of the paid-up capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital. For the year ended 31 December 2023, except five of the PRC subsidiaries has appropriated RMB22,473,000 (2022: RMB13,507,000), others have reported losses and no appropriation to the statutory reserve (2022: Nil).

(b) The Directors did not propose any payment of dividends to the Company's shareholders for the years ended 31 December 2023 and 2022.

34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

As at 31 December	2023 RMB'000	2022 RMB'000
Land use rights	6,639	9,824
Land and buildings – office premises	9,192	515
	15,831	10,339

Lease liabilities

Land and buildings – Office premises	2023 RMB'000	2022 RMB'000
As at 1 January	2,950	1,918
Acquisition of a subsidiary (Note 35(b))	–	2,475
Addition of lease	11,882	–
Interest expense (Notes 9, 10 and 41)	824	291
Lease payments (Note 41)	(3,332)	(1,850)
Foreign exchange movements (Note 41)	48	116
	12,372	2,950

Future lease payments are due as follows:

	Lease payments RMB'000	Interest RMB'000	Present value of lease payments RMB'000
As at 31 December 2023			
Not later than one year	3,551	754	2,797
Later than one year and not later than five years	9,205	1,591	7,614
Later than five years	3,300	1,339	1,961
	16,056	3,684	12,372
As at 31 December 2022			
Not later than one year	833	244	589
Later than one year and not later than five years	4,800	2,439	2,361
	5,633	2,683	2,950

34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Lease liabilities (Continued)

The present value of future lease payments are analysed as:

	2023 RMB'000	2022 RMB'000
Current liabilities	**2,797**	589
Non-current liabilities	**9,575**	2,361
	12,372	2,950

Disclosure of other lease-related items:

	2023 RMB'000	2022 RMB'000
Short-term lease expense (Note 10)	**746**	5
Additions of lease	**11,882**	–
Total cash outflow for leases	**4,078**	1,855

The Group leases various land use rights and land and buildings. Lease agreements are typically made for fixed periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

As at 31 December 2023, the Group do not have any commitments for short-term leases (2022: Nil).

35. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of Margaux Investment Limited ("Margaux HK")

On 29 May 2023, the Group entered into a sale and purchase agreement with an independent third party (the "Vendor 1") to purchase the entire share capital of Margaux HK (the "Margaux Acquisition") at a consideration of HK$54,401,100 (equivalent to approximately RMB50,608,000).

The consideration was satisfied by issue of 167,388,000 ordinary shares of the Company to the Vendor 1. The Margaux Acquisition was completed on 22 September 2023. Margaux HK and its subsidiaries were principally engaged in the supply chain management services. The Margaux Acquisition was in line with the development strategy of the Group to strengthen its existing trading of coal business and supply chain management services in the PRC.

The fair values of identifiable assets and liabilities of Margaux HK as at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment (Note 16)	53,600
Deferred tax assets (Note 30)	189
Inventories	298
Other receivables and prepayments	397
Cash and cash equivalents	16,445
Trade payables	(29,626)
Other payables and accruals	(993)
Contract liabilities (Note 28)	(491)
Current tax liabilities	(201)
Deferred tax liabilities (Note 30)	(5,504)
Net identifiable assets acquired	34,114
Goodwill (Note 19)	16,494
Total consideration satisfied by issue of 167,388,000 ordinary shares of the Company (Note 31)	50,608
Net cash inflow arising from the acquisition:	
Cash and cash equivalents acquired	16,445

35. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisition of Margaux Investment Limited ("Margaux HK") (Continued)

The fair value of the 167,388,000 shares of the Company issued as the consideration paid was determined on the basis of the closing market price of HK$0.325 (equivalent to RMB0.302) of the Company's ordinary shares on the acquisition date.

The goodwill arising on the acquisition of Margaux HK is attributable to the anticipated profitability of the coal supply chain services business and the anticipated future operating synergies from the combination.

Margaux HK contributed revenue amount to approximately RMB7,386,000 to the Group's revenue and incurred a profit of approximately RMB414,000 for the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 January 2023, the Group's revenue and net profit for the year ended 31 December 2023 would have been approximately RMB2,865,303,000 and RMB174,494,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future performance.

35. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of Shanxi Fanpo

On 29 November 2021, the Group entered into a sale and purchase agreement with an independent third party (the "Vendor 2") to purchase, 95% equity interest in the Shanxi Fanpo (the "Fanpo Acquisition") at a consideration of RMB9,599,000. The Fanpo Acquisition was completed on 5 January 2022. Shanxi Fanpo was engaged in the sales of coal and the operation of coal washery. The Fanpo Acquisition would allow the Group to move upstream in the coal industry, broaden the Group's source of income and diversify its business portfolio.

The fair values of identifiable assets and liabilities of Shanxi Fanpo as at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment (Note 16)	75,343
Right-of-use assets	2,312
Deferred tax assets (Note 30)	8,143
Inventories	2,211
Trade receivables	232,788
Other receivables and prepayments	3,976
Cash and cash equivalents	24,767
Trade payables	(285,764)
Other payables and accruals	(17,826)
Contract liabilities (Note 28)	(23,180)
Lease liabilities (Notes 34 and 41)	(2,475)
Deferred tax liabilities (Note 30)	(6,948)
Net identifiable assets acquired	13,347
Less: non-controlling interests (5%)	(667)
Net assets acquired	12,680
Gain on bargain purchases on acquisition of a subsidiary	(3,081)
Total consideration satisfied by cash (paid in 2021)	9,599
Net cash inflow arising from the acquisition:	
Cash and cash equivalents acquired	24,767

35. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of Shanxi Fanpo (Continued)

The Group has elected to measure the non-controlling interests in Shanxi Fanpo at the non-controlling interests' proportionate share of Shanxi Fanpo's net identifiable assets acquired.

The Group recognised a gain on bargain purchase of approximately RMB3,081,000 in the business combination.

On 29 November 2021 (the "Agreement Date"), the Group entered into a sale and purchase agreement with the Vendor 2 with respect to the acquisition of Shanxi Fanpo at a consideration of RMB9,599,000, which is determined based on the appraised value of net assets of Shanxi Fanpo as set out in the valuation report to be prepared by the valuer. Since the Agreement Date, Shanxi Fanpo has been profit making and expanded the operation scale. The increase in fair value of Shanxi Fanpo represented the upward adjustment on net assets. As such, business combination resulted in a gain on bargain purchase as the fair value of Shanxi Fanpo increased accordingly after the Agreement Date.

Shanxi Fanpo contributed revenue amount to approximately RMB77,086,000 to the Group's revenue and incurred a loss of approximately RMB291,000 for the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 January 2022, the Group's revenue and net profit for the year ended 31 December 2022 would have been approximately RMB2,133,248,000 and RMB180,678,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future performance.

36. DISPOSAL OF A SUBSIDIARY

In September 2023, the Group has entered into an equity transfer agreement with an independent third party, for the disposal of its entire equity interest in Hami Jiatai. The disposal has been completed on 12 November 2023. The net assets at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (Note 16)	17,457
Mining rights (Note 17)	10,784
Right-of-use assets	2,817
Other receivables	21
Cash and cash equivalents	302
Trade payables	(728)
Provision for close down, restoration and environmental costs (Note 29)	(1,190)
Deferred tax liabilities (Note 30)	(3,123)
Other payables and accruals	(9,377)
	16,963
Gain on disposal of a subsidiary (Note 8):	
Consideration received	18,000
Net assets disposed of	(16,963)
	1,037
Satisfied by:	
Cash	18,000

An analysis of the cash flows in respect of the disposal of Hami Jiatai is as follows:

	RMB'000
Cash consideration	18,000
Cash and cash equivalents disposed of	(302)
Net inflow of cash and cash equivalents included in cash flows from investing activities	17,698

37. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY

	Note	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**831**	173
Right-of-use assets		**–**	515
Investments in subsidiaries	38	**124,798**	124,798
Financial assets at FVTOCI	18	**–**	11,305
Total non-current assets		**125,629**	136,791
Current assets			
Other receivables and prepayments from third parties		**60**	653
Other receivables and prepayments from subsidiaries		**146,452**	91,505
Financial assets at FVTOCI	18	**8,868**	–
Financial assets at FVTPL	24	**–**	15,000
Cash and cash equivalents		**64,650**	110,673
Total current assets		**220,030**	217,831
Total assets		**345,659**	354,622
LIABILITIES			
Current liabilities			
Other payables		**1,739**	1,366
Other payable to a subsidiary		**152**	148
Lease liabilities		**–**	529
Total current liabilities		**1,891**	2,043
Total liabilities		**1,891**	2,043
EQUITY			
Share capital	31	**152,933**	137,361
Share premium	31	**703,804**	668,768
Investment revaluation reserves	(a)	**(5,649)**	(2,802)
Accumulated losses	(a)	**(507,320)**	(450,748)
Total equity		**343,768**	352,579
Total equity and liabilities		**345,659**	354,622

The financial position of the Company was approved by the Board on 28 March 2024 and was signed on its behalf.

Cui Yazhou
Director

Ye Xin
Director

37. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

Note:

(a) Reserves movements of the Company

	Investment revaluation reserves RMB'000	**Accumulated losses** RMB'000
At 1 January 2022	(892)	(458,013)
Total comprehensive (loss)/income for the year	(1,910)	7,265
At 31 December 2022 and 1 January 2023	(2,802)	(450,748)
Total comprehensive loss for the year	(2,847)	(56,572)
At 31 December 2023	**(5,649)**	**(507,320)**

38. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, the proportion of ownership interests held equals the voting rights held by the Group.

Company name	Country/place of incorporation	Issued and paid-up capital/ registered capital	Interest held	Principal activities and place of operation
Right Source International Limited ("Right Source")	The BVI	US$100	100% directly held	Investment holdings, the BVI
Fortune In Investment Limited ("Fortune In")	The BVI	US$100	100% directly held	Investment holdings, the BVI
Surplus Plan Limited ("Surplus Plan")	Hong Kong	HK$1	100% directly held	Investment holdings, Hong Kong
Realty Investment (Group) Limited ("Realty Investment")	Hong Kong	HK$10,000	100% indirectly held	Investment holdings, Hong Kong
滙力潤策(北京)技術服務有限公司 Huili Runce (Beijing) Technical Services Limited ("Huili Runce")#	Beijing, the PRC	RMB25,000,000	100% indirectly held	Management and investment consultation, the PRC
哈密市錦華礦產資源開發有限責任公司 ("Hami Jinhua")#	Hami, the PRC	RMB100,000,000	95% indirectly held	Mining, ore processing and sales of lead and zinc metal products, the PRC
山西反坡清潔能源科技有限公司 ("Shanxi Fanpo")△	Shanxi, the PRC	RMB10,526,000	100% indirectly held	Provision of coal processing business, the PRC
潤策供應鏈管理(深圳)有限公司 ("Shenzhen Runce")#	Shenzhen, the PRC	US$2,000,000	100% indirectly held	Coal service supply chain, the PRC
Jia Zhao Ventures Limited ("Jiazhao")	The BVI	US$2	100% directly held	Investment holdings, the BVI
Business Factoring (China) Limited ("Business Factoring")	Hong Kong	HK$40,000,000	100% indirectly held	Investment holdings, Hong Kong
天津嘉屹貿易有限公司 ("Jiayi")#	Tianjin, the PRC	RMB200,000,000	100% indirectly held	Financial services, the PRC

38. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES (Continued)

Company name	Country/place of incorporation	Issued and paid-up capital/ registered capital	Interest held	Principal activities and place of operation
長治市潤策貿易有限公司 ("Changzhi Runce")[Δ]	Shanxi, the PRC	RMB10,000,000	100% indirectly held	Trading of coal, the PRC
海南潤策能源有限公司 ("Hainan Runce")[Δ]	Hainan, the PRC	RMB50,000,000	100% indirectly held	Trading of coal, the PRC
古交市潤策貿易有限公司 ("Gujiao Runce")[Δ]	Shanxi, the PRC	RMB10,000,000	90.1% indirectly held	Trading of coal, the PRC
Margaux Investment Limited ("Margaux HK")	Hong Kong	HK$1	100% indirectly held	Investment holdings, Hong Kong
珠海瑪高投資有限公司 ("Zhuhai Margaux")[#]	Shanxi, the PRC	RMB2,000,000	100% indirectly held	Investment holdings, the PRC
山西瑪高供應鏈管理有限公司 ("Shanxi Margaux")[Δ]	Shanxi, the PRC	RMB10,526,000	100% indirectly held	Coal service supply chain, the PRC
山西和銘新能源科技有限公司 ("Shanxi Wisdom")[Δ]	Shanxi, the PRC	RMB10,000,000	100% indirectly held	Operation of solar energy facilities, the PRC

\# The companies are wholly owned foreign enterprise under the Law of The Peoples Republic of China on Foreign-Capital Enterprises of the PRC.

Δ The companies are domestic-funded enterprise under the law of the PRC.

The total non-controlling interests in respect of Hami Jinhua and Gujiao Runce are not material.

39. RELATED PARTY TRANSACTIONS

(a) The Group's management is of the view that the following persons are related parties of the Group during the years ended 31 December 2023 and 2022:

Name of related parties	**Relationship with the Group**
Sky Circle International Limited	An shareholder of the Company which holds 29.2% (2022: 27.2%) equity interest in the Company.

(b) Key management compensation

Included in staff costs are key management personnel compensation and comprises the following categories:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	**3,826**	3,275
Contributions to pension plan	**68**	31
	3,894	3,306

40. CONTINGENT LIABILITIES

The Group had contingent liabilities at 31 December 2023 in respect of:

(a) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Save as disclosed in Note 29, the Group is presently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislations, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards.

Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including but not limited to mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislations cannot reasonably be estimated at present, and could be material.

(b) Insurance

The Group carries commercial insurance for its employees for personal injury. However, such insurance may not be sufficient to cover the potential future losses. While the effect of under-insurance on future incidents cannot be reasonably assessed at present, management believes this can have a material adverse impact on the results of operations or the financial position of the Group.

41. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Lease liabilities RMB'000 (Note 34)
At 1 January 2022	1,918
Changes from cash flows:	
Repayment of principal portion of lease liabilities	(1,559)
Interest paid	(291)
Total changes from financing cash flows (Note 34)	(1,850)
Other changes:	
Acquisition of a subsidiary (Note 35(b))	2,475
Exchange differences (Note 34)	116
Interest expenses (Notes 9 and 34)	291
Total other changes	2,882
At 31 December 2022 and 1 January 2023	2,950
Changes from cash flows:	
Repayment of principal portion of lease liabilities	(2,508)
Interest paid	(824)
Total changes from financing cash flows (Note 34)	(3,332)
Other changes:	
Additions	11,882
Exchange differences (Note 34)	48
Interest expenses (Notes 9 and 34)	824
Total other changes	12,754
At 31 December 2023	**12,372**

42. CAPITAL COMMITMENTS

	2023 RMB'000	2022 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

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2023 and 2022 are categorised as follows:

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets measured at amortised cost (including cash and cash equivalents)	759,658	567,553
Financial assets at FVTOCI	8,868	11,305
Financial assets at FVTPL	–	15,000
Financial liabilities		
Financial liabilities measured at amortised cost	685,013	212,343

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bills receivables, loan receivables, other receivables and cash and cash equivalents, trade and other payables and accruals.

Due to their short term nature, the carrying value of trade and bills receivables, loan receivables, other receivables and cash and cash equivalents, trade and other payables and accruals approximated fair value.

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

(b) Financial instruments measured at fair value

The following table illustrates the fair value hierarchy of the Group's financial instruments:

	Fair value measurement using			
	Quoted price in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023				
– Financial assets at FVTOCI	**–**	**8,868**	**–**	**8,868**
	–	**8,868**	**–**	**8,868**
As at 31 December 2022				
– Financial assets at FVTOCI	–	11,305	–	11,305
– Financial assets at FVTPL	15,000	–	–	15,000
	15,000	11,305	–	26,305

The fair value of financial assets at FVTOCI was measured at traded prices for identical debts instruments in over-the-counter markets, while the fair value of financial assets at FVTPL was measured at the quoted market prices of the identical equity securities in the publicly listed stock exchange.

During the years ended 31 December 2023 and 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

44. FINANCIAL RISK MANAGEMENT

44.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and concentration risk. The Group historically has not used derivative instruments for hedging or trading purposes.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK$ and US$. Foreign exchange risk arises from recognised assets and liabilities in foreign operations. The Group does not hedge against any fluctuation in foreign currency.

At 31 December 2023, if RMB had weakened/strengthened by 1% against HK$ with all other variables held constant, profit for the year would have been RMB323,000 higher/lower (31 December 2022: profit for the year would have been RMB402,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of HK$ denominated cash and cash equivalents, other receivables and other payables.

At 31 December 2023, if RMB had weakened/strengthened by 1% against US$ with all other variables held constant, profit for the year would have been RMB1,009,000 higher/lower (31 December 2022: profit for the year would have been RMB788,000 higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents.

(ii) Interest rate risk

The Group's interest rate risk arises from bank deposits and cash at banks which are bearing floating interest rates. Floating interest rates cause the Group cash flow interest rate risk. The Group also had borrowings with fixed interest rate for the years ended 31 December 2023 and 2022 which exposed the Group to fair value interest rate risk. For the years ended 31 December 2023 and 2022, management of the Group is of the opinion that relevant cash flow interest rate risks were not material to the Group and hence sensitivity analysis of effects of reasonably possible changes in the relevant interest rates is not provided.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's credit risk is primarily attributable to its trade and bills receivables, loan receivables, other receivables and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of restricted cash at banks and cash and cash equivalents, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rates of cash and cash equivalents are assessed to be close to zero and no provision was made as of 31 December 2023 and 31 December 2022.

44. FINANCIAL RISK MANAGEMENT (Continued)

44.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECLs provision for all trade and bills receivables. To measure the ECLs, trade and bills receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs. It considers available reasonable and supportive forwarding-looking information.

As at 31 December 2023, trade and bills receivables that are individually significant have been separately assessed for impairment. 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.

Loan receivables of the Group at amortised cost are considered to have low credit risk, and the loss allowances recognised during the year was therefore limited to 12-month ECLs.

The credit quality of other receivables has been assessed with reference to historical information about the counterparties default rate and financial position of the counterparties.

The loss allowances as at 31 December 2023 and 2022 was determined for trade and bills receivables, loan receivables and other receivables as follow:

As at 31 December 2023	Trade and bills receivables	Loan receivables	Other receivables	Total
Expected credit loss rate (%)	**2.3%**	**–**	**83.49%**	
Gross carrying amount of trade and bill receivables (RMB'000)	**244,128**	**–**	**–**	**244,128**
Gross carrying amount of loan receivables (RMB'000)	**–**	**–**	**–**	**–**
Gross carrying amount of other receivables (RMB'000)	**–**	**–**	**76,060**	**76,060**

44. FINANCIAL RISK MANAGEMENT (Continued)

44.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 31 December 2022	Trade and bills receivables	Loan receivables	Other receivables	Total
Expected credit loss rate (%)	2.26%	–	86.29%	
Gross carrying amount of trade and bill receivables (RMB'000)	188,129	–	–	188,129
Gross carrying amount of other receivables (RMB'000)	–	–	104,669	104,669

Movement in the loss allowances account in respect of trade and bills receivables, loan receivables and other receivables during the year is as follow:

	Trade and bills receivables RMB'000 (Note 21(d))	**Loan receivables** RMB'000 (Note 22(b))	**Other receivables** RMB'000 (Note 23(a))	**Total** RMB'000
Balance at 1 January 2022	5,600	2,797	86,893	95,290
Reversal of ECLs on financial assets	(1,364)	(2,797)	(587)	(4,748)
Exchange differences	–	–	4,012	4,012
Balance at 31 December 2022 and 1 January 2023	4,236	–	90,318	94,554
ECLs recognised on financial assets	1,367	–	1,037	2,404
Disposal of a subsidiary	–	–	(29,337)	(29,337)
Exchange differences	–	–	1,483	1,483
Balance at 31 December 2023	**5,603**	**–**	**63,501**	**69,104**

44. FINANCIAL RISK MANAGEMENT (Continued)

44.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount	Total contractual undiscounted cash flow	Less than 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023						
Trade and other payables	**685,013**	**685,013**	**685,013**	**–**	**–**	**–**
At 31 December 2022						
Trade and other payables	212,343	212,343	212,343	–	–	–

(d) Concentration risk

Revenue of the Group is principally derived from coal business in 2023 while it is derived from coal business and financial services in 2022.

The revenue of each business segment was derived from:

	For the year ended 31 December			
	2023		2022	
	Concentration of revenue	**Number of customers**	Concentration of revenue	Number of customers
Coal business	**33%**	**5**	23%	5
Financial services	**N/A**	**N/A**	100%	4

In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

45. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension schemes.

At 31 December 2023 and 2022, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

46. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and

- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

47. EVENTS AFTER THE REPORTING DATE

On 29 December 2023, the Group entered into an agreement to acquire entire issued share capital of CC Bong Logistics Limited ("CC Bong") at a consideration of HK$84,340,000. The consideration shall be satisfied by the Group upon completion (i) as to HK$46,980,000 by the allotment and issue of 156,600,000 consideration shares to the vendor at the closing market price as at completion date of HK$0.3 per consideration share; and (ii) the balance of HK$37,360,000 by the issue of the promissory notes in the principal amount of HK$37,360,000 of the vendor. CC Bong and its subsidiaries were engaged in supply chain management services and general cargo storage services. Although the acquisition is completed on 24 January 2024, there is not sufficient time for the management to prepare the financial statements of the subsidiaries, thus it is impracticable at this moment to disclose further information about the acquisition.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below:

RESULTS

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**2,850,951**	2,015,009	1,470,396	141,216	93,572
PROFIT/(LOSS) BEFORE INCOME TAX	**204,258**	215,641	(14,043)	(15,351)	(4,953)
Income tax expense	**(31,034)**	(34,963)	(2,716)	(3,593)	(10,283)
PROFIT/(LOSS) FOR THE YEAR	**173,224**	180,678	(16,759)	(15,351)	(15,236)
Attributable to:					
Equity holders of the Company	**167,609**	180,844	(16,685)	(16,738)	(16,013)
Non-controlling interests	**5,615**	(166)	(74)	1,387	777
	173,224	180,678	(16,759)	(15,351)	(15,236)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**1,577,790**	868,397	558,586	468,780	494,170
TOTAL LIABILITIES	**(785,714)**	(296,650)	(166,274)	(59,163)	(68,856)
NON-CONTROLLING INTERESTS	**(4,033)**	773	1,274	1,200	2,587
	788,043	572,520	393,586	410,817	427,901